



L'ORÉAL  
AUSTRALIA

# Modern Slavery Statement 2020

L'ORÉAL AUSTRALIA PTY LTD

# Contents

## A STATEMENT FROM MANAGEMENT

### 01 IDENTITY

### 02 STRUCTURE, OPERATIONS AND SUPPLY CHAIN

### 03 SPECIFIC RISKS OF MODERN SLAVERY

### 04 ACTIONS TAKEN TO ADDRESS THE RISKS OF MODERN SLAVERY

### 05 EFFICACY OF OUR ACTIONS

## INTERPRETATIONS

# #1

Beauty Group in Australia

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# 900

Employees

---

# 30

Brands

In this report, L'Oréal S.A. and L'Oréal refers to the global operating entity and global trading name, respectively. All L'Oréal entities globally are ultimately wholly-owned or majority owned subsidiaries of L'Oréal S.A. (France). In this report all L'Oréal entities are referred to collectively as the L'Oréal Group.

L'Oréal Australia Pty Ltd is a wholly owned subsidiary of L'Oréal S.A. (France). In this report L'Oréal Australia Pty Ltd is referred to as L'Oréal Australia.

In spirit of reconciliation L'Oréal Australia acknowledges the Traditional Owners and Custodians of Country throughout Australia and their connections to land, sea and community. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



## A Statement from Management

“Our commitment is twofold: to respect Human Rights throughout our entire value chain, and to make a positive impact in the communities in which we operate. L’Oréal’s partners and suppliers represent a source of innovation, quality and excellence, and it is incredibly important that we are actively working together to make a difference. We all have a role to play.”

**Rodrigo Pizarro**, Managing Director L’Oréal Australia

The L’Oréal Group is committed to fulfilling our responsibility to respect internationally recognised human rights and taking steps to identify and address any actual or adverse impacts in which we may be involved through our own operations or business relationships. We also believe that the L’Oréal Group can contribute to positive human rights impacts by playing our role as a responsible corporate citizen.

The L’Oréal Group has been a signatory of the United Nations Global Compact since 2003, and we support the Fundamental Conventions of the International Labour Organisation (ILO), despite these conventions not having been ratified in all of the countries in which we operate. In particular, the L’Oréal Group wants to help end the exploitation of children in the workplace and the use of forced labour.

The L’Oréal Group has been widely recognised for our responsible business practices, including those related to human rights. We were recognised in 2020, for the 11th time, as one of the “World’s Most Ethical Companies” by the Ethisphere® Institute and joined the UN Global Compact LEAD Group in 2015 that brings together the most committed companies in the area of sustainability.

Nevertheless, we are not complacent. As a group, we are dedicated to being part of the movement that eradicates exploitative practices, once and for all. The L’Oréal Group already has policies and procedures in place which help to address this issue, and in the future, we will work to further strengthen them, and track our progress both globally and here in Australia.

We firmly believe that companies are part of the solution for the issues our world faces at this current moment in time. At L'Oréal, we are committed to respecting internationally recognised human rights by ensuring that we always respect relevant laws and abide by our global Ethical Principles – Integrity, Respect, Courage and Transparency. We recognise that modern slavery is a complex issue, requiring us to invest time and resources, and engage and collaborate with all our partners. L'Oréal Australia is committed to reviewing our policies and practices to ensure we are actively addressing the global risks of modern slavery. We are proud of the steps we have taken to combat modern slavery to date and our ongoing work to continue to improve the

lives and working conditions for vulnerable workers. We will continue to take all steps necessary to identify and address any actual or potential adverse impacts in which our business may be involved, and will share our progress annually through these reports. This statement describes the initiatives implemented by L'Oréal Australia during the reporting period ending 31 December 2020 to assess and address the risks of modern slavery in our business operations and supply chain. This statement has been prepared in accordance with the Modern Slavery Act 2018 (Cth). This statement was approved by the Board of Directors, also referred to as the Management Committee, of L'Oréal Australia on 7 June 2021.



**Rodrigo Pizarro**, Managing Director,  
L'Oréal Australia

7 June 2021

“Ethics is at the heart of L'Oréal, and we are guided by our four Ethical Principles in every area of the business. Integrity, Respect, Transparency and Courage.”

**Effie Gorringer**, Operations & Supply Chain Director  
and Ethics Correspondent L'Oréal Australia

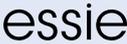
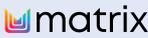
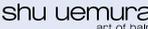


# Reporting Entity

ITEM	DETAILS
REPORTING ENTITY NAME	L'Oréal Australia Pty Ltd (L'Oréal Australia).
TRADING NAME	L'Oréal.
REGISTERED OFFICE	Level 13 564 St Kilda Road Melbourne, Australia, 3004.
ENTITY TYPE	Proprietary company.
ACN	004 191 673.
REGISTRATION STATUS	Registered.
PLACE OF INCORPORATION	Australia.
INDUSTRY	Cosmetics and beauty.
GROUP STRUCTURE	L'Oréal Australia is a wholly owned subsidiary of L'Oréal S.A. (France). All L'Oréal entities globally are ultimately wholly-owned or majority owned subsidiaries of L'Oréal S.A. (France). In this report all L'Oréal entities are referred to collectively as the L'Oréal Group.
OTHER ENTITIES OWNED OR CONTROLLED BY REPORTING ENTITY	None.

## Brands Overview

L'Oréal Australia's brand portfolio are organised by Division, each developing a specific vision of beauty by consumption and distribution channels.

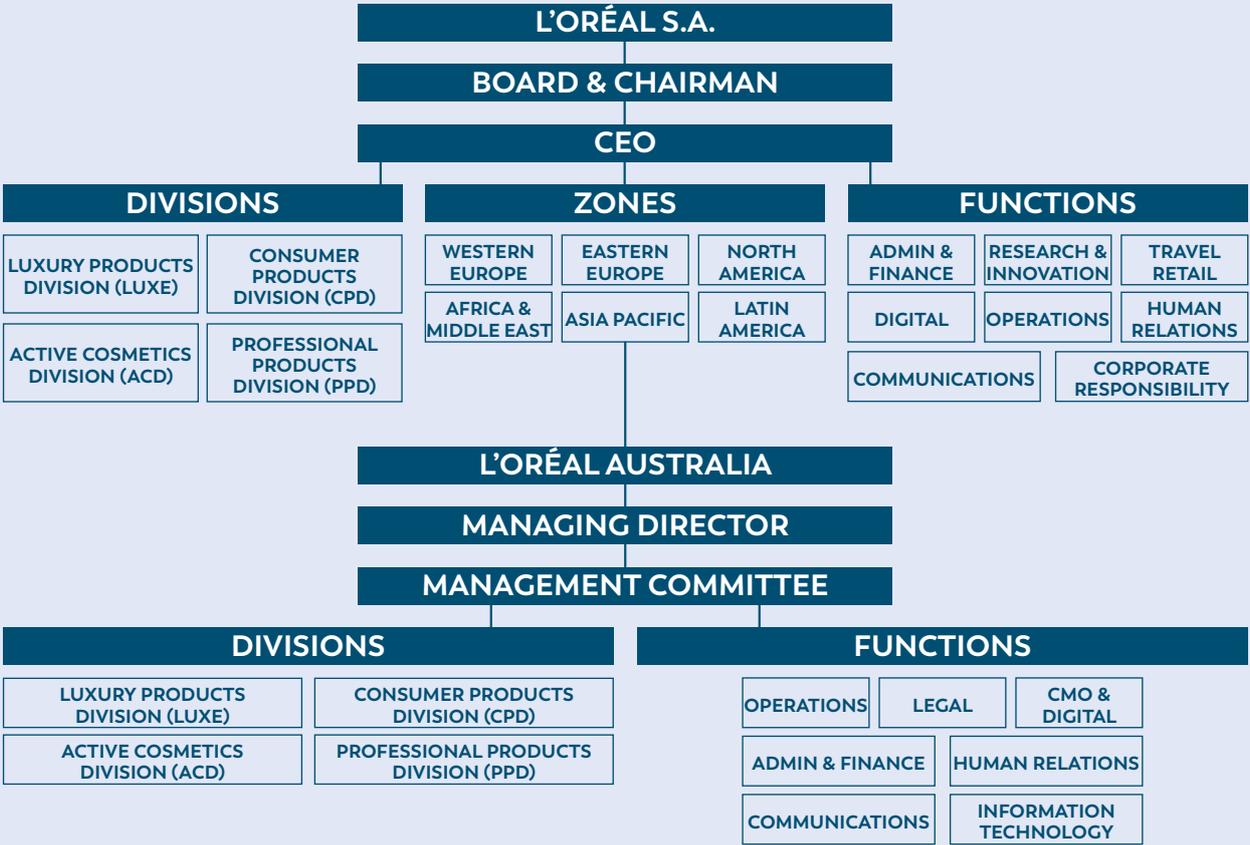
CONSUMER PRODUCTS DIVISION (CPD)	LUXURY PRODUCTS DIVISION (LUXE)	PROFESSIONAL PRODUCTS DIVISION (PPD)	ACTIVE COSMETICS DIVISION (ACD)
    	      	      	  

# Structure, operations and supply chain



# Structure & Governance

L'Oréal, the world's largest beauty company, is head quartered in Clichy, Hauts-de-Seine, France. L'Oréal Australia is a wholly owned subsidiary of L'Oréal S.A. and is part of the L'Oréal Group. The L'Oréal Group operates as a global business, replicated at regional and local levels. The L'Oréal Group's governance structure maintains a cohesive global business based on the strong Ethical Principles. These Principles, Integrity, Respect, Courage and Transparency, form the foundation on which the L'Oréal Group operates at every level.



