



L'ORÉAL  
AUSTRALIA

Modern Slavery Statement 2021

L'ORÉAL AUSTRALIA PTY LTD

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# #1

Beauty Group in Australia

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# 900

Employees

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# 32

Brands

In this report, all L'Oréal entities, including L'Oréal Australia Pty Ltd, are referred to collectively as the 'L'Oréal Group.' All L'Oréal entities are ultimately wholly-owned or majority owned subsidiaries of L'Oréal SA.

L'Oréal Australia Pty Ltd is a wholly own subsidiary of L'Oréal SA. In this report, L'Oréal Australia Pty Ltd is referred to as 'L'Oréal Australia' or 'our' or 'we.'

In the 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.



# Interpretations

**Applicable Rules** 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 Group Vigilance Plan for more information.

**Universal Registration Document** means the 2021 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 Vigilance Plan and the Social and Environmental Responsibility Report.

**Mutual Ethical Commitment Letter (MECL)** means the mandatory document to be executed by suppliers prior to engagement as part of L'Oréal Australia'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 Group has an established presence.

**Key Indirect Suppliers** means L'Oréal Australia's top 77 indirect suppliers which account for approximately 80% of its indirect spend.

**L'Oréal Australia Onboarding Documents** means those documents all suppliers are required to sign in order to supply services or goods to L'Oréal Australia. These documents require suppliers to commit to L'Oréal Australia's ethical and modern slavery standards, including an agreement to be subjected to the social audit process. These documents include either a specific supply contract or the General Terms of Purchase, the Mutual Ethical Commitment Letter and the Supplier Integrity Letter.

**Social Audit Program** means the processes for audits, reporting, classification of risks, preparing corrective action plans, follow up and close out of issues as conducted by the L'Oréal Group, which existed prior to the inception of the Modern Slavery Act 2018 (Cth).

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

**Tier 2 Suppliers** means the suppliers of Tier 1 Suppliers.

**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.

**Direct Suppliers** means the network of L'Oréal Group-owned factories and manufacturers producing L'Oréal Group products under contractual arrangement, imported by L'Oréal Australia.

**Indirect Suppliers** means the network of vendors supplying L'Oréal Australia with services and materials as an enabler to sell finished goods.





## A Statement from L'Oréal Australia Management

“2021 saw another year of disruption through COVID-19 which made our commitment and focus on human rights issues, including modern slavery risks, even more important. As in 2020, L'Oréal Australia continued to work with our partners and suppliers to take steps to identify and address the risks of modern slavery in operations and supply chain. Our 2021 Modern Slavery Statement delves into our foundational beliefs and action plans to combat modern slavery.”

**Rodrigo Pizarro**, CEO L'Oréal Australia & New Zealand

The L'Oréal Group's purpose is to create the beauty that moves the world. This is an action-oriented statement based on the belief that, as a company, we have a responsibility to drive positive change. For L'Oréal Australia, a key part of this, is to take steps to identify, address and report on the risks of modern slavery in our operations and supply chain.

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), even though these conventions have not been ratified by all 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 its responsible business practices, including those related to human rights and combatting modern slavery. L'Oréal Group was recognised in 2021 for the 12th 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, L'Oréal Australia are not complacent. We are committed to ensuring that we always respect relevant laws and abide by the L'Oréal Group Ethical Principles– Integrity, Respect, Courage and Transparency (**Ethical Principles**).



**Rodrigo Pizarro**, CEO, L'Oréal Australia

**27th June 2022**

We are dedicated to being part of the movement that eradicates exploitative practices which are considered forms of modern slavery. The L'Oréal Group already has policies and procedures in place which help to address this issue and to track progress both globally and here in Australia.

This statement describes the steps L'Oréal Australia has taken during the reporting period commencing 1 January 2021 and ending 31 December 2021 (**Reporting Period 2021**) 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) and approved by the L'Oréal Australia Management Committee.



**Marnie Carroll**, Corporate Affairs & Engagement Director and Human Rights Correspondent, L'Oréal Australia

**27th June 2022**

**“The L'Oréal Group continues our commitment to address modern slavery risks both within our company and through our partners. We know this area is constantly evolving and that we must be active participants - inaction will cost us more than action.”**

**Marnie Carroll**, Corporate Affairs & Engagement Director and Human Rights Correspondent, L'Oréal Australia

# Key Highlights of Reporting Period 2021

1

The establishment of the L'Oréal Australia procurement supplier risk matrix to address risks of modern slavery.



2

Conducted the Human Rights & Modern Slavery Training session for L'Oréal Australia employees and contractors.



3

Held the procurement led 'Supplier Day' which introduced our Modern Slavery approach and requirements to our top 50 suppliers who are part of our Key Indirect Suppliers.

4

Continued to develop our legal framework to ensure precedents and relevant contracts require suppliers (including sub-contractors) to assess and address modern slavery risk in their operations and supply chains.

