

## Particulars

### About Your Organisation

#### 1.1 Member Name

L'Oreal

#### 1.2 Membership Number

4-0021-07-000-00

#### 1.3 Membership Sector

Consumer Goods Manufacturers

#### 1.4 Membership Category

Ordinary

#### 1.5 Country

France

### 2.0 Does your company or organisation produce, process, consume or sell any palm oil or any products containing derivatives of palm oil?

Yes

### 2.1 Please select all description(s) that describe the palm oil-related activities of your company or organisation. Multiple selections are allowed, and not limited to the primary sector of the member's RSPO membership. You will be required to complete the relevant ACOP section based on your selection(s).

- I own and operate oil palm estate(s) and/or palm oil mill(s)
- I represent a palm oil Independent Smallholder farmer Group
- I own and operate independent palm oil mills
- I own and operate independent palm kernel crushing plants - Processors and/or Traders
- I trade or broker palm oil, palm kernel oil or related products - Processors and/or Traders
- I am a refiner of palm oil or palm kernel oil - Processors and/or Traders
- I am a processor of intermediate (B2B) palm oil, palm kernel oil or related fractions/derivatives - Processors and/or Traders
- I am a B2B distributor or wholesaler of palm oil, palm kernel oil or related products - Processors and/or Traders
- I manufacture final consumer (B2C) products containing palm oil, palm kernel oil or related products. This includes products manufactured by 3rd party contractors - Consumer Goods Manufacturers
- I retail final consumer (B2C) products containing palm oil, palm kernel oil or related products - Retailers
- I operate food retail outlets that use palm oil, palm kernel oil or related products - Retailers
- I am a conservation and environmental NGO supporting the sustainable development of the palm oil industry
- I am a social and human development NGO supporting the sustainable development of the palm oil industry

## Consumer Goods Manufacturers

### 1. Operational Profile

#### 1.1 Please state your company's main activity within the palm oil supply chain.

- Food Good Manufacturer - own brand
- Food Good Manufacturer - third-party brand
- Home & Personal Care Good Manufacturer - own brand
- Home & Personal Care Good Manufacturer - third-party brand
- Ingredient Manufacturers
- Biofuels
- Other

Other

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## 2. Palm Oil and Certified Sustainable Palm Oil Consumption

*Information in Section 2.0 - Palm Oil and Certified Sustainable Palm Oil Consumption - is a mandatory declaration in your ACOP. This includes volume data on palm oil, palm kernel oil and related products consumed, to enable the RSPO to accurately calculate uptake of individual members, sectors and RSPO members as a whole. ACOP reports without reported volume data will be considered as incomplete and will not be accepted. Incomplete ACOP reports may lead to suspension or termination of RSPO membership.*

**2.1 Please list down all operations and subsidiaries using palm oil, palm kernel oil and related products that are owned and/or managed by the member, including those under Group Membership**

LOGOCOS Naturkosmetik GmbH & Co. KG

L'Oréal Deutschland GmbH

NOVÉAL

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**2.1.1 In which markets does your company sell goods with palm oil and oil palm products?**

Europe ,North America ,China,India,Malaysia,Indonesia,Africa ,Latin America ,Rest of the World

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**DL.2.0 In order to facilitate ease of reporting and transparency, RSPO members operating within the palm oil demand supply chain can now choose to report palm oil and palm oil product volumes on:**

an aggregate level (as in previous ACOP reporting cycles)

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**2.2 Total volume of uncertified and certified palm oil, palm kernel oil and related products purchased for use in your company's own-brand and third-party brand products**

Description	Tonnes
Total volume of crude palm oil (tonnes)	310.00
Total volume of crude palm kernel oil (tonnes)	0.00
Total volume of palm kernel expeller (tonnes)	0.00
Total volume of crude palm oil/palm kernel oil-based derivatives and fractions (tonnes)	90003.00
Total	90313.00

**2.2.1 Please estimate the percentage of derivatives and fractions (reported in Question CG.2.2) derived from palm oil or from palm kernel oil. The default split for volumes is assumed to be 80% palm oil-based derivatives and 20% palm kernel oil-based derivatives.**

Description	Percentage
Palm oil-based derivatives and fractions	46
Palm kernel oil-based derivatives and fractions	54

**2.3 Please estimate the regional distribution of your company's uncertified and certified palm oil, palm kernel oil and related products sales (as declared in Question 2.2) in the following countries/regions.**

Countries/Regions	Percentage
Europe	52
North America	19
Malaysia	0
Indonesia	5
China	8
India	1
Latin America	11
Africa	3
Rest of World	1

**2.4 Volume of RSPO-certified palm oil, palm kernel oil and related products purchased for use in your company's own-brand and third-party brand products in the year:**

<b>Description</b>	<b>Crude/Refined Palm Oil (CSPO)</b>	<b>Crude/Refined Palm Kernel Oil (CSPKO)</b>	<b>Palm Kernel Expeller (CSPKE)</b>	<b>Certified Derivatives and Fractions</b>
RSPO Credits from Mill / Crusher	0.00	0.00	0.00	0.00
RSPO Credits from Independent Smallholder	0.00	0.00	0.00	1452.00
Mass Balance (MB)	0.00	0.00	0.00	88551.00
Segregated (SG)	310.00	0.00	0.00	0.00
Identity Preserved (IP)	0.00	0.00	0.00	0.00
<b>Total</b>	<b>310.00</b>	<b>0.00</b>	<b>0.00</b>	<b>90003.00</b>

**2.4.1 Please estimate the percentage of RSPO-certified derivatives and fractions (reported in Question CG.2.4) derived from RSPO-certified palm oil or from RSPO-certified palm kernel oil. The default split for volumes is assumed to be 80% palm oil-based derivatives and 20% palm kernel oil-based**

<b>Description</b>	<b>Percentage</b>
Certified Palm oil-based derivatives and fractions	46
Certified Palm kernel oil-based derivatives and fractions	54

**2.5 According to the volume information you have provided in Question 2.2 and Question 2.4, your company's certified palm oil and palm oil products uptake is:**

100.00%

**2.5.1 Please provide additional information on your certified palm oil, palm kernel oil and related products uptake. This may include your usage of RSPO Credits to cover gaps in certified uptake, changes due to business environment, variations due to stock positions or efforts to support independent smallholders beyond volume commitments.**

Since 2010, 100% of the palm oil directly purchased by L'Oréal are sustainably certified through the RSPO Segregated model.

In addition to RSPO certification, in 2021, 98.2% of the palm oil directly purchased by L'Oréal were also POIG verified.

Since 2012, 100% of palm and palm kernel-based derivatives used by L'Oréal are sustainably certified by RSPO. In 2021:

- 98.4% were RSPO certified through the Mass Balance model (compared to 95% in 2020). Among these RSPO MB certified volumes, 27% of them (equivalent to more than 24,000 tonnes) are produced by independent smallholders part of sustainable field projects implemented by L'Oréal and designed to be NDPE compliant;
- The remaining 1.6% of volumes were covered by the RSPO Book and Claim model (RSPO credits from Independent Smallholders).