L'Oréal S.A.'s Senior Vice President and Chief Ethics Officer reports directly to the Chairman and Chief Executive Officer and leads a dedicated team to ensure L'Oréal endeavours to uphold its values and standards as an ethical company. The Chief Ethics Officer, with support from L'Oréal S.A.'s Executive Committee is responsible for ensuring the promotion and integration of best practices within the L'Oréal Group as well as providing guidance in ethical decision making. Further, they are tasked with handling any employee concerns and ensuring employees are trained in relation to ethics. The Chief Ethics Officer has access to all information and documents relating to L'Oréal S.A.'s activities and can call upon all of L'Oréal S.A.'s resources to carry out their mission. In addition, the Chief Ethics Officer is tasked with overseeing respect for human rights within the L'Oréal Group.

Each country has an Ethics Correspondent that supports the different corporate functions and acts as a local point of contact for all ethics related questions from employees. In 2020, the Australian Ethics Correspondent delivered a presentation on Human Rights to the local Management Committee to maintain high levels of awareness of the

topic throughout the business. Employees, as well as all other stakeholders, can also utilise the L'Oréal Speak Up website as a secure mechanism for raising concerns directly with the Chief Ethics Officer.

Also in 2020, L'Oréal S.A. implemented a new Human Rights Correspondent role in each of its subsidiaries. This role will come into effect from January 2021 and each Human Rights Correspondent will be responsible for contributing to solving and reporting on Human Rights related issues or cases within their regions, supporting local management in implementing action plans to address salient human rights issues, coordinate with the Ethics Correspondent, and report to the L'Oréal S.A. team.

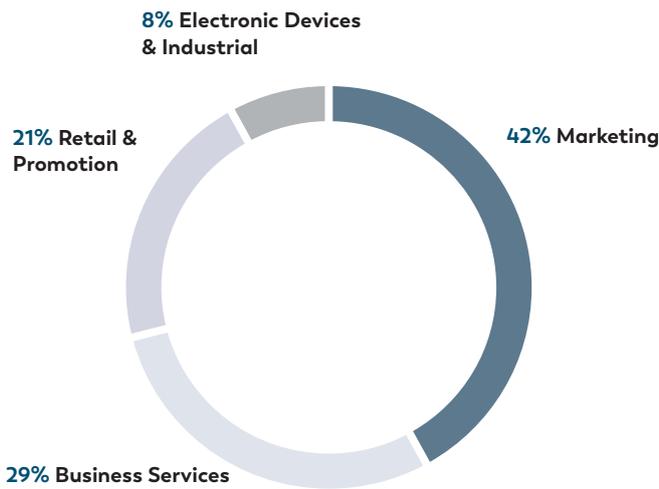
At a local level, the Managing Director oversees the implementation of the L'Oréal human rights policy in their country and the Chief Ethics Officer meets regularly with the Country Managing Director to raise their awareness of human rights issues. The L'Oréal Australia Human Resource teams, the Human Rights Correspondent and Ethics Correspondent are responsible for ensuring that the human rights of employees are respected.

# Operations

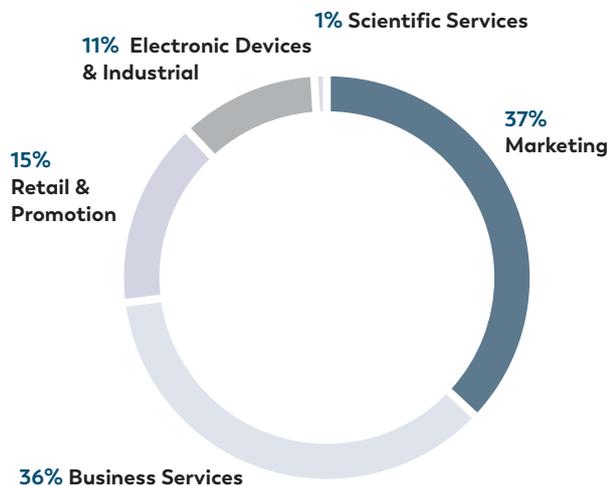
## Integrated production model

The L'Oréal Group operates in 150 countries and employs approximately 85,400 people. The L'Oréal Group has 39 production facilities, 150 distribution centres, 21 research centres, and 16 evaluation centres. L'Oréal Australia benefits from the L'Oréal Group's integrated production model whereby products are produced in factories controlled and managed by L'Oréal S.A. This production is supported by centralised research and development, evaluation centres and raw material procurement functions which are managed by the centralised Operations Division for L'Oréal S.A. in Paris. L'Oréal Australia's operations are therefore focused on the corporate and business functions at its head office in Melbourne, local distribution via its two distribution centres, and training centres in each state and territory in Australia.

## L'Oréal Australia indirect spend



## L'Oréal Global indirect spend



Supply Chain



Manufacturing



Quality



Environment, Health & Safety, Security



Sourcing



Product Development



Packaging Design



Finance, Information Systems, Human Resources, Communications

# L'Oréal Australia Operations

L'Oréal Australia operates a diversified portfolio of 30 beauty brands in Australia, including in cosmetics, hair, fragrance and skincare. L'Oréal Australia distributes beauty products to retailers across all Australian states and territories and operates training salons and two distribution centres. L'Oréal Australia employs over 900 people across the country in various roles and functions, including sales, marketing, operations and management.

## L'Oréal Australia operations and sites



-  Professional Product Academies
-  L'Oréal Australia Pyrmont Office
-  L'Oréal Australia Head Office
-  L'Oréal-run satellite warehouse
-  L'Oréal Distribution Centre

# Supply Chain

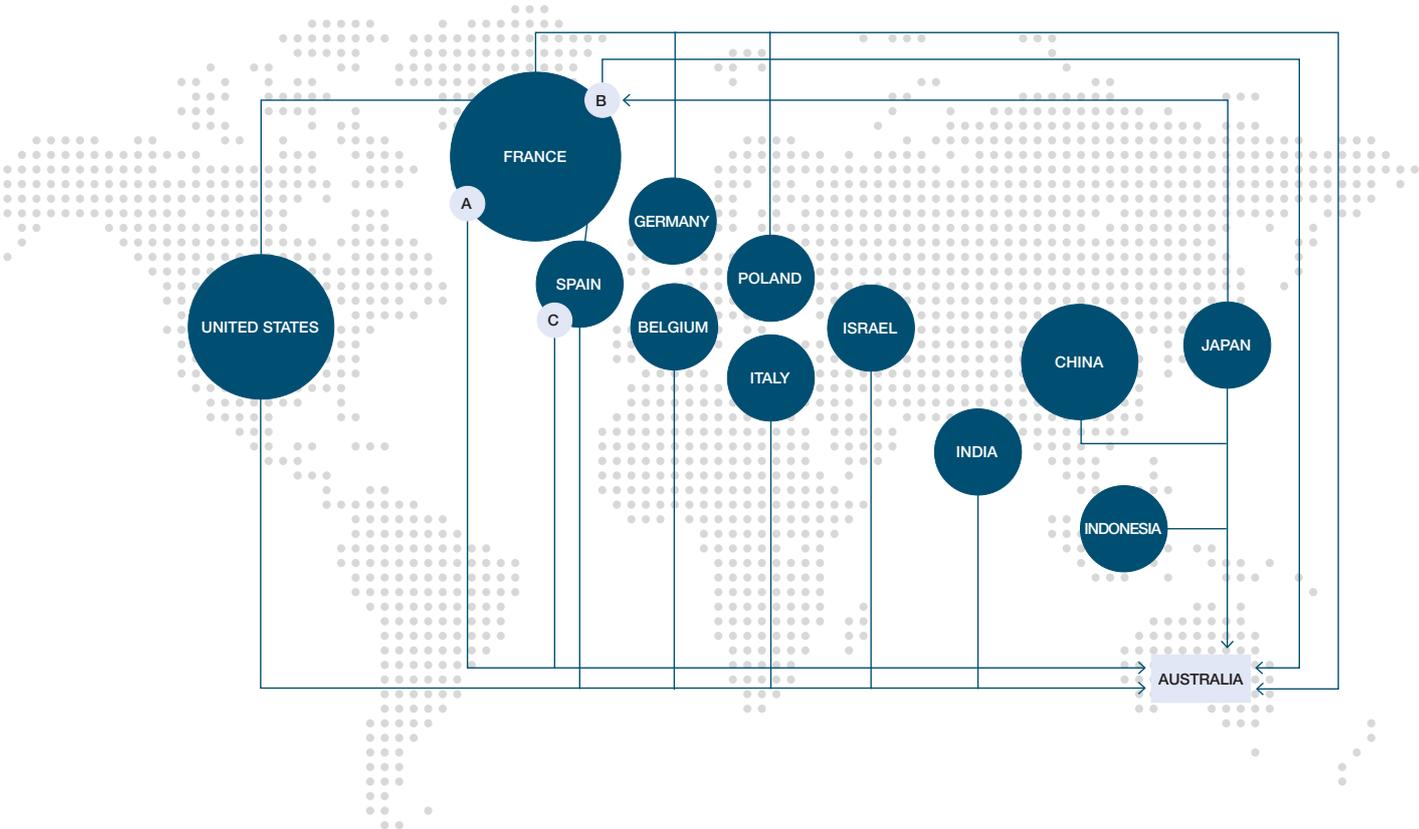
## Integrated production model

The L'Oréal Group operates a global integrated production model through its Group Operations Division to enable product quality, traceability and transparency throughout the entire supply chain. The L'Oréal Group partners with a global network of contract manufacturers which complement its operational footprint. L'Oréal Australia sources products from L'Oréal S.A. factories and contract manufacturers. The Operations Division oversees the entire production chain from raw materials to delivery of end-product for the L'Oréal Group, including L'Oréal Australia.