5

Reviewed modern slavery risk triggers to ensure that the risk assessments were reflective of the current year's challenges, including supply chain shortages and the global pandemic.



6

Engaged with our modern slavery auditor to streamline and support efficiency in relation to conducting modern slavery audits of our suppliers.



# Identity

ITEM	DETAILS
REPORTING ENTITY NAME	L'Oréal Australia Pty Ltd ( <b>L'Oréal Australia</b> ) (also referred to as 'our' or 'we' throughout the Statement)
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 <b>L'Oréal S.A.</b> (France)
OTHER ENTITIES OWNED OR CONTROLLED BY REPORTING ENTITY	None

## Brands Overview

L'Oréal Australia's brand portfolio is 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)
     	      	      	  



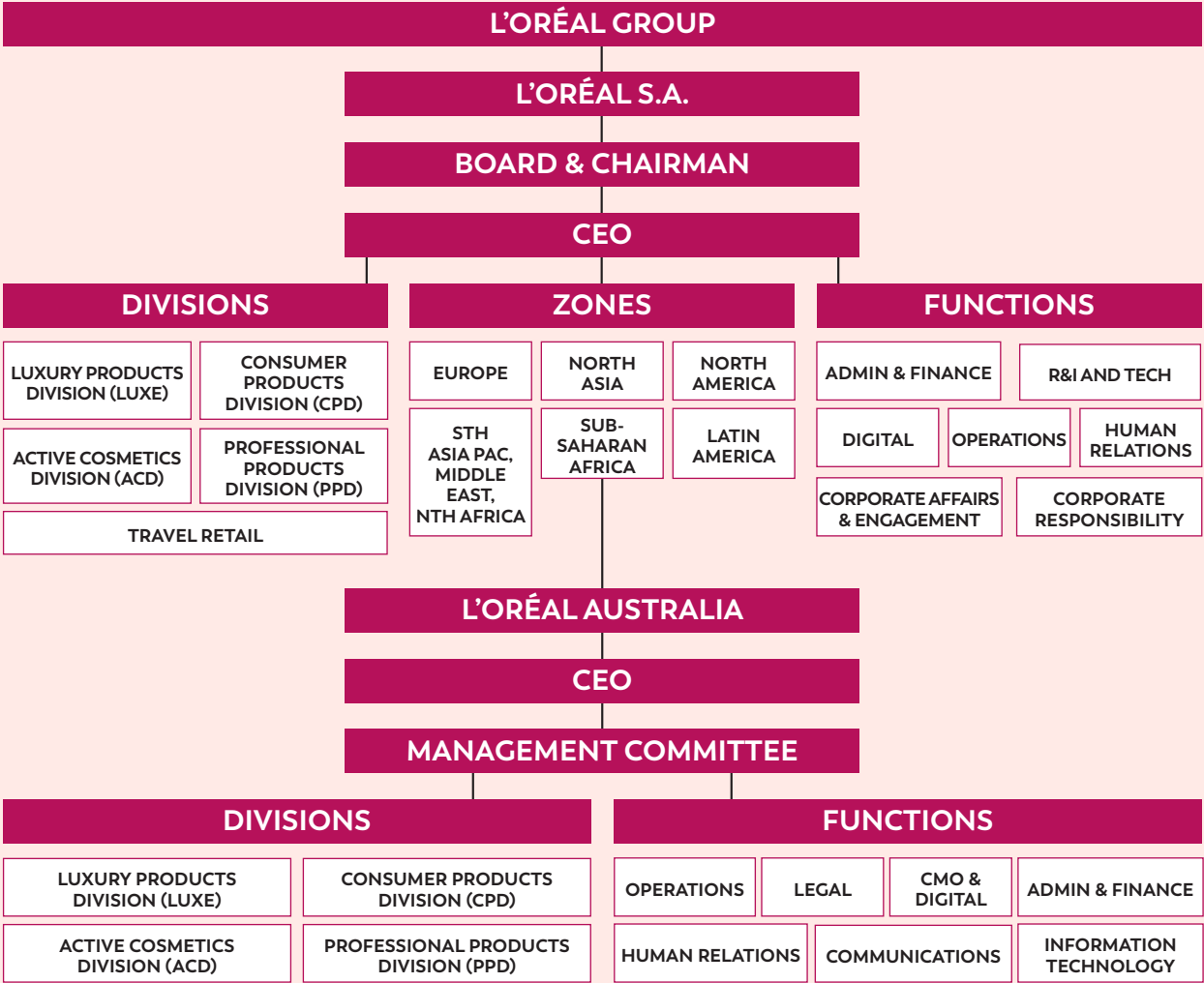
# Structure, operations and supply chain





# Structure & Governance

L'Oréal SA, 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 SA 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.



# Ethics Governance

L'Oréal SA's Chief Ethics Officer reports directly to the Chairman and Chief Executive Officer and leads a dedicated team to ensure L'Oréal SA endeavours to uphold its ethical values and standards. The Chief Ethics Officer, with support from L'Oréal SA'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 and raising potential human rights issues. The Chief Ethics Officer has access to all information and documents relating to L'Oréal SA's activities and can call upon all of L'Oréal SA's resources to carry out their objective.