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**2.6 Please estimate the regional sales volume distribution of your company's RSPO certified palm oil, palm kernel oil and related products (as declared in Question 2.4) in the following countries/regions:**

<b>Countries/Regions</b>	<b>Percentage</b>
Europe	52
North America	19
Malaysia	0
Indonesia	5
China	8
India	1
Latin America	11
Africa	3
Rest of World	1

### 3. TimeBound Plan

#### 3.1 Which year did your company achieve (or expects to achieve) the RSPO supply chain certification?

2010

#### 3.2 Which year did your company begin (or expects to begin) using RSPO-certified sustainable palm oil and palm oil products in own-brand products

2010

##### 3.2.1 If the previous target year has not been met, please explain why.

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#### 3.3 Which year did your company begin (or expects to begin) using only RSPO-certified sustainable palm oil and palm oil products from any supply chain option in own-brand products.

2012

##### 3.3.1 If the previous target year has not been met, please explain why.

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#### 3.4 Which year did your company begin (or expects to begin) using only RSPO-certified sustainable palm oil and palm oil products from physical supply chain options (Identity Preserved, Segregated and/or Mass Balance) in own-brand products.

2020

##### 3.4.1 If the previous target year has not been met, please explain why.

100% of L'Oréal palm oil is RSPO SG certified since 2010. The Group has continuously increased its percentage of physically certified supply chain for palm-based derivatives with the target to reach 100% RSPO MB by 2020 the latest. However, some remaining challenges still exist for palm-based derivatives. Indeed, the 1.6% remaining gap versus the 100% RSPO Mass Balance on palm-based derivatives target is due to following challenges:

- Supply of Mass Balance certified grade is inferior to demand, causing high stress on supplies for several palm and palm kernel-based derivatives;

- Unavailability of Mass Balance certified grade for some raw materials of specialties purchased in small volumes;

- Lack of availability of Mass Balance certified grade in some specific markets and geographical zones.

In order to overcome these challenges, L'Oréal has contributed in 2019 to the creation of the Action for Sustainable Derivatives (ASD) initiative. Indeed, being a small player of the palm industry, one of the levers to address these challenges is to work collectively with other players in order to increase the demand for RSPO certified materials and push the upstream players for more RSPO certification.

L'Oréal supported in 2021 a resolution at the 18th General Assembly of RSPO Members which was adopted, aiming at "Enhancing the robustness of the RSPO Mass Balance model to accelerate uptake of Certified Sustainable Palm Oil", along with peers, suppliers, WWF and ZSL.

Acknowledging the fact that 100% CSPO production can only be obtained through strong and robust certification schemes such as SG or IP, MB currently remains an important part of the volumes of CSPO sold on the market. With a final target of shifting the industry to physical certification as the most direct and efficient scheme to achieve control over the supply chain, this proposition aims to enhance the robustness of the MB model, both at the plantation and at the supply chain level, recognizing its role as an intermediary way to drive overall industry uptake of CSPO. As this resolution was adopted, a detailed study to and investigate the inherent structural and business limitations in the current Mass Balance (MB) model will be conducted in 2022. The aim is to obtain a set of recommendations to enhance the robustness and the accessibility of the Mass Balance model, including the expected minimum level of environmental and social safeguards required for the non-certified materials entering MB supply chains.



**3.5 If the TimeBound Plan commitments declared above do not cover all countries in which the member operates, please explain why**

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## 4. Trademark Use

### 4.1 Does your company use or plan to use the RSPO Trademark in own-brand products?

No

### 4.3 Please explain why your company does not plan to use the RSPO Trademark in own-brand products

- Challenging reputation of palm oil
- Confusion among end-consumers
- Costs of changing labels
- Difficulty of applying for RSPO Trademark
- Lack of customer demand
- Limited label space
- Low consumer awareness
- Low usage of palm oil
- Risk of supply disruption
- Others

Others

Within Sharing Beauty With All, its sustainability program, L'Oréal committed by 2020, to inform and empower every L'Oréal consumer to make sustainable consumption choices. This objective has been reaffirmed within L'Oréal for the Future sustainability commitments for 2030 as the Group considers it is its responsibility to involve consumers in its transformation process. PO/PKO based derivatives being important ingredients for cosmetics products, it is important for L'Oréal and its brands to find the right way to communicate on the sustainable sourcing of the biobased raw materials contained in the final products. Thus, every year, L'Oréal communicated transparently about the results of its sustainability programme, Sharing Beauty With All, launched in 2013, and will continue to do so through the new L'Oréal for the Future sustainability commitments. This systematically includes progresses made on achieving Zero Deforestation. Within the scope of its new sustainability program L'Oréal for the Future, L'Oréal has committed by 2030, that 100% of its biobased ingredients for formulas and materials for packaging will be traceable, come from sustainable sources, and none of them will be linked to deforestation. In this framework and in the continuity of its 2020 Zero Deforestation Policy, L'Oréal has published in 2021, a new generation of ambitions for forests through its 2030 Forest Policy, recognizing that despite the progress made along its priority supply chains, forests are more vulnerable than ever to critical threats with major environmental and human consequences worldwide. This policy applies to all L'Oréal Group activities, including all product categories, brands and geographies.

The 2021 results of L'Oréal for the Future sustainability programme are available at: <https://www.loreal-finance.com/en/annual-report-2021/social-environmental-performance/>, notably regarding the specific objective on Zero Deforestation.

On top of that, L'Oréal has decided to publish in June 2016 its first Palm Progress Report in order to be accountable to its stakeholders, among them consumers, on the targets, efforts and accomplishments in the sourcing of palm oil and palm oil derivatives. The second Palm Progress Report was published in July 2019: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/sbwa/2018-palm-progress-report.pdf>

In 2022, L'Oréal will continue to measure and report its progress & challenges on its 2030 Forest Policy, and to actively engage with its stakeholders notably to share in transparency the specific priority raw materials roadmaps developed to achieve the objectives of its 2030 Forest Policy.