## L'Oréal Australia's supply chain

Utilising the centralised integrated production model and L'Oréal Group purchasing functions, L'Oréal Australia procures products from 22 L'Oréal factories and 3 L'Oréal buying agencies (all referred to as Tier 1 suppliers).



- **Factories** (Total number of factories = 28)
- **Buying agencies** (Total number of buying agencies = 3)

L'Oréal Australia engages indirect suppliers and service providers in limited circumstances relating to property management, professional services, IT, transport, security, cleaning, catering, marketing, consulting, auditing and other business-related services. L'Oréal Australia's top 67 indirect suppliers account for approximately 80% of its indirect spend (**Key Indirect Suppliers**).

# Specific risks of modern slavery



# Risks Overview

The L'Oréal Group acknowledges the inherent risks of modern slavery associated with many ingredients and geographic regions involved in the production of beauty products. The Group has worked with external auditors to develop a comprehensive risk mapping matrix for the L'Oréal Group Social Audit program, based on geography, industry and factors contributing to the risks of non-compliance with the Applicable Rules, including those relating to risks of modern slavery. The matrix is updated annually according to Verisk-Maplecroft independent assessments of risks.

## **Overall assessment of risks in the L'Oréal Group's operations**

The L'Oréal Group has identified parts of its operations that may be susceptible to the presence of risks of modern slavery, including:

- Within its work force, particularly at the L'Oréal Group's production facilities in certain high risk geographic regions and industries;
- Through sub-contracting by its direct and indirect suppliers; and
- In the supply chains of indirect suppliers who provide products and services to the L'Oréal Group entities, including office supplies, cleaning, catering, transport, waste removal, packaging and security services.

## **Overall assessment of risks in the L'Oréal Group's supply chain**

Drawing on L'Oréal S.A.'s risk mapping matrix, and social responsibility programs within the L'Oréal Group, L'Oréal Australia identified modern slavery risks in its supply chain as outlined below.

Certain raw materials used in L'Oréal products and commonly found in cosmetics, are associated with a higher risk of modern slavery within their production, growing, extraction and supply chain.

High risk ingredients are typically found to be:

- Grown in developing countries on small land holding farms or areas associated with illegal clearing of native forests;
- Extracted, grown or produced in developing countries or regions suffering from weak rule of law, conflict, geopolitical instability, widespread poverty, discrimination of minority groups, and other areas where human rights and workers' rights are not widely protected, and vulnerable workers are vulnerable to abusive labour practices; or
- Produced using hazardous chemicals, labour intensive or low skilled work often carried out in countries with low-cost labour, or by migrant or vulnerable workers susceptible to abusive labour practices.

The L'Oréal Group further recognizes the susceptibility of the global shipping and freight industry to modern slavery risks. International freight contracts are globally managed by the L'Oréal Group. A key initiative for the next reporting period will involve a focus on identifying risks associated with modern slavery across L'Oréal's international freight forwarding. L'Oréal Australia will work closely with the L'Oréal Group to ensure comprehensive modern slavery compliance audits are conducted throughout the business sector and that any risks are addressed.



# Solidarity Sourcing Program

The L'Oréal Group's Solidarity Sourcing program, deployed as part of L'Oréal's Sharing Beauty With All sustainability commitment, not only identifies the risks of modern slavery in the L'Oréal Group's supply chain, but also channels the L'Oréal Group's buying power into specific programs targeted at providing non-exploitative employment, community and business development opportunities where it is most needed.

The Solidarity Sourcing program, established in 2010, directs a proportion of the L'Oréal Group's global purchases to suppliers who give people who are typically excluded from the job market access to work and a sustainable

income. This includes companies that employ people from economically underprivileged communities, firms that may not typically be able to access major international calls for tenders, and micro-enterprises.

The Solidarity Sourcing program is active across all the regions where L'Oréal operates and covers all types of purchases, including raw materials, contract manufacturing and promotional items. In 2020, it enabled 81,138 people from communities facing social or financial challenges to gain access to or retain a job and a decent income.

The full report on Solidarity Sourcing can be found in the

## Mapping of solidarity sourcing projects worldwide top levers



### BRAZIL

- Vulnerable small business
- Vulnerable people
- ISDS vulnerability index & recipients of the Bolsa Familia)

### CHINA

- China disability
- Foundation SDS
- Foundation (CKD)

### FRANCE

- Work integration social enterprises
- Secteur Protégé et Adapte (EA, ESAT)
- Entreprises du Patrimoine Vivant
- Small business



### GERMANY

- Refugees

### INDIA

- Gender scheduled tribes & castes
- Fair sourcing
- India priority zones

### INDONESIA

- Fair sourcing
- KIS card

### MADAGASCAR

- Fair sourcing



### MEXICO

- Poverty priority zones
- Women empowerment
- Single mothers

### NORTH / WEST / EAST AFRICA

- Fair sourcing
- Women empowerment

### SOUTH AFRICA

- Disabled work centre
- Minority empowerment
- B-BBEE Black Economic Empowerment
- WEE Women Economic Empowerment



### SOUTH KOREA

- Senior support

### SPAIN

- Centros Especiales de Empleo (Special Employment Centres)

### UK

- Veterans
- Vulnerable rural and urban zones

### USA

- Distressed and at risk
- Minority empowerment
- Minority-owned business
- LGBT business enterprises
- Veterans Sheltered workshops

# L'Oréal Australia Operations

Solidarity Sourcing focused on at risk raw ingredient



## BRAZIL

- Murumuru
- Pracaxi
- Babassu
- Cupuacu
- White Clay
- Soy Bean

## BURKINA FASO

- Shea

## CHINA

- Honey

## FRANCE

- Aromatic plants oil

## GUATEMALA

- Patchouli

## INDIA

- Guan

## INDONESIA & MALAYSIA

- Palm

## MADAGASCAR

- Centella
- Vanilla

## MEXICO

- Candelilla

## MOROCCO

- Argan
- Calendula
- Olive Oil
- Iris

## THAILAND

- Rice Bran Oil

## TURKEY

- Rose

## VIETNAM

- Galanga





# Ingredient Risks: Inside Our Products & Solidarity Sourcing Program

## Soy Bean

The L'Oréal Group obtains organic soy from agricultural producers in Capanema in Brazil, who use traditional and ancestral multi-crop methods to plant, cultivate and harvest the soy beans organically. By virtue of this Community Fair Trade programme, Capanema farmers obtain fair income from their soy beans and can therefore maintain their traditional lifestyle. This ingredient sourcing initiative is certified by the Round Table of Responsible Soy Association, Bio and Fair For Life, and in 2020, 100% of the soya oil used by L'Oréal was certified sustainable.

## Aloe Vera

In 2019, L'Oréal launched a responsible sourcing program with the NGO Pronatura, and supplier Mexialoe in Mexico in the state of Campêche (Yucatan). The objective was to introduce organic aloe cultivation to small farmers to generate new income and strengthen the role of women in participating households, while conducting awareness campaigns on biodiversity protection.

## Argan

The argan oil L'Oréal use comes from a network of cooperatives in the Targanine economic interest group in Morocco. In 2014, the six cooperatives in this network obtained certifications including Ecocert Organic, Fair for Life and Protected Geographical Indication. In 2008, L'Oréal launched the Sustainable Argan scheme in partnership with the BASF Group, the supplier of argan oil, and the non-governmental organisation Yamana, as a development expert, to optimise the technical-economic, social and governance dimensions of Targanine's network of cooperatives.

## Vanilla

L'Oréal collaborated with a supplier, a local non-governmental organisation and various farming communities in Madagascar to launch a Solidarity Sourcing project for vanilla. The initiative aimed to develop a sustainable, traceable, high-quality supply chain, which respects the integrity of natural ecosystems and contributes to improving quality of life for farming communities living in the protected area of Loky Manambato. In 2018, 154 farmers had benefited from training on responsible farming practices and from fair pay.