Each country, including L'Oréal Australia, has an Ethics Correspondent. The Ethics Correspondent supports the different corporate functions and acts as a local point of contact for all ethics related issues.

The Human Rights Correspondent is a new role which was implemented in 2021 for the majority of the countries in the L'Oréal Group. The Human Rights Correspondent is responsible for contributing to, solving and reporting on Human Rights related issues or cases raised within their region, supporting local management in implementing action plans to address salient human rights issues, including the risks of modern slavery in our supply chain in coordination with the Ethics Correspondent, and reporting to the L'Oréal SA team.

The L'Oréal Australia Modern Slavery Committee (**MS Committee**) was established in 2020. Its mission is to build a framework of continuous improvement in assessing modern slavery risks, train employees, communicate priorities and acting to reduce the risk of modern slavery in our supply chains. It is composed of team members from the following functions: Procurement, Legal, Operations and Corporate Affairs & Engagement as well as regular input from business divisions and the Sustainability Manager.

The Procurement team is responsible for ensuring that our modern slavery commitments are upheld by our suppliers. The team is also responsible for the local implementation of the L'Oréal Social Audit Program and for general supplier performance and compliance.





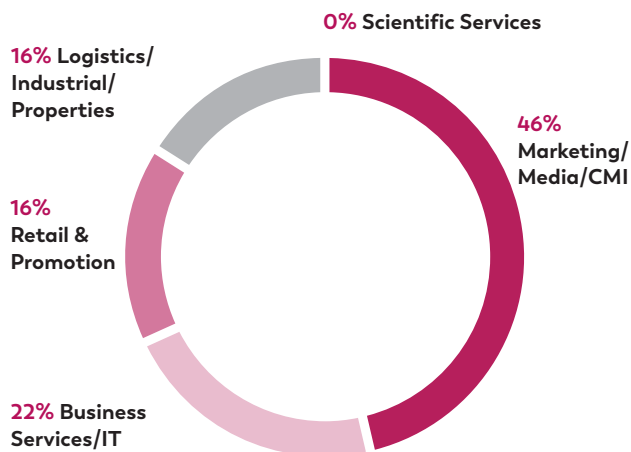
# Operations

## Integrated production model

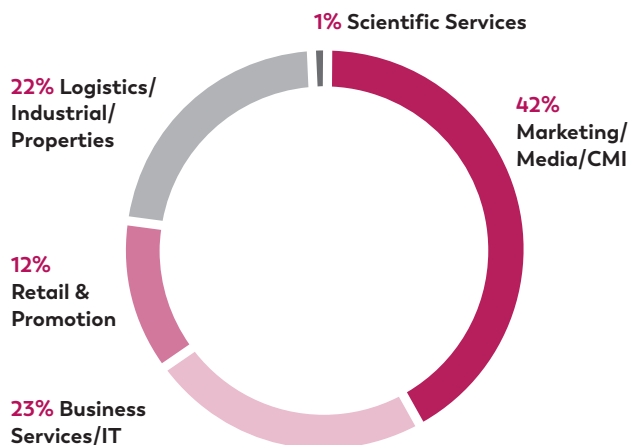
The L'Oréal Group operates in over 150 countries and employs approximately 85,400 people. The L'Oréal Group has 39 manufacturing facilities, 148 distribution centres, 20 research centres, and 13 evaluation centres.

L'Oréal Australia benefits from the L'Oréal Group's Integrated Production Model whereby products are manufactured in factories controlled and managed by L'Oréal SA. 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 SA 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 Group 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 products from 32 beauty brands in Australia, across the categories of 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



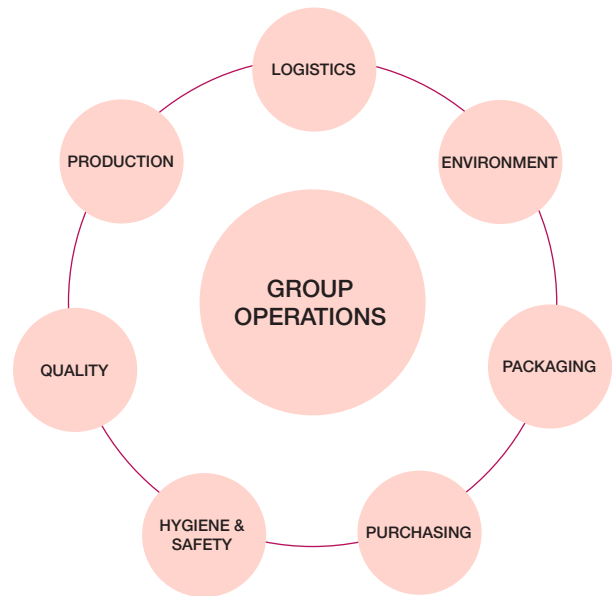
-  Professional Product Academies
-  L'Oréal Australia Pyrmont Office
-  L'Oréal Australia Head Office
-  L'Oréal Australia run Satellite Warehouse
-  L'Oréal Australia Distribution Centre