In addition, with its ambition to raise awareness about the challenges around sustainable sourcing of palm derivatives, L'Oréal made a film, which has been awarded by the Global Sustainability Film Awards in 2016. (<https://youtu.be/F-QxRbO6poI>) As part of our "Living Sustainably" commitment, our brand Kiehl's in Indonesia launched in 2016 a campaign (operated in 2017) to promote biodiversity conservation in Indonesia, through a partnership with The Nature Conservancy to support the conservation of the Wehea Forest & Orangutan. This directly contributes to consumer awareness and engagement toward sustainable consumption in Indonesia. In 2018, Kiehl's Indonesia continued supporting the Wehea forest protection and orangutan species through Kiehl's Gives program in collaboration with The Nature Conservancy (TNC), following their successful program done back in 2016. A press conference has been hold on October 2018. The key difference with the previous project is on the specific donation provided to support TNC's forest rangers, based on every consumer purchase of Kiehl's specific product: [https://www.instagram.com/p/BogmBpFFUiK/?utm\\_source=ig\\_embed&utm\\_campaign=embed\\_video\\_watch\\_again](https://www.instagram.com/p/BogmBpFFUiK/?utm_source=ig_embed&utm_campaign=embed_video_watch_again)

Considering the continuous commitment of Kiehl's Indonesia to protect biodiversity, the brand will pursue in 2022 its support to ecosystems conservation in the protected forest of Wehea, Kalimantan, as an effort to protect the habitat of Orangutans.

In 2017, we have contributed to a free MOOC on Biodiversity and Global Changes developed in partnership with the French Ministry of Education in which L'Oréal intervention was focused on deforestation issues around palm production and sustainable solutions: <https://www.fun-mooc.fr/fr/cours/biodiversite-et-changements-globaux/>

Since 2018, as an active member of the China Sustainable Palm Alliance & the India Sustainable Palm Oil Coalition,

L'Oréal supported RSPO & WWF to raise awareness of local consumers on the importance of consuming sustainable palm oil. L'Oréal has actively participated to several meetings and shared its experience with other members. This contributes raising awareness on the topic of sustainable palm oil on these two markets, which are today major palm importers with a very low RSPO certified materials uptake.

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## 5. Actions for Next Reporting Period

### 5.1 Please outline activities that your company will take in the coming year to promote the production or consumption of certified sustainable palm oil (CSPO)

- Participation in RSPO Working Group or Task Forces
- Support Independent Smallholders (ISH)
- Contribute to the RSPO Smallholder Trainer Academy
- Financial contribution to the RSPO Smallholder Support Fund
- Direct investments in Smallholder Certification projects
- Involvement/direct investments in Jurisdictional/Landscape approach
- Direct/collective investments in conservation and restoration initiatives
- Financial contribution to support members with Remediation and Compensation (RaCP) process, direct/collective investments in conservation and restoration initiatives
- Allocating FTE to promote the production or consumption of certified sustainable oil palm products
- Specific policies and action plans by the member to promote CSPO production or consumption in the upstream or downstream supply chain, including target dates or broader policies that include such efforts
- No activities planned
- Others

#### Other

In 2014, L'Oréal launched its Zero Deforestation policy, committing that by 2020 none of its products would be linked to deforestation. Since then, L'Oréal has been implementing a holistic action plan to drive responsible sourcing within its supply chains derived from key agricultural commodities, including palm oil and palm-based derivatives. In 2021, L'Oréal has reaffirmed the Group's commitment to forest conservation and rehabilitation, as well as respect to Human Rights through the publication of its 2030 Forest Policy.

- Continue to develop business with the most committed and transparent suppliers

Within the scope of its 2030 Forest Policy, L'Oréal commits to ultimately work with suppliers enforcing responsible practices along palm oil and palm kernel oil supply chains. The most committed direct suppliers are promoted through increased volumes, new products lines, longer-term contracts or any relevant business incentives.

In 2016, L'Oréal upgraded its evaluation scorecard for suppliers of palm oil and palm kernel oil derivatives, by creating a Sustainable Palm Index (SPI). The Sustainable Palm Index is integrated into the suppliers' performance rating, to enable purchasing teams worldwide to align business decisions with supplier's commitments and practices. The matrix is the result of a close interaction with suppliers and has been developed as a pragmatic tool to drive change within the derivatives market. It takes into account the supplier's achievements in terms of knowledge and transparency of their own supply chain, sustainable procurement practices and compliance with L'Oréal's Zero Deforestation policy but recognizes also their commitments to progress. Suppliers are requested to provide means of proof for each criterion. The information disclosed is verified by an independent party. The ranking allows differentiating 3 levels of compliance with L'Oréal's expectations. Based on the aggregated scoring, action plans are set up with suppliers, going from business promotion and development of partnerships for the most advanced suppliers, to business reduction or ultimately disengagement unless immediate plan of progress is implemented. This new Sustainable Palm Index has been made public and available to all companies and business partners in the sector since 2017, in order to support efforts made to ensure sustainable palm oil sourcing and compliance with our Zero Deforestation policy. Since 2019, L'Oréal is a founding member of the Action for Sustainable Derivatives (ASD), a collaborative cross-industry initiative co-managed by BSR & Transitions to accelerate the sustainable sourcing of PO & PKO derivatives. As a sponsor of the initiative, L'Oréal has shared its methodologies throughout the sector, notably regarding the Sustainable Palm Index methodology and has encouraged its direct suppliers to engage in ASD & to cascade SPI to their own suppliers.

Every year, and before every SPI annual campaign, a series of webinars are organized by L'Oréal and ASD team to explain the SPI process to the palm derivatives' suppliers. In 2021, 8 ASD members engaged 89 direct suppliers through the SPI. For the past 4 years, all L'Oréal direct suppliers have been evaluated using the Sustainable Palm Index. To date, 98% of the volumes of PO & PKO derivatives purchased from our direct suppliers are compliant to L'Oréal Zero Deforestation policy.

Every year, SPI scores are discussed during dedicated slots in annual business reviews meetings and one to one meetings are organized in order to define action plans for SPI partially-compliant suppliers. In 2021, the SPI scores were also integrated into the CSR evaluation scorecard shared annually with suppliers, and which represents 20% of the total supplier score assessment.

In 2020, in partnership with another ASD member facing the same challenges with the Japanese market, L'Oréal decided to organize a specific 2-days workshop dedicated to Japanese suppliers in order to raise their awareness towards sustainable palm production and empower them to increase their Sustainable Palm Index scoring.

Thanks to this initiative, L'Oréal aims to onboard 100% of its suppliers and reach its target of compliance with its Zero Deforestation policy for 100% of its volumes of PO & PKO derivatives for the SPI in the campaign covering the 2021 palm-based derivatives supplied volumes (results will be available in June 2022).

In addition, in order to enable its direct suppliers to cascade to indirect suppliers, L'Oréal provides them the ability and support:

- to cascade the SPI tool to their own suppliers: to date, 11 ASD members out of 23 are L'Oréal's direct suppliers;
  - to use the results of the SPOTT Palm Oil evaluation, developed in collaboration with Transitions and ZSL, to orientate choices in terms of business allocation, considering parent companies of mills, crushers and refineries that are compliant with Zero Deforestation and NDPE policies;
  - to join and encourage direct suppliers to engage in collective initiatives, such as the Action for Sustainable Derivatives (ASD), to find concrete solutions and accelerate compliance of their supply chain with deforestation-free and responsible sourcing principles.
- Reinforce risks monitoring and compliance procedures beyond tier-one suppliers

The proactive monitoring and compliance control of a whole supply chain in a commodity market is not a challenge that a company can realistically address individually. Only a collective and aligned monitoring mechanism and compliance control should help to efficiently end deforestation. According to its 2020 Zero Deforestation ambition, the Group will continue its efforts to find solutions with peers.