L'Oréal are committed to providing consumers with the answers to questions about products and their ingredients. The L'Oréal Group have identified that some ingredients sourced in the L'Oréal value chain may be susceptible to modern slavery risks. The L'Oréal Inside Our Products website spotlights ingredients commonly found in the L'Oréal value chain, and provides information on what they are, where they are sourced, how they work and how they are used in L'Oréal formulas, while the Solidarity Sourcing program supports communities with the ethical sourcing of these ingredients.

For further information about our ingredients, including risk raw materials such as argan oil, coconut, talc and titanium, please visit:

# Case Study – Mica

Mica is a naturally occurring mineral. It is used in pigmented products like powdered foundation to provide opacity and give pigments a pearly, shiny appearance. In India, mica primarily originates from socially and economically challenged regions where there is a risk of child labour, unsafe working conditions, and where the supply chain involves multiple actors, which makes it difficult to completely assess.



Today, 98% of our mica comes from completely verified sources.

L'Oréal S.A. is a founding member of the Responsible Mica Initiative and is committed to ending child labour practices and improving the working conditions of Indian communities whose livelihoods depend on mica. By partnering with stakeholders (industries, non-governmental organisations, etc.) and mica buyers through the RMI, we play an active role in ensuring that the sector is responsible, ethical and protects children. We support the livelihoods of local Indian communities by securing the supply chain. By continuing to source mica in India via a transparent and traceable supply chain, we encourage to foster economic development and improve the living conditions of workers in India.

## Facts:

- The L'Oréal Group committed to remaining in India and ensuring the traceability and transparency of 100% of the mica it sources. This decision was based on the belief that discontinuing the use of Indian mica would further weaken the situation in the region and remove a source of income from communities with limited other prospects for generating income. In addition, local non-governmental organisations and expert organisations are supportive of efforts made to secure the mica supply chain and thus improve the living and working conditions in the region.
- We play an active role in collective actions such as the Responsible Mica Initiative (RMI)\* to ensure the responsible sourcing of Indian mica. The RMI is an initiative to eradicate child labour and unacceptable working conditions in the Indian mica supply chain by joining forces across industries with support of local non-governmental organisations.
- As a signatory of the [UN Guiding Principles on Business and Human Rights](#), we are committed to respecting and promoting human rights throughout our supply chain. This commitment is one of the pillars of our [Human Rights Policy](#).

# Case Study – Shea

Shea is the central component of a sustainable supply chain the L'Oréal Group has established in Burkina Faso. This chain also involves two complementary providers, a fair-trade company and one of the world's largest Shea butter producers.



## A threefold objective

Shea butter, well-known as a moisturiser and softener, is an ingredient found in 1,200 health, beauty and cosmetic products from the L'Oréal Group. It ranks among the 10 botanic raw materials most used by the L'Oréal Group. As part of its Solidarity Sourcing plan, the L'Oréal Group introduced a sustainable sourcing program for Shea butter in partnership with communities in Burkina Faso. This West African country, where a third of the human population lives below the poverty line, has one of the largest Shea tree populations in the world.

The L'Oréal program has three objectives: to provide a fair, direct income, with no middlemen, to these Shea-nut gatherers; to create value locally through training on best practices in collecting and processing; and to protect the environment through the preservation of Shea trees.



## A partnership with our suppliers

L'Oréal has partnered with Olvéa Burkina Faso as a means of implementing this program. Since its founding, this French company has produced Shea butter in accordance with Ethical BioTrade standards. This approach ensures that the gatherers who have joined forces in cooperatives are given commercial opportunities, fair and transparent compensation and the capacities needed to improve Shea nut quality. L'Oréal S.A. also partners with Swedish company AAK, the leading global provider of Shea-derived ingredients, as part of this commitment. AAK, understanding the importance of a responsible supply chain in improving supply quality and safety, has revised its purchasing processes, signing contracts with producer cooperatives, setting above-market prices and establishing collection protocols to protect resources.



## Risk where we do not have visibility

As with all of L'Oréal's social and human rights objectives, combating modern slavery requires a long-term commitment to continuous improvement. The L'Oréal Group's social and human rights achievements, most recently through its Sharing Beauty With All program, have focused on the geographies and materials associated with the highest risks of modern slavery and exploitation of workers. L'Oréal Australia has therefore focused its initial actions on identifying and addressing gaps in its own operations. Looking ahead L'Oréal Australia will focus on improving transparency and visibility regarding the supply chains of its indirect suppliers and expanding its influence in the Asia Pacific region particularly via participation in the UN Global Compact Australia and through the L'Oréal Group's new L'Oréal for the Future program.

# Actions taken to address the risks of modern slavery



# Actions

## Overview of our approach to addressing the risks of modern slavery

In 2013, L'Oréal S.A. committed to transforming its human rights and sustainability performance and setting tangible goals to be achieved by the end of 2020, under the Sharing Beauty With All sustainability program.

The Sharing Beauty With All program and the L'Oréal Group's commitment to the elimination of forced labour, child labour and other forms of modern slavery is supported by sophisticated corporate governance structures, policies and procedures which have been a L'Oréal Group focus for almost two decades. This approach has enabled the L'Oréal Group to contribute to 15 of the 17 United Nations Sustainable Development Goals.

However, sustainable development and elimination of modern slavery is an ongoing process. It requires robust and transparent efforts to identify the inherent risks within the L'Oréal Group's operations and supply chains and an ongoing commitment and accountability to ensure the L'Oréal Group's continuous improvement.

Principles 16-20 of the UN Guiding Principles on Business and Human Rights promote mechanisms of policy-making, due diligence, tracking and public accountability.

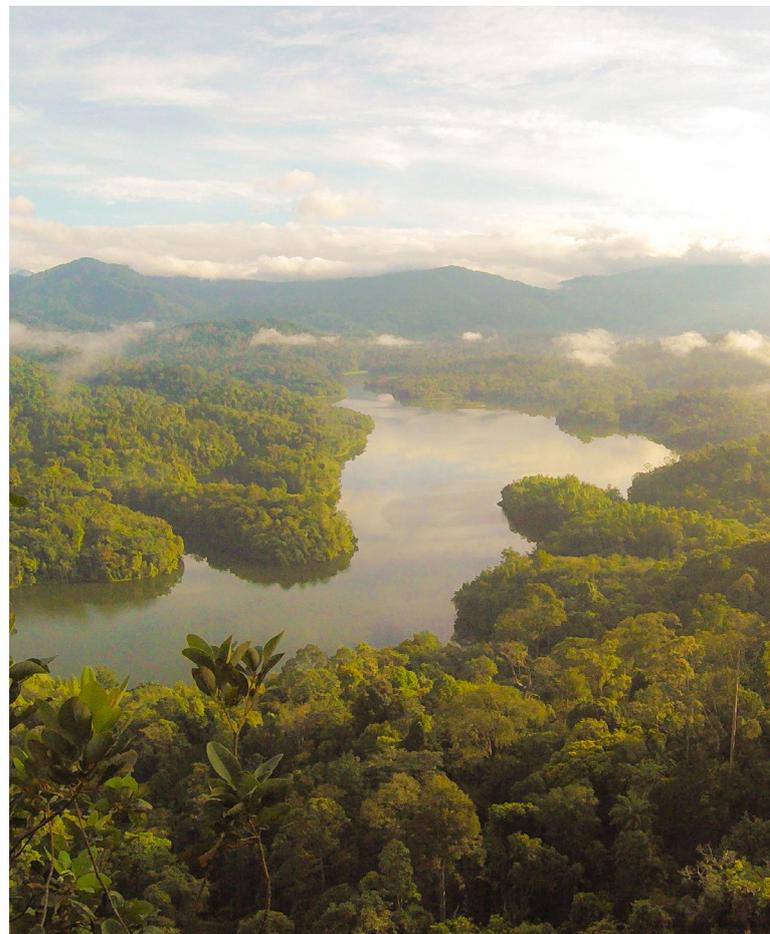
**Following this principle, L'Oréal S.A. has developed a range of mechanisms to support its ambitious achievements in improving its social, environmental, ethics and human rights performance, including:**

- Strong and cohesive governance structures and policies implemented at group, zone, region, country and division and function levels.
- Comprehensive corporate policies.
- Ambitious social responsibility goals and transparent reporting on achievements for public accountability.
- A process for procuring ethical commitments from suppliers.
- Thorough supplier screening and ongoing auditing procedures including remediation and continuous improvement processes.
- Formal and informal employee ethics feedback mechanisms and programs to foster genuine employee engagement with, and respect for the L'Oréal Code of Ethics and social responsibility goals.
- Whistle-blower mechanism and public reporting.
- Transparent, comprehensive and best practice reporting processes.
- Global partnerships and engagement with NGOs and other international benchmarking organisations.

- Business practices that engender trust and provide business continuity for direct and indirect suppliers which in turn encourages better employment conditions and encourages a trickle-down effect within the entire supply chain.