# Supply Chain

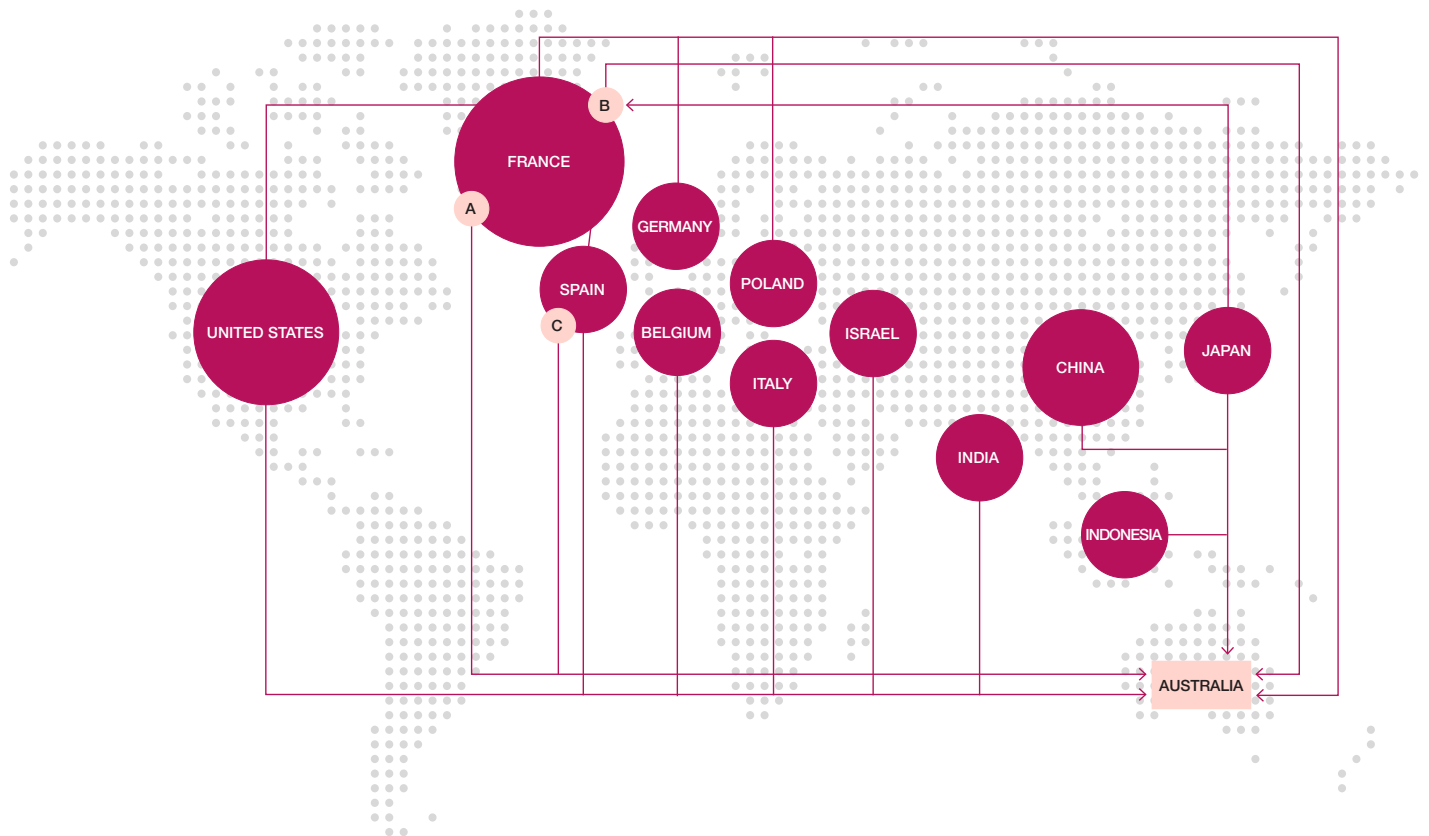
## Integrated Production Model

The L'Oréal Group operates a global Integrated Production Model through its L'Oréal Group Operations Division to enable product quality, traceability and transparency throughout the entire supply chain. L'Oréal Australia sources products from L'Oréal Group factories and selected contracted 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 23 L'Oréal factories and 3 L'Oréal buying agencies (all treated as Direct 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 matters relating to property management, professional services, IT, transport, security, cleaning, catering, marketing, consulting, auditing and other business-related services. L'Oréal Australia's top 77 Key Indirect Suppliers account for approximately 80% of its 'indirect' spend. Our remaining suppliers, which make up the remaining 20% of L'Oréal Australia's indirect spend, all sign the L'Oréal Australia Onboarding Documents to emphasise the importance of compliance with L'Oréal Australia's modern slavery commitments.