Since 2019, L'Oréal supports the Zoological Society of London (ZSL) and Transitions in the development of a new add-on of the SPOTT platform to evaluate the compliance of refineries and crushers with NDPE principles. The objective of this tool is to enable L'Oréal to orientate its supplies towards upstream processing facilities whose commitments, actions and sourcing practices are in line with its requirements for NDPE and Zero Deforestation. In addition, since 2018, L'Oréal, with the support of its trusted partner Transitions, contributes to develop the Implementation Reporting Framework, which aims to evaluate mills compliance and to adapt the methodology to the specificity of PKO-based derivatives. At ground level, GRAS data collection is used along L'Oréal's smallholders project with SNV in Jambi (Indonesia), while deforestation monitoring is operated by the RADD Consortium managed by WRI with geospatial data collected with Satelligence for the Siak/Pelalawan landscape programme joined in 2020.

Since 2016 L'Oréal implemented a close monitoring of the grievances observed in its supply chain. The "palm alert procedure" is activated as soon as informed by a potential breach to the policy even at upstream stages of the supply chain, far beyond first-tier suppliers. L'Oréal then immediately cascades information to its direct/indirect suppliers for them to investigate further along their supply chains, set up clear time-bound milestones to bring their concessions into compliance & take appropriate business decision, going up to business disengagement if progress are not met.

Despite the existence of this grievance procedure developed at the level of L'Oréal, understanding and acting on grievances remains challenging. Prioritizing and focusing on where collective action can have the most influence and impact is crucial. This is why L'Oréal has been actively contributing as a Co-chair of the ASD Grievance Taskforce to support the development of a grievance prioritization methodology based on severity, connection to ASD supply chain and exposure. This methodology, reviewed by external independent experts in 2021 will be applied to a comprehensive list of grievances, resulting in a focused list of high priority grievances to engage on.

L'Oréal will continue to actively contribute to the Grievance Taskforce in order to develop a grievance response management guidance with the actions companies could take, individually and collectively, to properly respond to grievances.

In 2020, an Associated Press Article confirmed the major challenges already identified by L'Oréal regarding Human Rights in palm plantations. As an end-user far from the ground, L'Oréal intends to reinforce its Human Rights individual and collective action plan, with a specific focus on gender and child labor issues in the palm sector. To do so, L'Oréal has launched in 2021 a collaboration with the NGO Vérité in order to strengthen L'Oréal's palm oil human rights due diligence program for direct and indirect suppliers. Within this framework, Vérité is in charge to conduct an in-depth examination of the human rights situation in L'Oréal's palm and palm-based derivatives supply chains to investigate whether there are human rights abuses in palm plantations and mills linked to L'Oréal's supply base, as well as the scale and root causes of the issues. This will be done through a high-level human rights risk assessment, as well as with a focused assessment and in-depth analysis at the level of selected mills.

Since 2019, L'Oréal has been supporting its supplier Wilmar & Business for Social Responsibility's (BSR) in the development of a Child Protection Policy and Implementation Manual dedicated to palm supply chain in Indonesia and Malaysia, with a series of training workshops for suppliers in Indonesia. To ensure suppliers are able to understand and implement the Child Protection Implementation Manual in a practical and sustainable manner, the next step will be to conduct a pilot in 2022 to test and refine the manual's practical applicability, build supplier capacity to address child protection issues in selected palm oil estates in Indonesia and Malaysia, and subsequently share key lessons learned.

In addition, L'Oréal has also launched in 2021 a comprehensive review of its human rights due diligence program and tools (SPI, Grievance procedure, NDPE field assessment methodology) to be able to strengthen systems to assess and verify human rights and labor issues at various layers of the supply chain.

- Support the sector transformation

L'Oréal is a founding member of the Action for Sustainable Derivatives (ASD), a collaborative cross-industry initiative co-managed and co-facilitated by BSR and Transitions to spur action for accelerating the sustainable production and sourcing of palm oil and palm kernel oil derivatives. To date, this initiative involves 23 multi-sectorial actors of the palm and oleo chemical industry, representing ~8-10% of the global palm-based oleochemicals market (in terms of volumes), and ~10-20% of the palm kernel oil-based oleochemicals market.

As a sponsor of the initiative, L'Oréal has shared its methodologies throughout the sector, notably regarding transparency and traceability, with the Sustainable Palm Index, and actively contributed to the ASD working groups and to the ASD Grievance Taskforce. This initiative also intends to provide tangible solutions, scale up efforts towards compliance with

NDPE principles and create synergies between diverse actors for the implementation of field sustainable sourcing projects. The 2020/2021 Annual Update on Progress is publicly available at:  
[https://www.bsr.org/reports/ASD\\_Annual\\_Update\\_on\\_Progress\\_2021.pdf](https://www.bsr.org/reports/ASD_Annual_Update_on_Progress_2021.pdf)

In addition, L'Oréal supported in 2021 a resolution at the 18th General Assembly of RSPO Members which was adopted, aiming at "Enhancing the robustness of the RSPO Mass Balance model to accelerate uptake of Certified Sustainable Palm Oil", along with peers, suppliers, WWF and ZSL.

Acknowledging the fact that 100% CSPO production can only be obtained through strong and robust certification schemes such as SG or IP, MB currently remains an important part of the volumes of CSPO sold on the market. With a final target of shifting the industry to physical certification as the most direct and efficient scheme to achieve control over the supply chain, this proposition aims to enhance the robustness of the MB model, both at the plantation and at the supply chain level, recognizing its role as an intermediary way to drive overall industry uptake of CSPO. As this resolution was adopted, a detailed study to and investigate the inherent structural and business limitations in the current Mass Balance (MB) model will be conducted in 2022. The aim is to obtain a set of recommendations to enhance the robustness and the accessibility of the Mass Balance model, including the expected minimum level of environmental and social safeguards required for the non-certified materials entering MB supply chains.

- Contribute to raise consumers awareness in major markets

In order to meet consumers' growing demand for transparency in the ingredients that make up the products, L'Oréal has strengthened its approach through new initiatives that improve information and allow everyone to make informed choices. PO/PKO based derivatives being important ingredients of cosmetics products, it is important for L'Oréal and its brands to find the right way to communicate on the sustainable sourcing of the biobased raw materials contained in the final products. Thus, L'Oréal has decided to publish in June 2016 its first Palm Oil Progress Report in order to be accountable to its stakeholders, among them consumers, on the targets, efforts and accomplishments in the sourcing of palm oil and palm oil derivatives. The second Palm Oil Progress Report was published in July 2019 ([https://www.loreal-finance.com/system/files/2020-06/EN\\_2019%20L%27Oreal%20Progress%20Report.pdf](https://www.loreal-finance.com/system/files/2020-06/EN_2019%20L%27Oreal%20Progress%20Report.pdf)).