These mechanisms, and L'Oréal S.A.'s ongoing commitment to its social and human rights goals and UN Global Compact obligations provided the solid foundation on which L'Oréal Australia has taken action to address the risks of modern slavery.

In 2020 L'Oréal Australia convened a cross-functional Modern Slavery Committee to develop the company's first Modern Slavery Statement. In assessing and addressing the risks of modern slavery in L'Oréal Australia's operations and supply chain, the Modern Slavery Committee has had the benefit of these mechanisms implemented at a L'Oréal Group and local level. Further actions to assess and address the risks of modern slavery were carried out by L'Oréal Australia in conjunction with the already comprehensive L'Oréal S.A. directives for addressing human rights and social responsibility issues.



# Rules to mitigate risks of modern slavery

L'Oréal S.A. has outlined the rules relating to potential human rights abuses in the L'Oréal 2020 Universal Registration Document. All subsidiaries (including L'Oréal Australia) and all suppliers (including those based in Australia and / or supplying to L'Oréal Australia) must comply with the following minimum common core rules.

## Elimination of forced or compulsory labour:

L'Oréal S.A. refers to the definition of forced and compulsory labour as outlined in Convention no.29 of the ILO. Forced and compulsory labour is defined as 'all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.' All forms of forced labour carried out under physical constraint or threat is prohibited.

### Consequently:

- Security personnel must only ensure the safety of persons and property.
- Unless there is a legal obligation, employees' identity papers, passports or any other personal documents cannot be retained from them. In the event of a legal obligation, the documents must be returned to the employee at their first request.
- Recourse to prison labour is possible when it is voluntary, within the scope of a professional reinsertion program, and paid at the market rate. Suppliers must request authorisation from L'Oréal S.A. before they have recourse to this type of labour.

## Abolition of child labour:

L'Oréal S.A. has chosen to set a compulsory minimum hiring age of 16 for all staff; a minimum age which is higher than that required by Conventions no.138 and 182 of the ILO. All L'Oréal S.A. subsidiaries and suppliers are required to check the age of all new employees upon hire. L'Oréal S.A. prohibits the use of night-time work and hazardous work to employees under 18 and asks its suppliers to do the same.



## Freedom of association:

The employees right to freedom of association and collective bargaining must be respected. Employee representatives must be elected without employer interference and be provided access to the work premises subject to safety and/or confidentiality requirements.

Employees involved in union activities may not be discriminated against. In countries where freedom of association and the right to collective bargaining are limited or forbidden, L'Oréal S.A. encourages the development of other forms of expression and dialogue with employees to enable them to express their concerns.

At L'Oréal S.A., any salary deduction must be authorised by law. A salary deduction cannot in any circumstances be used for the purposes of confiscation, or for the direct or indirect benefit of the employer. In addition, employees cannot be asked to pay for recruitment costs or to make cash deposits to obtain employment.

There are also detailed rules for non-discrimination, working hours and sexual / moral harassment. Further details can be found in the

“At L’Oréal our sense of purpose is to Create the Beauty that Moves the World, and Beauty simply cannot exist without respect for everyone’s rights. We are aware that we cannot tackle this important issue alone, as we are part of many communities around the world. We also know that when it comes to our stakeholders, we need to listen to those who may

be affected. Our Human Rights partnerships help us to reinforce our efforts and to always go further.”



**Christine Burke**, Communications Director, L’Oréal Australia Human Rights Correspondent

**Discover the L’Oréal S.A. Human Rights Partnerships**

	<p><b>DANISH INSTITUTE FOR HUMAN RIGHTS</b></p>	<p>In 2019, L’Oréal signed a partnership with the Danish Institute for Human Rights (DIHR), the independent national Human Rights institution of Denmark, which has a 20-year track record of working with multinational companies on all aspects of Human Rights due diligence. The DIHR completed a gap analysis to identify areas for improvement in L’Oréal’s Human Rights program. The aim is to draw from the DIHR’s widely recognised expertise and insight to strengthen L’Oréal Group’s initiative.</p>
	<p><b>FAIR WAGE NETWORK</b></p>	<p>L’Oréal also works with the Fair Wage Network. This NGO will provide the L’Oréal Group with a comprehensive and up-to-date database that can be used to define, build and deploy a living wage strategy throughout our operations, for L’Oréal employees and suppliers. Ensuring a living wage means paying workers enough to provide food, housing and basic needs for themselves and their dependants regardless of the country where they work.</p>
	<p><b>SHIFT</b></p>	<p>In 2020, L’Oréal began participation in Shift’s Business Learning Program. Shift is the leading centre of expertise on the UN Guiding Principles on Business and Human Rights, chaired by Professor John Ruggie. Shift is helping L’Oréal to identify and address its most important Human Rights issues.</p>
	<p><b>OPEN FOR BUSINESS</b></p>	<p>L’Oréal is a member of Open for Business, a coalition of global businesses that aims to advance LGBTQIA+ rights globally and to create a global consensus that LGBTQIA+ inclusion is an economic and business issue. This helps build momentum for LGBTQIA+ rights around the world and gives support to businesses operating in markets where these issues are especially urgent.</p>

# Policies addressing the risks of modern slavery

The L'Oréal Group's ethical responsibilities, commitments and expectations are articulated in company policies in accordance with Principle 16 of the UN Guiding Principles on Business and Human Rights.

In addition to the L'Oréal Code of Ethics, L'Oréal S.A. has several ethics related policies and processes. This policy architecture supports the work to identify, mitigate and

remediate situations of modern slavery. A foundational process is the social audit program, which provides a way of assessing and tracking risk. Social audits give us a helpful insight and snapshot of the risks and inform remediation actions taken by the L'Oréal Group and its suppliers.

A snapshot of the key policies relating to human rights and modern slavery is shown below.

POLICY / DOCUMENT	DETAILS
	<p>The L'Oréal Spirit is a public commitment made by L'Oréal, its senior management and all of its employees, to act ethically and responsibly. The commitments include a group-wide commitment towards the abolition of child labour and forced labour and to actively seek out and favour business partners who share our ethical standards.</p>
	<p>The L'Oréal Code of Ethics sets out L'Oréal's core ethical principles and complements the L'Oréal Spirit. All employees and directors are expected to uphold the principles. In particular, the Code of Ethics specifically prohibits child labour and forced labour and provides protection for young workers. The Code provides guidance on ensuring all suppliers understand and respect L'Oréal's ethical expectations.</p>
	<p>The 2020 Vigilance Plan sets out the Applicable Rules that L'Oréal S.A. applies to prevent the risk of serious adverse impacts on human rights and fundamental freedoms, health and safety and the environment, resulting from the activities of L'Oréal subsidiaries and suppliers with which the L'Oréal Group has a direct, ongoing and stable commercial relationship. It includes reasonable measures for the effective application of the Applicable Rules by all L'Oréal S.A. subsidiaries, including L'Oréal Australia, and suppliers as well as regular assessment procedures to ensure compliance by those entities. The Vigilance Plan is updated and presented annually to the Audit Committee of the L'Oréal Board of Directors. The report is published as part of the and is made publicly available annually.</p>
	<p>Since 2013, L'Oréal has set itself concrete targets covering its impacts, throughout the value chain, from product design to sourcing ingredients, the production process and distribution. L'Oréal S.A. measures its progress in quantitative terms every year and publishes its results in the Sharing Beauty With All Progress Report. The official 2013 – 2020 Sharing Beauty With All Closing Report is now available. L'Oréal engages in ongoing discussions with its stakeholders to share its sustainable development strategy and work on joint projects as part of a continuous improvement approach.</p>
	<p>In 2020, L'Oréal launched its new sustainability program 'L'Oréal for the Future', laying down the L'Oréal Group's latest set of ambitions for 2030. In the context of growing environmental and social challenges, L'Oréal is accelerating its transformation towards a model respecting planetary boundaries and reinforcing its commitments to both sustainability, human rights and inclusion, by setting 'Science Based Targets' as part of the initiative between CDP, UN Global Compact, WRI and WWF. L'Oréal S.A. will measure its progress in quantitative terms every year and publish its results in the L'Oréal for the Future Progress Report from 2022.</p>

The purpose of the Speak Up policy is to provide guidance to employees and other stakeholders on how to make a whistle blowing report. It also sets out the procedure L'Oréal will follow when dealing with such reports.

The L'Oréal Code of Business Ethics sets out expectations of suppliers and subcontractors with regards to prevention and management of child labour. This was introduced in 2010 and continues to be central to the Code of Business Ethics. Compliance is primarily monitored through the Social Audit process.

This policy provides internal guidance on the L'Oréal Group's ethical purchasing standards and procedures for dealing with suppliers. This document was introduced in 2011 to assist employees to implement our Code of Business Ethics when making purchasing decisions on behalf of L'Oréal S.A. and its subsidiaries.

**The Human Rights Policy sets out L'Oréal's commitment to promoting internationally recognised human rights standards, including:**

1. Universal Declaration of Human Rights;
2. United Nations Guiding Principles on Business and Human Rights
3. ILO Core Conventions that address child labour, forced labour, non-discrimination and the right to freedom of association and collective bargaining.