# Specific risks of modern slavery





# Risks Overview

The L'Oréal Group acknowledges the inherent risks of modern slavery associated with many raw materials and geographic regions involved in the production of beauty products. With assistance from its external auditors, the L'Oréal Group developed a comprehensive risk mapping matrix for the L'Oréal Group Social Audit program based on geography, industry and other factors contributing to the risks of non-compliance with the Applicable Rules, as detailed in the L'Oréal Vigilance Plan, including those relating to risks of modern slavery. The matrix is updated annually in accordance with Verisk-Maplecroft's 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 which continue to be susceptible to the presence of risks of modern slavery, including:

- within its work force, particularly at the L'Oréal Group's manufacturing facilities in certain high risk geographic regions and industries;
- through sub-contracting by its Direct Suppliers 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 SA'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.

## 1. Raw Materials

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 raw materials are typically found to be:

1. Grown in developing countries on small land holding farms or areas associated with illegal clearing of native forests;
2. 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
3. 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.

## 2. Freight & Logistics Industry

The L'Oréal Group recognises the susceptibility of both global freight and logistics, and local transport industries to modern slavery risks. This includes considering risks arising from vessel owners, managers and crewing agents as well as operators of vessels calling at the port. International freight contracts are managed by the L'Oréal Group however these suppliers provide services to L'Oréal Australia. This means that international shipping and logistics operators are receiving greater investigation from L'Oréal Australia when compared with other countries in which L'Oréal Group operates, as L'Oréal Australia is required to manage any modern slavery risks identified in the operations of these suppliers.

## 3. Contract packers

Contract packers provide a key role in value-added services through re-packaging a portion of L'Oréal Australia's products, enhancing brand marketability (for example, shelf-friendly packaging formats) and labelling products to meet local regulations, such as dangerous goods. Contract packing operations rely on common manufacturing characteristics through labour hire, packaging suppliers and services to deliver Customer requirements. This gives rise to an increased risk of modern slavery due to these workers being lower-skilled and/or temporary or migrant workers.

# L'Oréal SA 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 cosmetics 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) rating is reached, 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

**Class A means:** Tier 1 Suppliers | **Class B means:** Tier 2 Suppliers

The "High Risk" Countries List is based on assessments conducted by Verisk-Maplecroft. The list is regularly reviewed and modifications added whenever new information becomes available.



# L'Oréal Australia's Additional Modern Slavery Risk Matrix

SECTOR	CATEGORIES	REQUIREMENTS
<b>COMMERCIAL TEMPING/ COMMERCIAL TEMP LABOUR</b>	Sales force Merchandisers	Social audit (done every 3 years)
<b>HR SERVICES</b>	Industrial and clerical Temp labour	Or
<b>MICE (MEETINGS, INCENTIVE, CONFERENCE, ETC)</b>	Event agency, technical services, entertainment, decoration, logistics services, catering, exhibitions	SMETA audit (validity checked every year)
<b>FACILITY MGT AND UTILITIES</b>	Building work and maintenance, office supplies, express transport, courier, security guards, catering, furniture, landscaping, general waste, facility management, utilities	Or
<b>INDUSTRIAL, EQUIPMENT AND SUPPLIES</b>	Packaging, logistic equipment and supplies, waste and water treatment systems	Supplier has published a Modern Slavery report that has been validated (checked every year)
<b>SUPPLY CHAIN SERVICES</b>	Road and rails transport, 3rd party logistics, sea freight, parcels, air freight, supply chain other services	

L'Oréal Australia applies this matrix to the Key Indirect Suppliers.





# Actions taken to address the risks of modern slavery



# Overview of the L'Oréal Group approach to addressing the risks of modern slavery

In 2013, L'Oréal SA committed to transforming its human rights and sustainability performance through the Sharing Beauty with All sustainability program. In 2020, the L'Oréal Group launched its 2030 sustainability targets and roadmap with L'Oréal for the Future. Building on the Sharing Beauty with All results, the L'Oréal Group has set its sights higher with quantifiable goals to minimise the impact of L'Oréal Group activities on the climate, water, biodiversity and natural resources, while helping to meet some of the most urgent social and environmental challenges facing the world – one of which is modern slavery.

The L'Oréal Group is committed to the elimination of forced labour, child labour and other forms of modern slavery. This commitment 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.

The L'Oréal Group is conscious that sustainable development and elimination of modern slavery is an ongoing process, and it requires robust and transparent efforts to identify the inherent risks within the L'Oréal Group's operations and supply chains.

Forming a key part of this are Principles 16-20 of the UN Guiding Principles on Business and Human Rights which promote mechanisms of policy-making, due diligence, tracking and public accountability.

**Following this principle, L'Oréal SA 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 non-governmental organisations and other international benchmarking organisations; and
- Business practices that engender trust and provide business continuity for Direct Suppliers and Indirect Suppliers which in turn encourages better employment conditions and encourages a positive trickle-down effect within the entire supply chain.