Launched in March 2019, the Inside Our Products website answers questions from the general public about what goes into the ingredients used in the Group's products. The platform lists more than 1,300 ingredients including palm and is now accessible in 45 countries and in 8 languages.

In 2022, L'Oréal will continue to report its progress & challenges on its 2030 Forest Policy, and to actively engage with its stakeholders notably to share in transparency the specific priority raw materials roadmaps developed to achieve the objectives of its 2030 Forest Policy.

- Stakeholders' engagement

In addition, L'Oréal is permanently engaging with external stakeholders to report and inform regarding its Zero Deforestation policy, interacting with them to identify robust options for strengthening its current strategy and address the challenges identified together, taking into account the risks and benefits of various alternatives:

- In 2021, L'Oréal has actively and continuously contributed to share its progresses and challenges with its peers and suppliers, through its participation to the 3 regular ASD Working Groups on Transparency and monitoring, Supply and market transformation or Positive Impact, and notably through specific webinars organized with L'Oréal's direct suppliers through ASD.

- In April 2021, as part of L'Oréal's participation in the Siak Pelalawan Landscape Programme coordinated by Proforest and Daemeter, L'Oréal has joined an international webinar on sustainable palm oil in Indonesia, hosted by UNDP. This webinar was an occasion to demonstrate on how international buyers can support Indonesian stakeholders, including producers, local governments and other stakeholders, to increase sustainable palm oil development. Daemeter and Proforest were invited to present the Siak Pelalawan Landscape Programme during this webinar.

- In November 2021, L'Oréal participated to the online Innovation Forum and to the conference on "How evolved corporate procurement can deliver SDG targets AND meet Scope III GHG" taking the opportunity to communicate about L'Oréal's strategy to integrate sustainable sourcing performance into procurement business allocation strategies with a specific focus on the holistic action plan implemented on palm, including sources' compliance and suppliers' compliance through the Sustainable Palm Index.

- In December 2021, L'Oréal published its 2030 Forest Policy, built with the involvement of external stakeholders, including environmental and Human Rights NGOs, Academics and Research Institutes, Non-financial rating agencies, certifying bodies and coalitions & development agencies, of which POIG; but also raw materials and packaging suppliers.

- In December 2020, L'Oréal held a Stakeholders e-Forum to share the results related to its 2020 Zero Deforestation Policy, gathering around 15 non-profit organizations, including NGOs, Research Institutes, Experts or Certification bodies... This was the opportunity to update participants on the last achievements related to L'Oréal's palm action plan, discuss the remaining challenges and launch a consultation process with external stakeholders on L'Oréal 2030 Forests Policy, which will be the next generation of commitments notably for palm. Through this consultation process, L'Oréal has gathered feedbacks and comments, in order to get a transversal vision of external stakeholders' expectations and to ensure its 2030 commitments are responding accurately to environmental and social stakes regarding forest protection.

- In 2020, in partnership with another ASD member, L'Oréal decided to organize a specific workshop dedicated to Japanese suppliers in order to raise their awareness towards sustainable palm production & empower them to increase their SPI scoring.

- During the RSPO Roundtable in Bangkok (November 2019), L'Oréal held a Stakeholder forum gathering more than 15 non-profit organizations. The objectives of this event were to challenge, discuss and prioritize the operational solutions identified, ensure alignment of our action plan with the expectations of civil society, and reinforce the line of dialogue between L'Oréal and our stakeholders.

- In November 2019, L'Oréal participated to the Innovation Forum and to the conference on "Forests track: How to tackle deforestation by communities and smallholders" taking the opportunity to communicate about L'Oréal's strategy to support independent smallholders through field projects.

- Since 2019, L'Oréal supports the launched of the SPOTT tool in collaboration with ZSL and Transitions to identify a positive list of compliant upstream players, at group level, notably refiners and crushers, who are in line with L'Oréal's requirements for Zero Deforestation.

- In addition, since 2018, L'Oréal, with the support of its trusted partner Transitions, contributes to develop the Implementation Reporting Framework, which aims to evaluate mills compliance ([https://ndpeirf.files.wordpress.com/2019/10/npde\\_irf\\_update06.pdf](https://ndpeirf.files.wordpress.com/2019/10/npde_irf_update06.pdf))

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## Shared Responsibility

*The Board of Governors of the Roundtable on Sustainable Palm Oil approved new Shared Responsibility rules on 31 October 2019, requiring all members to share sustainability requirements and obligations. Reporting of Shared Responsibility (SR) requirements will be done through ACOP and MyRSPO. As the process of verification of the reports is in development, the Shared Responsibility section in ACOP may change in future ACOP cycles. Evidence to show compliance to the SR requirements shall be uploaded via your membership profile in MyRSPO. Please login to your MyRSPO account and upload the relevant policies, plans and relevant reports there. If you do not have a policy or your policy does not cover all items, you will be required to provide a Declaration of Support for the relevant policy items in your MyRSPO profile. Additional information on the required policies and plans applicable to all sectors as well as the annual uptake targets for supply chain actors can be found on <https://rspo.org/members/shared-responsibility> or email the Shared Responsibility team at [sharedresponsibility@rspo.org](mailto:sharedresponsibility@rspo.org).*

### Information & Public Availability

**1.1 Does your company have organisational management documents publicly-available?**

Yes

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### Ethical Conduct & Human Rights

**1.2 Does your company have a publicly-available Policy covering Ethical Conduct & Human Rights?**

Yes

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**1.2.1 Does the policy cover:**

- Recruitment
- Contractors
- Suppliers and Sub-Contractors

### Legal Compliance

**1.3 Does your company comply with all applicable legal requirements?**

Yes

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**1.4 Does your company require its third party contractors to comply with legal requirements, i.e. including a clause on legal compliance in the contracts?**

Yes

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### Complaints & Grievances

**1.5 Does your company have a Grievance Mechanism that is accessible to all affected parties?**

Yes

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**1.5.1 Is your Grievance mechanism in line with the principles of the RSPO's Complaints System?**

Yes

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**Land Use & FPIC**

**1.6 Does your company have a publicly-available policy covering Commitment to respect Free Prior and Informed Consent (FPIC) in the Palm Oil Supply chain?**

Yes

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**1.6.1 Does your company have a procedure in place to identify legal, customary or user rights, and people entitled to compensation?**

No

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**Smallholders**

**1.7 Does your company support oil palm smallholders (groups)?**

Yes

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**1.7.1 Does your company report on the actions to support the inclusion of smallholders?**