The Employee Human Rights policy builds upon L'Oréal's Human Rights Policy to promote human rights standards within L'Oréal operations. Setting an example to suppliers starts from within, by assuring universal social standards are set for the people who make up L'Oréal. This policy was launched in 2020 and has been developed with input from internal and external stakeholders, including the Danish Institute for Human Rights, Fair Wage Network and the United Nations.



## Continuous improvement and social audit of suppliers

Integral to building trust and supporting their suppliers, the L'Oréal Group endeavour to provide fair and timely payment terms and avoid leveraging their buying power in a way that burdens suppliers with cash flow issues. L'Oréal's standard payment terms are typically 30 days with flexibility to reduce this period depending on the industry and size of the supplier's business.

The L'Oréal Group's social audit program is mandatory for suppliers in the activity domains and countries defined

as high risk as set out in the risk mapping matrix detailed below. L'Oréal S.A. use the Verisk-Maplecroft indexes to determine high risk countries. Social audits are carried out by a specialised, independent auditing firm in the local language.

L'Oréal Australia undertook additional social audits in this reporting year to cover its Key Indirect Suppliers, notwithstanding these indirect suppliers are determined to be low risk based in the L'Oréal Group risk mapping.



## Engagement with suppliers

Key Indirect Suppliers are typically engaged on a long-term basis, which enhances L'Oréal Australia's supplier and provider relationships, builds trust and enables direct influence of the standards for workers in those entities through training and providing assurance of business continuity.

Integral to building trust and supporting their suppliers, the L'Oréal Group endeavour to provide fair and timely payment terms and avoid leveraging their buying power in a way that burdens suppliers with cash flow issues. L'Oréal extends flexible payment terms to its suppliers depending on the industry and size of the supplier's business.

## Selection of suppliers

L'Oréal does business with integrity. The L'Oréal Group is proud of its strong and lasting relationships with suppliers, built from respect, shared values and continuous improvement.

The L'Oréal Group seeks out suppliers with shared values and ethical commitments. These ethical standards are reflected in the Applicable Rules of the L'Oréal 2020 Vigilance Plan. Each Strategic Supplier is contractually committed to comply with the Applicable Rules. At a local level, suppliers are required to commit to L'Oréal Australia's ethical standards by signing its General Terms of Purchase, Ethical Commitment Letter and Supplier Integrity Letter, and agreeing to be subjected to the social audit process.



## Ethical Commitment Letter

The L'Oréal Group due diligence processes commence at the outset of their relationship with suppliers through the Ethical Commitment Letter. The Ethical Commitment Letter sets out L'Oréal S.A.'s expectations for suppliers and must be agreed to before any business may proceed, **including:**

- All applicable national laws and legal requirements.
- Standards in line with the International Labor Organization (ILO)<sup>®</sup> Fundamental Conventions on Forced Labour, Child Labour, Equality and Freedom of Association.
- L'Oréal's standards on Child Labour and Working Hours.

These standards are collectively referred to as the Applicable Rules.

By signing the Ethical Commitment Letter, suppliers agree to be audited and comply with the Applicable Rules. The ECL and the Applicable Rules also apply to all entities in the L'Oréal Group (ie all entities owned or controlled by L'Oréal S.A. and its subsidiaries).

## Audits

In accordance with the Ethical Commitment Letter, suppliers agree to undergo L'Oréal initiated independent social audits which include investigation into compliance with the Applicable Rules and specifically child labour, forced labour and employment conditions, amongst other issues, including discrimination, harassment and free association.

The audit process includes visits to the facility, workshops, offices, on-site accommodation as well as interviews with employees. Suppliers are given notice that the audit will be conducted sometime within a two-week period.

Suppliers subject to mandatory social audits include all Tier 1 suppliers located in regions and / or industry sectors classified as high risk according to the L'Oréal Group's risk mapping matrix. High risk classifications are updated annually according to independent assessments by Verisk-Maplecroft.

# Matrix that triggers supplier audits according to risk mapping

BUSINESS SECTOR	DESCRIPTION OF BUSINESS SECTOR	TYPE OF COUNTRY	SUPPLIERS AUDITED
<b>RAW MATERIALS</b>	Suppliers of ingredients used to produce cosmetics in L'Oréal S.A. plants	Countries classified as "high risk"	Class A and B Suppliers (1)
<b>PACKAGING</b>	Suppliers of packaging used for production in L'Oréal S.A. plants	Countries classified as "high risk"	100% of Suppliers
<b>SUB CONTRACTORS</b>	Suppliers producing cosmetic s for L'Oréal S.A. (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 reached, additional audits are no longer necessary
		Countries classified as "high risk"	100% of subcontractors
<b>DERMO-COSMETIC DEVICES</b>	Suppliers of equipment & electronics (La Roche-Posay, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
<b>INDUSTRIAL EQUIPMENT</b>	Suppliers of industrial equipment (manufacturing tanks, filling machines, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
<b>PROMOTIONAL ITEMS</b>	Suppliers of promotional items (bags, etc)	Countries classified as "high risk"	100% of Supplier Production Sites
<b>ITEMS INTENDED FOR POINTS OF SALE</b>	Suppliers of items intended for the presentation of products at points-of-sale	Countries classified as "high risk"	100% of Supplier Production Sites
<b>SERVICES INTENDED FOR POINTS-OF-SALE</b>	Architects, general contractors, maintenance	n/a	n/a
<b>CO-PACKING</b>	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), additional audits are no longer necessary)
		Countries classified as "high risk"	100% of Supplier Production Sites
<b>LOGISTICS SERVICE PROVIDERS (EXCLUDING TRANSPORT)</b>	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 reached, additional audits are no longer necessary)
		Countries classified as "high risk"	100% of Supplier production Sites

# L'Oréal Social Audit Program

## Overview of the L'Oréal Social Audit Program

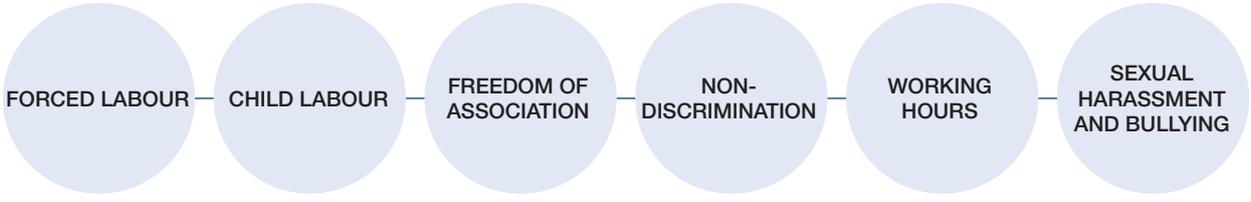
The Social Audit Program, as conducted by the L'Oréal Group, sets out processes for audits, reporting, classification of risks, preparation of corrective action plans, follow up and closing out of issues. L'Oréal Australia benefits from the Social Audit Program and supplier selection processes. In accordance with that program, 100% of the L'Oréal Group's Strategic Suppliers are contractually committed to comply with the Applicable Rules.

As part of the L'Oréal Group's Social Audit Program, 1,268 on-site audits of suppliers were conducted in 2020, as part of regular audits and ad hoc audits following whistle-blower

reports (45 ad hoc audits in 2020). Thus, 96% of supplier production sites requiring audits were audited at least once.

There were two audits conducted within L'Oréal Group owned plants and distribution centres, covering all the Applicable Rules on human rights, in which no non-compliances were identified.

L'Oréal Australia relies on the comprehensive audit program of the L'Oréal Group. **The Social Audit Program assessed the following practices that constitute modern slavery:**



For cases of non-compliance identified, corrective measures were implemented by L'Oréal S.A. A measure implemented by L'Oréal S.A., in addressing forced labour, ensures that suppliers return identity documents and update employee contracts. Follow up audits have also been scheduled to determine the effectiveness of corrective measures.

For a more detailed description of the Social Audit Program, refer to the



# L'Oréal Social Audit Program

## Overview of the L'Oréal Social Audit Program

### L'Oréal Australia – additional auditing of direct suppliers

L'Oréal Australia procures products from 22 L'Oréal factories and three L'Oréal procurement agencies (all Tier 1 suppliers for the purpose of the Social Audit Program).

In this reporting year L'Oréal Australia undertook an independent review of the social audits reports applicable to L'Oréal entities which are its direct suppliers. The reports reviewed indicated a good understanding of the ECL and L'Oréal Ethical standards, and no risks of modern slavery were identified within the operations of those entities. There were instances of minor non-compliances which were assessed as 'needs immediate action' or 'needs continuous improvement' in the audit report and addressed in corrective action plan reports.

### L'Oréal Australia – additional auditing of indirect suppliers

During the reporting period, L'Oréal Australia procured products and services from 67 Key Indirect Suppliers (top 80% of L'Oréal Australia's indirect spend). These Key Indirect Suppliers are all subject to L'Oréal's standard supplier screening and selection processes and must agree to the General Terms of Purchase, Ethical Commitment Letter and Supplier Integrity Letter.