These mechanisms, and L'Oréal SA's ongoing commitment to its social and human rights goals and UN Global Compact obligations, continue to be the foundation on which L'Oréal Australia takes action to address the risks of modern slavery.





# Rules to mitigate risks of modern slavery

L'Oréal SA has outlined the rules relating to potential human rights abuses in the L'Oréal 2021 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 core rules in signing the L'Oréal Australia Onboarding Documents.

## Abolition of child labour

L'Oréal SA 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 SA subsidiaries and suppliers are required to check the age of all new employees upon hire. L'Oréal SA prohibits night-time work and hazardous work for employees under 18 and asks its suppliers to do the same by signing the L'Oréal Australia Onboarding Documents.

## Elimination of forced or compulsory labour

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 and, again, suppliers agree to these commitments by signing the L'Oréal Australia Onboarding Documents.

### 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 held for them. In the event a legal obligation required an employer to take an employees' documents, the documents must be returned to the employee at the employee's 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 SA before they have recourse to this type of labour.



## 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 SA encourages the development of other forms of expression and dialogue with employees to enable them to express their concerns.

There are also detailed rules for non-discrimination, working hours and sexual / moral harassment. Further details can be found in the L'Oréal 2021 Universal Registration Document (section 3.4.4).

# Discover the L'Oréal SA Human Rights Partnerships



## DANISH INSTITUTE FOR HUMAN RIGHTS

In 2019, L'Oréal SA 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 SA's Human Rights program. The aim is to draw from the DIHR's widely recognised expertise and gain insight to strengthen L'Oréal Group's initiative.



## FAIR WAGE NETWORK

L'Oréal SA 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 our operations, for L'Oréal Group 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.



## SHIFT

In 2020, L'Oréal SA 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 Group to identify and address its most important Human Rights issues.



## OPEN FOR BUSINESS

L'Oréal SA 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.





# Policies addressing the risks of modern slavery

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

In addition to the L'Oréal Code of Ethics, the L'Oréal Group has several ethics related policies and processes. This policy architecture supports the work to identify, mitigate and remediate risks of modern slavery.

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

POLICY / DOCUMENT	DETAILS
<p><b>L'ORÉAL SPIRIT</b></p>	<p>The L'Oréal Spirit is a public commitment made by L'Oréal SA on behalf of the L'Oréal Group, its senior management and all of its employees, to act ethically and responsibly.</p> <p>Our 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><b>L'ORÉAL CODE OF ETHICS: THE WAY WE WORK</b></p>	<p>Our Code of Ethics sets out L'Oréal Group's core ethical principles and complements the L'Oréal Spirit. All employees and directors are expected to uphold the principles.</p> <p>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 Group's ethical expectations.</p>
<p><b>L'ORÉAL VIGILANCE PLAN</b></p>	<p>The Vigilance Plan sets out the Applicable Rules that L'Oréal SA 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 SA subsidiaries and suppliers with which L'Oréal SA has a direct, ongoing and stable commercial relationship.</p> <p>It includes reasonable measures for the effective application of the Applicable Rules by all L'Oréal SA subsidiaries, including L'Oréal Australia, and suppliers as well as regular assessment procedures to ensure compliance by those entities.</p> <p>The Vigilance Plan is updated and presented annually to the Audit Committee of the L'Oréal Board of Directors. The Vigilance Plan is published as part of the L'Oréal 2021 Universal Registration Document and is made publicly available annually.</p>
<p><b>L'ORÉAL FOR THE FUTURE</b></p>	<p>In 2020, L'Oréal SA launched its new sustainability program 'L'Oréal for the Future'. 2021 was the first year of implementation for L'Oréal for the Future.</p> <p>L'Oréal for the Future sets ambitious goals for 2030 in terms of climate change, water, biodiversity and natural resources. These commitments now go beyond the Group's direct impact to target indirect impact tied, for example, to its suppliers' business or product use by consumers.</p> <p>L'Oréal SA measures its progress each year and the 2021 L'Oréal for the Future results are available in the 2021 Annual Report.</p>
<p><b>SPEAK UP</b></p>	<p>The purpose of the Speak Up policy is to provide guidance to employees and other stakeholders on how to make a whistleblower report. It also sets out the procedure L'Oréal Group will follow when dealing with such reports.</p> <p>Our suppliers can raise any serious ethical concerns they may have via the L'Oréal Group Speak Up website. The process includes strict confidentiality, equal treatment and protection from retaliation and respects national laws in the countries in which we operate.</p>

POLICY / DOCUMENT

DETAILS

**CODE OF BUSINESS ETHICS: SUPPLIERS/ SUBCONTRACTORS AND CHILD LABOUR**

Our Code of Business Ethics sets out L'Oréal SA 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 L'Oréal SA Code of Business Ethics. Compliance is primarily monitored through L'Oréal SA Social Audit process.

**THE WAY WE BUY**

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 our employees to implement our Code of Business Ethics when making purchasing decisions on behalf of L'Oréal SA and its subsidiaries.