Yes

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**Labour & Labour Rights**

**1.8 Does your company have a publicly-available policy covering Labour & Labour Rights?**

Yes

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**1.8.1 Does the policy cover:**

- No discrimination and equal opportunities
- Pay and working conditions at least at legal or industry minimum standards and are sufficient to provide decent living wages (DLW)
- Freedom of association and Collective bargaining
- Protection of children, as well as the workforce of suppliers and third-party contractors
- Prevention of all forms of harassment, including sexual harassment
- No forced or trafficked labour

**Occupational Health & Safety**

**1.9 Does your company have a publicly-available Policy covering Occupational Health & Safety?**

Yes

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**1.9.1 Does your company have a Standard Operating Procedure (SOP) for Occupational Health & Safety?**

Yes

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**Waste Management**

**1.10a Does your company have a waste management plan that includes reduction, recycling, reusing and disposal based on the hazardous characteristics?**

Yes

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**1.10a.1 Is this plan implemented?**

Yes

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**Water Management**

**1.11 Does your company have a water management plan to promote efficient use and continued availability of water sources?**

Yes

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**1.11.1 Is this plan implemented?**

Yes

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**Energy Use**

**1.12 Does your company have an energy use plan to improve the efficiency of the fossil fuels used and to optimise renewable energy?**

Yes

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**1.12.1 Are there records of implementation of the plan ie. monitoring and reporting?**

Yes

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**Climate Change & Greenhouse Gas (GHG)**

**1.13 Does your company have a publicly-available policy covering Climate Change & Greenhouse Gas (GHG) including identification and assessment of GHG emissions and implementation of a plan to reduce or minimise them?**

Yes

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## Challenges and Support

### 1.1 What significant obstacles or challenges has your company encountered in the promotion of certified sustainable palm oil (CSPO)? What efforts has your company taken to address these obstacles or challenges?

- Awareness of RSPO in the market
- Difficulties in the certification process
- Certification of smallholders
- Competition with non-RSPO members
- High costs in achieving or adhering to certification
- Human rights issues
- Insufficient demand for RSPO-certified palm oil
- Low usage of palm oil
- Reputation of palm oil in the market
- Reputation of RSPO in the market
- Supply issues
- Traceability issues
- No challenges faced
- Others

#### Others

In 2014, L'Oréal launched its Zero Deforestation policy, committing that by 2020 none of its products would be linked to deforestation. Since then, L'Oréal has been implementing a holistic action plan to drive responsible sourcing within its supply chains derived from key agricultural commodities, including palm oil and palm-based derivatives. In 2021, L'Oréal has reaffirmed the Group's commitment to forest conservation and rehabilitation, as well as respect to Human Rights through the publication of its 2030 Forest Policy.

For L'Oréal which purchases few volumes of crude palm oil and uses essentially palm oil and palm kernel oil-based derivatives (fatty acids, fatty alcohols and glycerin), here are the very specific obstacles and actions taken to overcome them:

1/ The competitiveness of the oleo derivatives market coupled with a very high level of complexity and ramifications of supply chains with a multiplicity of actors involved, which implies: No traceability, lack of transparency of intermediary suppliers not exposed to a reputational risk like end-users.

L'Oréal action:

8 years of in-depth investigation of our derivatives supply chain launched with the support of an external and independent third party to build trust and facilitate the collection data through confidentiality agreement with direct and indirect suppliers. The 2020 supply chain mapping on palm derivatives allowed to trace back: 98% of raw materials up to refineries; 94% of raw materials up to mills; 50% of raw materials up to palm plantations.

Collaborative approach based on continuous dialogue with our suppliers to increase the understanding and awareness about deforestation issues, to increase their capacity to handle the topic, to commit towards zero deforestation. To do so, we developed methodologies and adapted tools that we shared with all our oleochemicals' suppliers through regular webinar sessions and Q&A and we involved them directly in the process, being very clear that we will ultimately work with suppliers that guarantee the raw materials they sell to L'Oréal are free from deforestation. In addition to the development of a methodology helping to get more transparency along our supply chains, in 2016, L'Oréal upgraded its evaluation scorecard for suppliers of palm oil and palm kernel oil derivatives, by creating a Sustainable Palm Index (SPI). In 2021, all L'Oréal suppliers have been assessed for the sixth year based on the updated version of the SPI, reinforced on Human Rights aspects. To date, 98% of the volumes of PO & PKO derivatives purchased from our direct suppliers are compliant to L'Oréal Zero Deforestation policy.

Today, the SPI is fully integrated into our direct suppliers' performance rating, to enable purchasing teams worldwide to align business decisions with supplier's commitments and practices. The evaluation grid is the result of a close interaction with suppliers and has been developed as a pragmatic tool to drive change within the derivatives market. Every year, and before every SPI annual campaign, a series of webinars are organized by L'Oréal to explain the SPI process to the palm derivatives' suppliers. SPI scores are discussed during dedicated slots in annual business reviews meetings and, one to one meetings are organized in order to define action plans with suppliers with a "Partially compliant" score to the SPI. The list of raw materials provided by suppliers with a "Non-compliant" score to the 2021 SPI have been flagged in L'Oréal internal Secure Alert Tool to start a disengagement process from the labs. In 2021, the SPI scores were also integrated into the CSR evaluation scorecard shared annually with suppliers, and which represents 20% of the total supplier score assessment.

As announced, L'Oréal has published this tool in 2017 and made it available on its website (<https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/commitments/sbwasustainablepalmindex1-enaccessible.pdf>), so every actor from the sector can use it.

Since 2019, L'Oréal is a founding member of the Action for Sustainable Derivatives (ASD), a collaborative cross-industry initiative co-managed by BSR & Transitions to accelerate the sustainable sourcing of PO & PKO derivatives. As a sponsor of the initiative, L'Oréal has shared its methodologies throughout the sector, notably regarding the Sustainable Palm Index methodology and has encouraged its direct suppliers to engage in ASD & to cascade SPI to their own suppliers. Every year, and before every SPI annual campaign, a series of webinars are organized by L'Oréal and ASD team to explain the SPI process to the palm derivatives' suppliers. In 2021, 8 ASD members engaged 89 direct suppliers through the SPI.

In 2020, in partnership with another ASD member, L'Oréal decided to organize a specific 2-days workshop dedicated to Japanese suppliers in order to raise their awareness towards sustainable palm production and empower them to increase their Sustainable Palm Index scoring. Thanks to this initiative, L'Oréal aims to onboard 100% of its suppliers and reach its target of compliance with its Zero Deforestation policy for 100% of its volumes of PO & PKO. In 2021, 98% of the volumes of PO & PKO derivatives purchased from L'Oréal's direct suppliers are compliant to SPI.