In 2020, as part of its modern slavery program, L'Oréal Australia undertook an additional social audit program which covered Key Indirect Suppliers excluded from the L'Oréal Group's social audit program based on the risk mapping matrix.

L'Oréal Australia engaged an external auditor to conduct 39 audits of its Key Indirect Suppliers against the L'Oréal Group's social audit program criteria, and identified nine suppliers who required continuous improvement and had instances of non-compliance to its social audit criteria. With regard to the Applicable Rules and the social audit criteria, no critical risks of modern slavery were identified. If non-compliance is discovered in its operations or supply chain, L'Oréal Australia has implemented processes and procedures to work with suppliers and address any issues. If cases of non-compliance cannot be resolved, L'Oréal Australia will actively take steps to disengage non-compliant suppliers.





# Addressing the impacts of COVID-19

The L'Oréal Group recognises that the COVID-19 pandemic continues to present a unique challenge in identifying and addressing the heightened risks of modern slavery. In considering the importance of supporting suppliers and protecting workers through times of uncertainty, L'Oréal Australia has persisted in taking action to mitigate the effects of COVID-19 in its operations and supply chains.



## L'Oréal Australia operations

In its local operations, L'Oréal Australia deployed and ensured the highest level of safety through implementation of strong COVID-19 protocols. L'Oréal Australia has sought to protect its employees from the direct impacts of COVID-19 by supplying personal protective equipment such as face masks, gloves, hand sanitiser and temperature checks in its offices. Where COVID-safe policies instruct employees not to physically attend the offices, working from home capabilities are facilitated through the provision of hardware and software to employees. **Further initiatives include:**

- Implementation of COVID-safe policies and procedures and procurement of up-to-date health advice to identify whether employees may be susceptible to COVID-19 risks and remediation to assist.
- Facilitation of working from home capabilities through the provision of hardware and software to employees.
- Extended payment terms for business partners to assist with cash flow.
- COVID-safe procedures for external visitors and suppliers to offices.

## L'Oréal Australia supply chain

During the COVID-19 pandemic, it has been L'Oréal Australia's priority to continue to support and maintain its relationships with suppliers. In line with its modern slavery initiatives, L'Oréal Australia continues to perform its obligations under existing supplier agreements primarily by importing finished goods from regions across the globe and complying with payment terms, by committing to prompt payments and ensuring outstanding payments are settled as soon as possible.

In recognising that the impacts of COVID-19 have the potential to increase modern slavery risks for workers, L'Oréal Australia has remained mindful of the pressures faced by suppliers to deliver outcomes and have acted to assist where possible.

L'Oréal Australia maintains open communication with several of its suppliers to discuss steps taken to protect their workers from COVID-19. Further, as is L'Oréal's Australia's standard practice, enquiries are made with suppliers as to whether increases or changes in orders require additional resources. In cases where additional resources are required, such as additional workers or workspace, L'Oréal Australia supplies remuneration and resources as necessary. L'Oréal's Australia also provides for increased opportunities of work through its Solidarity Sourcing program to enable continuance of work.

Future initiatives have been put in place to educate and inform suppliers globally of modern slavery risks linked to the impacts of COVID-19.

# Addressing risks within our operations – raising awareness and engagement

L'Oréal Australia must comply with the Applicable Rules in order to prevent the risk of serious adverse impacts on human rights, fundamental freedoms, health, safety of people and the environment. In addition, all new L'Oréal Group employees must receive a copy of the Code of Ethics and confirm they have read it. Employees are reminded of the Code of Ethics and its contents on a regular basis. All employees in contact with suppliers receive 'The Way We Buy' guide, explaining the ethical standards that we apply to supplier relations.

An annual Ethics Day has been organised since 2009. This day enables employees to discuss matters such as respect for human rights and fundamental freedoms via a webchat with L'Oréal's Chairman and Chief Executive Officer and the other members of the Executive Committee. Discussions on ethics are also organised within L'Oréal Australia enabling employees to engage with L'Oréal Australia's Managing Director and Management Committee.

In 2020, the Ethics Day participation was close to 70% and over 8,900 questions were asked.

On 10 December 2020, to celebrate the UN International Human Rights Day, the L'Oréal Group launched a training campaign on human rights for the second consecutive year to increase employee awareness on this issue. On this occasion, the Chairman and Chief Executive Officer addressed all employees and restated the importance of the L'Oréal Group's commitment. This campaign is intended to strengthen the L'Oréal Group's human rights culture, and highlights the specific advances made on these issues. This campaign illustrates how Human Rights and Fundamental Freedoms are incorporated into business practices of the L'Oréal Group's various functional units and it offers employees a participatory platform.

With respect to suppliers, in addition to the communication of Applicable Rules via the Ethical Commitment Letters, a website has been provided to Strategic Suppliers (Tier 1 Suppliers as defined in section 3.4.5.2. of the 2020 Universal Registration Document) of raw materials, packaging and subcontractors of finished products. **The site contains the following documents:**

- Code of Ethics; and
- L'Oréal's policy on suppliers / subcontractors and child labour.



# Addressing risks within our operations – raising awareness and engagement

## Training

The L'Oréal Group provides a range of internal training courses for all employees around ethical behaviour and ethical purchasing. An ethics intranet site is available to all employees.

A compulsory ethics e-learning course that covers human rights has been a mandatory part of induction for all employees globally since 2014. There is also a compulsory training module on responsible purchasing practices for all new purchasing staff. In 2020, 59 newly recruited purchasers in the L'Oréal Group received in-depth training in responsible purchases.

Finally, 94% of countries within the L'Oréal Group include subjects related to human rights in their local training programs. Externally, the L'Oréal Group provides guidance and support through an audit pro-forma for the organisations that conduct our social audits. L'Oréal also holds supplier training sessions as part of our 'Buy & Care' program, which includes content around human rights.

Annual awareness campaigns across the L'Oréal Group include a Human Rights Campaign, Ethics Week, L'Oréal for the Future program and Ethics Webchat.

## Remediation mechanisms

The L'Oréal Group has enacted a sophisticated procedure to respond to the outcomes of social audits, which is documented in the Social Audit Program and implemented by L'Oréal Australia. The response procedure is triggered by a non-compliance finding and can include terminating a business arrangement when necessary.

Where possible, the L'Oréal Group prefers to undergo a collaborative remediation process by developing a corrective action plan with a supplier who has failed to meet the required commitment, and conducting follow up audits to verify its improvement.

## Responding to grievances

L'Oréal Australia provides formal grievance and whistle-blower reporting mechanisms that enable employees and other stakeholders to raise issues of suspected human rights breaches.

In accordance with any grievance or whistle-blower claim is immediately escalated, investigated and addressed through appropriate action which may **include**:

- Providing support and assistance to afflicted individuals to remedy the breach.
- Improving our processes to prevent recurrence.

## Public commitment to the elimination of modern slavery

Pursuant to Principle 21 of the UN Guiding Principles on Business and Human Rights, the L'Oréal Group employs a transparent approach to public reporting on modern slavery and human rights issues.

For just under 2 decades, the L'Oréal Group has been a signatory to the United Nations Global Compact. The UN Global Compact encourages the implementation of human rights and labour rights, amongst others, into business activities.

The L'Oréal Group publicly reported on the status of implementation through the United Nations Global Compact Communication on Progress 2017.

In 2020, L'Oréal Australia has also secured membership with the Global Compact Network Australia, the Australian business-led network of the UN Global Compact. While this membership officially commenced on 1 January 2021, L'Oréal Australia undertook preliminary activities in 2020 as an incoming member, including participating in a modern slavery community and practice meeting.

# Looking ahead

With the conclusion of L'Oréal's Sharing Beauty With All program and the achievement of its goals by the end of 2020, the L'Oréal Group's focus in 2021 will turn to the more radical approach of L'Oréal for the Future. Under this program the L'Oréal Group will continue its Solidarity Sourcing projects, aimed at uplifting and raising the opportunities and living standards through projects engaging vulnerable and at-risk groups within the L'Oréal Group's supply chain.

Central to the L'Oréal for the Future program, is the goal to ensure a living wage (not just minimum wage) for all Strategic Suppliers' employees by 2030. To support this aim L'Oréal S.A. signed a partnership with the Danish Institute for Human Rights (DIHR), an independent national Human Rights institution of Denmark. This partnership has enabled L'Oréal S.A. to draw from the DIHR's widely recognised expertise and insight to strengthen the L'Oréal Group's initiative and inform the L'Oréal Group's approach to developing its L'Oréal for the Future program towards 2030. The L'Oréal Group also works with the Fair Wage Network. This non-governmental organisation will provide the L'Oréal Group with a comprehensive and up-to-date database that can be used to define, build and deploy a living wage strategy throughout its operations, for employees of the L'Oréal Group and its suppliers. Ensuring a living wage means providing workers and their dependants with sufficient revenue, covering their basic needs, regardless of the country where they work.

With the introduction of new programs, strategies and ambitions, engagement of the L'Oréal Group's employees and stakeholders is key. As a result, L'Oréal Australia will be rolling out numerous training and engagement opportunities in 2021 and beyond, that will delve deeper into modern slavery risks and help purchasing teams identify the risks of modern slavery in day-to-day interactions with suppliers.