**HUMAN RIGHTS POLICY**

The Human Rights Policy sets out L'Oréal Group'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; and
3. ILO Core Conventions that address child labour, forced labour, non-discrimination and the right to freedom of association and collective bargaining.

**EMPLOYEE HUMAN RIGHTS POLICY**

The Employee Human Rights policy builds upon L'Oréal Group's Human Rights Policy to promote human rights standards within our operations. Setting an example to our suppliers starts from within, by assuring universal social standards are set for the people who make up L'Oréal Group. 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.





# 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 20 years, 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.

## Employee Training and Communications

### 1. Ethics 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 and modern slavery issues 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.

### 2. Codes and Communications

All new L'Oréal Group employees must receive a copy of the Code of Ethics and confirm they have read and understood 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 the L'Oréal Group 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 website with the L'Oréal Group Chief Executive Officer and the other members of the Executive Committee across the Regional Zone Offices. Discussions on ethics are also organised within L'Oréal Australia enabling employees to engage with L'Oréal Australia's Chief Executive Officer and Ethics Correspondent.

In 2021, nearly 40,000 employees joined the Global Ethics Day digital event with over 8,000 questions asked.



## 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.

For "Satisfactory" and "Need Continuous Improvement" audit results, L'Oréal Australia continues working with the supplier and the Procurement team monitors the implementation of the corrective action plan and encourages the supplier to continue developing best practices.

In case where the audit results indicate that the supplier has yielded a "Need Immediate Action" result, if the overall compliance is above 50%, L'Oréal continues working with the supplier and monitors the implementation of the corrective action plan. If the overall compliance is below 50%, L'Oréal stops working with the supplier until the corrective actions have been implemented and a follow up audit has obtained an improved rating.

# L'Oréal Australia's additional steps taken to address the risks of modern slavery

## 1. Three assessment steps

In 2020, L'Oréal Australia identified three key steps in assessing modern slavery risks in our supply chain and operations: (1) identify the overall supply chain structure of our entity, (2) check which sectors, type of products and services have high modern slavery risks and (3) identify the parts of our operations where L'Oréal Australia lacks visibility. L'Oréal Australia used the L'Oréal Group Social Audit program as a tool to further assess risks with the suppliers operating in the higher risk categories. The L'Oréal Group Social Audit focuses on child labour, forced compulsory labour, health & safety, freedom of association, discrimination, disciplinary practices, harassment and abuse, compensation & benefits, hours of work and subcontracting.

## 2. Global Compact Network Australia membership

In 2020, L'Oréal Australia joined the Global Compact Network Australia, the Australian business-led network of the UN Global Compact. In 2021, L'Oréal Australia participated in the modern slavery community and practice meeting.

## 3. MS Committee assessment

In 2021, L'Oréal Australia's MS Committee continued its work in assessing and addressing the risks of modern slavery in L'Oréal Australia's operations and supply chain.



## L'Oréal Australia Employee Training and Communications

In November 2021, 390 L'Oréal Australia employees took part in a Human Rights & Modern Slavery Training session, run by the organisation, Pillar Two with guest speakers Vanessa Zimmerman, CEO & Founder of Pillar Two, a recognised global & domestic corporate sustainability expert focusing on human rights, and Alexander Coward, Advisor at Pillar Two, a leading expert on modern slavery, supply chain transparency and stakeholder engagement.

Pillar Two are committed to bringing human rights to the fore and supporting businesses to respect human rights using a principled, integrated & practical approach.

### During the session employees were taken through:

- What modern slavery is and where and how it happens;
- Why businesses have a role to play in combating modern slavery;
- The L'Oréal Group's modern slavery risks;
- Modern slavery red flags; and
- Each person's role in reducing the risk of modern slavery in supply chains, including what to do if an employee becomes aware of a modern slavery risk.

Representatives of the L'Oréal Australia MS Committee also presented during the training session.





## L'Oréal Australia – additional auditing of Direct Suppliers

Consistent with the 2020 Modern Slavery Statement (**2020 Statement**), in 2021 L'Oréal Australia undertook an independent review of the social audits reports applicable to L'Oréal Group which are its Direct Suppliers. The review indicated a good understanding of the MECL and L'Oréal Group 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 reports and addressed in corrective action plan reports.



## L'Oréal Australia – additional auditing of Indirect Suppliers

Consistent with the 2020 Statement, 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.

In 2021, seven audits of Key Indirect Suppliers were completed in line with the L'Oréal Group's social audit program criteria. No critical risks of modern slavery were identified, however, some instances of minor non-compliances were identified. Minor non-compliances are assessed as "needs continuous Improvement" (such as not having written policies prohibiting bullying and

sexual harassment) and will need to be addressed by the supplier during the next twelve months. Another example of an identified non-compliance was a supplier not having an adequate procedure or any training in the case of an emergency. This example was assessed by the auditor as "Needs Immediate Action". This was addressed in a corrective action plan and resolved by the relevant supplier.