In addition, in 2018, L'Oréal has been working with the Zoological Society of London (ZSL) to create a public scorecard of the global palm oil refineries and palm kernel crushers "the Sustainable Refineries & Crusher Index". This tool is public since 2019 on ZSL Platform SPOTT: <https://www.spott.org/> The objective of this tool is to enable L'Oréal to orientate its supplies towards upstream processing facilities whose commitments, actions and sourcing practices are in line with its requirements for NDPE and Zero Deforestation. In addition, since 2018, L'Oréal, with the support of its trusted partner Transitions, contributes to develop the Implementation Reporting Framework, which aims to evaluate mills compliance and to adapt the methodology to the specificity of PKO-based derivatives. At ground level, GRAS data collection is used along L'Oréal's smallholders project with SNV in Jambi (Indonesia), while deforestation monitoring is operated by the RADD Consortium managed by WRI with geospatial data collected with Satelligence for the Siak/Pelalawan landscape programme joined in 2020.

## 2/ A lack of Mass Balance certified derivatives availability among suppliers

### L'Oréal action:

L'Oréal has been very proactive to push its suppliers to deliver and commit to buy RSPO Mass Balance grade as a minimum. The objective shared is that RSPO Mass Balance scheme should deliver 100% of L'Oréal's volumes by end of 2020, combined with responsible and sustainable local sourcing projects covering at least 30% of L'Oréal's volumes of palm-based derivatives. 100% of L'Oréal palm oil is RSPO SG certified since 2010. The Group has continuously increased its percentage of physically certified supply chain for palm-based derivatives with the target to reach 100% RSPO MB. However, some remaining challenges still exist for palm-based derivatives. Indeed, the 1.6% remaining gap versus the 100% RSPO Mass Balance on palm-based derivatives target is due to following challenges:

- Supply of Mass Balance certified quality inferior to demand, causing high stress on supplies for several palm and palm kernel-based derivatives;
- Unavailability of Mass Balance certified quality for some raw materials of specialties purchased in small volumes;
- Lack of availability of Mass Balance certified quality in some specific markets and geographical zones.

In order to overcome these challenges, L'Oréal has contributed in 2019 to the creation of the Action for Sustainable Derivatives (ASD) initiative. Indeed, being a small player of the palm industry, one of the levers to address these challenges is to work collectively with other players in order to increase the demand for RSPO certified materials and push the upstream players for more RSPO certification.

In addition, L'Oréal supported in 2021 a resolution at the 18th General Assembly of RSPO Members which was adopted, aiming at "Enhancing the robustness of the RSPO Mass Balance model to accelerate uptake of Certified Sustainable Palm Oil", along with peers, suppliers, WWF and ZSL. Acknowledging the fact that 100% CSPO production can only be obtained through strong and robust certification schemes such as SG or IP, MB currently remains an important part of the volumes of CSPO sold on the market. With a final target of shifting the industry to physical certification as the most direct and efficient scheme to achieve control over the supply chain, this proposition aims to enhance the robustness of the MB model, both at the plantation and at the supply chain level, recognizing its role as an intermediary way to drive overall industry uptake of CSPO. As this resolution was adopted, a detailed study to and investigate the inherent structural and business limitations in the current Mass Balance (MB) model will be conducted in 2022. The aim is to obtain a set of recommendations to enhance the robustness and the accessibility of the Mass Balance model, including the expected minimum level of environmental and social safeguards required for the non-certified materials entering MB supply chains.

## 3/ The price of Segregated certified derivatives still prohibitive when available (at very low volumes) on the market. Considering the low volumes we purchase, our lever of influence is very weak to impact the market price.

## 4/ Lack of involvement of the millers to support independent smallholders into the adoption of sustainable practices.

L'Oréal actions: L'Oréal intention by 2020 was to have 30% of its total derivatives volumes coming from sustainable field projects supporting Independent Smallholders in its key sourcing areas. As the final off-taker, L'Oréal indirectly supports pluri-annual premium-based commitment to purchase the smallholders' RSPO certified production, including upstream intermediaries. Through 5 projects, L'Oréal initiates a long-term business relationship with every actor of the value chain, which is inclusive for the independent smallholders, and disruptive with regards to the rules of a traditional commodity market. In 2021, L'Oréal covered 27% of its physical sourcing from projects with independent smallholders:

- In 2015, L'Oréal launched the "SPOTS" Project", a first pilot project targeting to support 500 smallholders by end of 2020, in the Beluran district in Malaysia. This project involves L'Oréal's direct supplier Clariant, in collaboration with the intermediary supplier Global Amines, the upstream producer Wilmar and the Malaysian social enterprise Wild Asia. So far the project has shown significant success and in the 6th year of the project, 942 small independent farmers and growers joined the SPOTS project, of which 774 obtained the RSPO certification representing 28,000 hectares of sustainably managed plantations. In 2021, L'Oréal has worked with Wild Asia and its suppliers to scale-up the project, in order to extend its positive impact to the whole district of Sabah by 2025. The 2025 objectives of this renewed collaboration at landscape level are to extend the RSPO certification to 3,500 independent smallholders while encouraging the adoption of regenerative agricultural practices for palm oil production on more than 10,000 hectares.
- Following the encouraging results of SPOTS project, in 2018 L'Oréal collaborated with SNV, the Netherlands Development Organization, to implement a second project in the region of Berbak in Jambi, on the Indonesian island of Sumatra which aims to support 12,500 smallholders over 5 years. Since 2019, L'Oréal also partnered with the French Agricultural Research Centre for International Development (CIRAD) to evaluate impacts of agricultural practices of smallholders on their soils' quality & productivity of palm trees in two cooperatives of independent smallholders. The results helped to improve smallholders' practices & reduce their environmental impact. In 2021, 9,912 independent smallholders received trainings from SNV, among them 47% are women.

- In 2020, L'Oréal joined the Siak Pelalawan Landscape Programme, a private sector-driven initiative in the districts of Siak and Pelalawan in Riau province, Indonesia, supported by Proforest and Daemeter. The programme supports and builds on existing government led initiatives and, has 4 long term goals: 1) Protect and enhance forests, peatlands and natural ecosystems, 2) Empower palm oil smallholders to achieve improved livelihoods, 3) Respect of labour and community rights within the palm oil sector and 4) Pursue sustainable palm oil production.

- Since 2020, L'Oréal is working with its supplier Wilmar on a field project supporting smallholders in RIAU. In 2021, 610 independent smallholders received trainings to be able to obtain the ISPO certification. A methodology of NDPE assessment at project level has been developed with Daemeter in 2020 and 2021 and will be deployed on the project in 2022.