Modern slavery will also be a key focus for L'Oréal Australia's Ethics Correspondent and Ethics Ambassadors as these roles are fully developed. The Modern Slavery Committee in 2020 identified that L'Oréal Australia has little visibility of the supply chains of its indirect suppliers, being suppliers and service providers who are not involved in the production of L'Oréal products and who are engaged by L'Oréal Australia to support its business operations. Greater engagement with this network of vendors, will be a focus for 2021.

The L'Oréal Group will continue its work with direct suppliers and focus on digging further into the supply chains of its direct suppliers, and sub-contracted service providers.

Finally, as with the L'Oréal Group's audit and reporting processes, the modern slavery audits will be followed through with remediation actions where necessary. Through its standard remediation and non-compliance policy and the action plans with suppliers L'Oréal will take appropriate actions to address the risks of modern slavery existing within its supply chain as identified through the work of the Modern Slavery Committee in 2020.



# Efficacy of our actions



# Efficacy – Overview

The L'Oréal Group assess the effectiveness of the actions taken to mitigate risks of modern slavery through a range of mechanisms, but most significantly is the reporting against the Sharing Beauty With All sustainability program culminating in 2020 and the result of L'Oréal's Social Audit Program as outlined above.

**The final progress for the Sharing Beauty With All sustainability goals under the relevant categories 'Living Sustainably' and 'Developing Sustainably', are shown below:**

- 97% of the L'Oréal Group's Strategic Suppliers have been assessed and selected to-date on the basis of their environmental and social performance.
- 99% of Strategic Suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support.
- Since 2016 L'Oréal has been rolling out a dedicated online training program to Strategic Suppliers, before implementing more broadly.
- 22% of Strategic Suppliers are involved in the Solidarity Sourcing program
- 100,905 people from under privileged communities have gained access to employment through L'Oréal Group programs (including 81,138 through our Solidarity Sourcing program).
- 100% of new or renovated products in 2020 have been assessed using L'Oréal S.A.'s product assessment tool, which analyses the environmental and social impact of their products
- 100% of the international brands have assessed their environmental and social impact.
- 79% of brands have conducted a consumer outreach program to raise awareness of its commitments.



## Other assessment of efficacy – L'Oréal Group

L'Oréal 2020 Vigilance Plan, a publicly available document filed with the French corporate regulator, sets out the L'Oréal Group commitment and plan for ensuring compliance with the Applicable Rules. Monitoring of compliance with the Plan is carried out through audits and analyses performed by external service providers or by the L'Oréal Group teams. Each country, including L'Oréal Australia is also required to carry out self-assessments.

## Adoption of the Applicable Rules by the subsidiaries

The effective implementation of Applicable Rules throughout the L'Oréal Group is achieved through their incorporation in the L'Oréal Group's Internal Rules. For this purpose, compliance with the effective application of the Plan is based on internal control activities in accordance with the applicable legislation. The communication of Applicable Rules to L'Oréal Group employees is described below.

## Adoption of Applicable Rules by suppliers

The Suppliers included in the risk mapping must undertake to comply with the Applicable Rules. In particular, they must sign the Ethical Commitment Letter which covers the Applicable Rules and informs them that they can be audited in these areas. The other Suppliers are informed of the need to comply with the Applicable Rules, an essential condition included in orders given by L'Oréal to its Suppliers. L'Oréal's commitment to human rights and fundamental freedoms, health, safety of people and the environment is supported at the highest level of the Company by its Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year. These commitments are also indicated in the L'Oréal Group's Code of Ethics and the Human Rights Policy.

*Results vs. 2020 targets reflected on p.10 of the Sharing Beauty With All 2020 Closing Report.  
\* The scope includes products made by L'Oréal (except full-buy, recent acquisitions, testers and samples, etc.) since the beginning of the Sharing Beauty With All program in 2013.*

*\*\* 'Strategic Suppliers' are suppliers whose added value is significant for the Group by contributing to L'Oréal's strategy through their weight, innovations, shared goals and geographical representation.*

*\*\*\* The number of suppliers assessed represents more than 85% of direct purchases by value (raw materials, items of packaging and sub-contracting).*

*Elsewhere, in 2020, 1,268 audits were conducted, bringing the total to more than 13,600 since 2006.*

*\*\*\*\* The percentage is derived from the calculation of the number of suppliers that had, in 2020, had their social, environmental and ethical policies (as well as the implementation of these policies among their own suppliers) assessed by Ecovadis.*

*\*\*\*\*\* Thanks to SPOT (Sustainable Product Optimization Tool), a unique tool developed by our Packaging and Research teams, whenever we produce or renovate our products, we simulate diverse design options in order to assess their impact on the environment and society, and ensure progress across every aspect of the product (formula, packaging, etc.).*

# External recognition and benchmarking

Every year, the L'Oréal Group communicate transparently, providing data on their corporate social and environmental responsibility strategy, challenges and results in three reports: the Universal Registration Document, to the United Nations Global Compact (UN Global Compact), and its Sharing Beauty With All Progress Report. More than ever in 2020, L'Oréal's sustainability performance

and its reporting via robust, reliable indicators verified by statutory auditors, have enabled the L'Oréal Group to be recognised by the most demanding global organisations in this area.



In 2020 for the fifth year running, L'Oréal achieved an 'A' score in all three of the rankings conducted by CDP, for its efforts on climate protection, sustainable water management and fighting against deforestation. L'Oréal is the only company in the world to have been recognised for achieving the highest level of performance for five consecutive years. CDP is an independent, international organisation that evaluates companies environmental performance.



For the third year running, L'Oréal has been ranked among the 325 companies of the Bloomberg Gender-Equality Index 2020 (GEI). This index evaluates and highlights companies that have distinguished themselves by their proactive approach to gender equality in the workplace.



The Ethisphere Institute, global leader in defining and advancing the standards of ethical business practices, ranked L'Oréal for the eleventh time as one of the 'World's Most Ethical Companies'.



L'Oréal supports the UN Global Compact, and in 2015, joined its LEAD programme, which brings together the companies that are the most committed to sustainability.



For the ninth year running, the extra-financial rating agency ISS-Oekom presented L'Oréal with Prime status, which recognises the best performing companies.



In December 2020, the extra financial rating agency Vigeo Eiris once again included L'Oréal in multiple Euronext Vigeo Eiris indices.



This ethical reputation index ranked L'Oréal as No.5 globally. This ranking comprises the world's largest listed companies and takes into account environmental, social, governance and human rights topics.



In 2020, L'Oréal was rewarded with an AAA rating (on a scale of AAA to CCC) in the ranking of MSCI indexes on ESG, governance and human rights\*.

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# Interpretations

**Applicable Laws** means the minimum core rules that are required to be complied with by the L'Oréal Group and Supplier, including in relation to non-discrimination, bullying and sexual harassment, child labour, forced or compulsory labour, working hours and freedom of association. Please refer to the L'Oréal 2020 Vigilance Plan for more information.

means the 2020 Universal Registration Document in application of Article 212-13 of the General Regulation of the Autorité des Marchés Financiers (AMF). The document includes the Integrated Report, the Annual Financial Report, the 2020 Vigilance Plan and the Social and Environmental Responsibility Report.

**Ethical Commitment Letter (ECL)** means the mandatory document to be executed by suppliers prior to engagement as part of L'Oréal's due diligence process. The document sets out audit requirements and ensures suppliers comply with the Applicable Rules.

**International Labor Organization (ILO)** means the United Nations agency whose mandate is to advance social and economic justice through setting international labour standards, including the Fundamental Conventions on Forced Labour, Child Labour, Equality and Freedom of Association.

**Integrated Production Model** means the global manufacturing network comprising of in-house manufacturing, contract manufacturing and contract packing operations, combined with raw material sourcing that form a holistic and connected eco-system to service demand for countries in which L'Oréal has an established presence.

**Key Indirect Suppliers** means L'Oréal Australia's top 67 indirect suppliers account for approximately 80% of its indirect spend.

**Social Audit Program** means the processes for audits, reporting, classification of risks, preparation corrective action plans, follow up and closing out of issues as conducted by the L'Oréal Group.

**Solidarity Sourcing** means the program implemented by L'Oréal to promote social inclusion by helping economically vulnerable people find work and an income in France and countries where the L'Oréal Group operates.

**Strategic Suppliers** means suppliers whose added value is significant for the L'Oréal Group by contributing to L'Oréal's strategy through their weight, innovations, shared goals and geographical representation.

**Tier 1 Suppliers** means the last site of production of assembly of a final item (excluding final packing). Tier 1 Suppliers are expected to cascade L'Oréal S.A.'s ethical standards within their own supply chains, as highlighted in the Social Audit Program and Ethics Commitment Letter.

**Verisk-Maplecroft** means the leading research firm specialising in global risk analytics, country risk insight and trusted advisory and refers to the Verisk-Maplecroft Labour Rights and Protection, Corruption Risk and Rule of Law indexes.



# Modern Slavery Statement 2020

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