L'Oréal Australia continues to work closely with L'Oréal SA to ensure comprehensive modern slavery compliance selection standards and audits are applied to transport, logistics and contract packers.

## Addition of audit format

In 2021 we enhanced our audit process by adding the Sedex Members Ethical Trade Audit (**SMETA**) to assess modern slavery risk. SMETA is Sedex's globally recognised social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain compliance – and is equivalent to the L'Oréal Group Social Audit.

## Engagement with suppliers

Key Indirect Suppliers are typically engaged on a three-year basis, which strengthens 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 our suppliers, L'Oréal Australia endeavours to provide fair and timely payment terms and seeks to avoid leveraging buying power in a way that burdens suppliers with cash flow issues. L'Oréal Australia's standard payment terms are typically 30 days from the end of the month in which an invoice is received with some flexibility to reduce this period depending on the industry and size of the supplier's business.

In 2021, L'Oréal Australia organised its first Supplier Day for its Key Indirect Suppliers. The purpose of the Supplier Day was to present L'Oréal's sustainability program, "L'Oréal For the Future", and to highlight the company's focus on modern slavery. The L'Oréal Group's commitments and actions were presented and it was reiterated how critical it is that suppliers understand and support the effort to reduce the risk of modern slavery from their supply chains.

In addition, modern slavery is a key topic during annual business reviews with suppliers. Suppliers are also provided with details on how to raise an anonymous issue through the L'Oréal Group's public facing Speak Up portal. Details about this portal are included in the L'Oréal Australia Onboarding Documents.

## Responding to grievances

In accordance with L'Oréal Group's Speak Up Policy any issue, grievance or whistle-blower claim from employees or external parties, is immediately escalated, investigated and addressed through appropriate action which may **include**:

- providing support and assistance to afflicted individuals to remedy the breach; and
- improving our processes to prevent recurrence.

“Having a network of Ethics Correspondents across all L'Oréal markets allows us to be aware of any potential or active issues at a local level very quickly. Our “Speak Up” process means our employees, suppliers or consumers can raise issues with us confidentially and we can then investigate and action these.”

Emma Williamson, Ethics Correspondent L'Oréal Australia



# Efficacy of our actions







# Efficacy – Overview

Assessing the efficacy of our actions is a challenging task as we are conscious that assessments need to be meaningful and provide a complete picture.

L'Oréal Australia developed a high-level implementation plan and self-assessment checklist when the MS Committee was formed.

**During the MS Committee's fortnightly meetings, the MS Committee monitors and assesses the effectiveness of its actions by tracking progress and challenges for each of its identified actions. For example:**

- 1.** Reviewing risk assessment rules to ensure their appropriateness. For example, by reviewing the modern slavery risk matrix and refining the breakdown of categories into sub-categories, higher risks were able to be identify more clearly. For example, a meeting space/venue in the MICE category (Meeting, Incentives, Conferences, Exhibitions) might not present high risk, whereas the catering or event logistic services can.
- 2.** Reviewing the efficiency and format of audits with the audit provider. For example, in 2021, the local modern slavery risk matrix was refined and L'Oréal Australia implemented the SMETA audit format. By focusing on Key Indirect Suppliers and refining the categories of services that are most at risk, the process has been streamlined and solidified to address the risks of modern slavery.
- 3.** Engagement with suppliers before, during and after audits. For example, by explaining the importance and necessity for the audit where L'Oréal Australia receives pushback from suppliers in undertaking the audits on their businesses. Engagement is necessary because it is a positive way to ensure that L'Oréal Australia is driving change in the minds of its suppliers.
- 4.** Undertaking further investigations as required. For example, where an audit identified areas where the supplier had little or no information available to L'Oréal Australia for review.



# Looking ahead

As we move towards 2030 and as part of the global business community, we aim to tackle the most pressing social and environmental issues faced by the world today. Our 'L'Oréal for the Future' commitments help guide our path forward, including in relation to tackling modern slavery risks in our supply chains.



## For example, the MS Committee will:

1. continue to encourage visibility of the supply chains of its Indirect Suppliers and Direct Suppliers, and encourage those suppliers to educate their sub-contractors regarding the risks of modern slavery in their supply chains;
2. continue to develop policies addressing key modern slavery risks and communicating L'Oréal Australia's expectations and requirements for suppliers and contractors including encouraging suppliers to establish grievance procedures and a whistleblowing procedure;
3. continue to roll out training across the business to ensure that employees are equipped with the necessary skills to identify modern slavery risks;
4. strengthen our remediation processes and responses;
5. implement internal procurement policy to only contract formal labour providers with an identifiable legitimate business entity; and
6. train employees who may visit suppliers to spot the signs that may indicate worker exploitation.

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 remediation and non-compliance policy and the action plans with suppliers L'Oréal Australia will take appropriate actions to address the risks of modern slavery existing within its supply chain as identified through the work of the MS Committee.

# Modern Slavery Statement 2021

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