- In 2021, L'Oréal has partnered with Danone, Mars Incorporated, the Livelihoods Funds, Musim Mas and SNV to a ten-years project in North Sumatra, Indonesia. The project aims to sustain a deforestation-free supply chain, regenerate 8,000 hectares of degraded land, restore local biodiversity in 3,500 hectares, and improve the livelihoods of 2,500 independent smallholder farmers. While Mars and Danone, through their partnership with Musim Mas' mill, will source palm oil products, L'Oréal has also committed to source palm kernel oil produced by the independent smallholders in the project area through Musim Mas' mill. With a regenerative agriculture system in place, the project aims to regenerate smallholders' farms, increase their yield, improve their farms' biodiversity by improving soil health and integrated pest management, and increase and diversify farmers' income through intercropping. The project also focuses on female empowerment, working to balance decision-making power within smallholders' households regarding access to and control over resources regarding intercropping activities.

Those 5 field projects impacted more than 11,460 beneficiaries in 2021 and covers 27% of our derivatives purchases in 2021. In 2022, the NDPE assessment methodology developed with Daemeter will be deployed to 3 field projects, to ensure those projects are compliant with L'Oréal 2030 Forest Policy.

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## 1.2 In addition to the actions already reported in this ACOP report, what other ways has your company supported the vision of the RSPO to transform markets to make sustainable palm oil the norm?

- Communication and/or engagement to transform the negative perception of palm oil
- Engagement with business partners or consumers on the use of CSPO
- Engagement with government agencies
- Engagement with peers and clients
- Promotion of CSPO through off product claims
- Promotion of CSPO outside of RSPO venues such as trade workshops or industry associations
- Promotion of physical CSPO
- Providing funding or support for CSPO development efforts
- Research & Development support
- Stakeholder engagement
- No actions taken
- Others

### Others

Within the scope of its new sustainability program L'Oréal for the Future, L'Oréal has committed by 2030, that 100% of its biobased ingredients for formulas and materials for packaging will be traceable, come from sustainable sources, and none of them will be linked to deforestation. In this framework and in the continuity of its 2020 Zero Deforestation Policy, L'Oréal has published in 2021, a new generation of ambitions for forests through its 2030 Forest Policy.

Recognizing that forests are more vulnerable now than ever to critical threats, with major environmental and human consequences worldwide, L'Oréal is committed to contributing, by 2030 at the latest, to the maintenance and improvement over time of forests and the services they provide, through the implementation of a new strategic framework relying on two pillars: "Sustainably Manage" and "Preserve and Rehabilitate".

L'Oréal's 2030 Forest Policy:

- Extends the scope of application to all forest-related raw materials used within L'Oréal's products, both for formulas and packaging, and for points of sales (POS);

- And extends the depth of actions to:

o include ambitious goals on the sustainable management of priority forest landscapes, ensuring that no harm is caused to the ecosystems and forests connected to L'Oréal's supply chains with a reinforced focus on Human Rights protection ("Sustainably Manage" pillar),

o proactively contribute to preserve and recover the services provided by priority forests landscapes, strategic for its sourcing ("Preserve and Rehabilitate" pillar).

Through the "Sustainably Manage" pillar, L'Oréal will ensure that 100% of the sourcing for its overall portfolio of forest-related raw materials for formulas, packaging materials and POS, and the operation of its suppliers at a corporate group level, comply with the following principles:

- Full traceability of its sources to the production area
- Full legality of the production, manufacturing and trading steps with local, national and international laws, including the respect for Access and Benefit Sharing regulations and principles, in line with the Convention on Biological Diversity and the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization.
- No conversion or degradation of High Conservation Value (HCV) areas, High Carbon Stock (HCS) forests, Intact Forest Landscapes (IFL) and other forest-related natural ecosystems, following reference cut-off dates per raw material.
- No burning, clearance, planting or exploitation of peatlands regardless of their depth.
- Respect for species classified as threatened or endangered according to CITES and IUCN, no use of illegal or prohibited chemicals, avoidance of detrimental intensive agriculture systems, no damage to natural water ecosystems and soil.
- Respect for workers, farmers and smallholders' rights in line with the Universal Declaration of Human Rights (UDHR), the United Nations' Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO) fundamental Conventions.
- Recognition of the rights of all workers, including freedom of association and collective bargaining, legal and decent working hours, safe and healthy workplaces, respect for minimum wages, stable benefits and welfare protection, and the prevention of irresponsible and abusive working practices such as forced labor, child labor, discrimination, harassment and gender-based violence.
- Respect for the self-determination of Indigenous People and local communities, in line with the United Nations Declaration on the Rights of Indigenous People, as well as their rights to ownership of the land over which they have statutory, community and/or customary rights.
- Ensure the Free, Prior and Informed Consent (FPIC) of Indigenous peoples' and local communities prior to any activity that may affect these rights, and ensure adequate compensation, accommodation or remediation through mutually agreed procedures where production or conservation uses infringe on these lands, territories or resources.
- Protection of human, land and environmental rights defenders from violence, intimidation and criminalisation.
- Operation of an open, transparent and consultative process to resolve complaints and conflicts, notably through the implementation of a Group-level Grievance procedure, in line with the United Nations' Guiding Principles on Business and Human Rights (UNGPs).
- Within the scope of sustainable sourcing field projects, support for local communities' livelihoods, and improvement of smallholder farmers revenues through increased access to sustainable markets.
- Promotion of gender equality and women's inclusion in agricultural supply chains.



Differentiated deadlines have been set, to cover a larger scope of strategic raw materials, based on the criticality of the forest-related raw materials, the urgency to act and transform production models, as well as their business relevance to L'Oréal. By 2025 at the latest, all these targets will be met for agricultural commodities that may lead to deforestation, including palm. L'Oréal 2030 Forest Policy (<https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/articles-media/loreal-for-the-future--2030-forest-policy.pdf?rev=c4e93f73fab8463ca461445da6ec193d&hash=9528C332E0F848649DD6AD95DE3A9D39>) applies to all L'Oréal

Group activities, including all product categories, brands and geographies. The efforts and activities that will be conducted to support the achievement of these new objectives for palm will be detailed in a specific Priority Palm Roadmap, which will be shared with L'Oréal's suppliers in 2022. L'Oréal will provide public and independently verified information about its progress annually, with dedicated KPIs for palm.

This new policy has been built with the involvement of RSPO, which was part of the consultation process with external stakeholders launched by L'Oréal in December 2020, in order to collect external feedbacks on this next generation of commitments notably for palm. RSPO will remain part of the priority stakeholders who will be informed closely and consulted in 2022 regarding the palm operational roadmap.

In parallel of the design of this new 2030 strategic framework, L'Oréal has pursued in 2021 the deployment of its holistic action plan to drive responsible sourcing within its supply chains derived from key palm oil and palm-based derivatives, launched since more than 8 years through L'Oréal's Zero Deforestation Commitment.

In this framework, and in order to support the vision of the RSPO to transform markets to make sustainable palm oil the norm: 1/ We continuously work with our direct and indirect suppliers to improve traceability of our ingredients. Our approach is to work in close collaboration with our first-tier suppliers to train them to tackle palm cultivation challenges and build with them a common strategy that is technically feasible and economically viable in order to deliver sustainable palm oil to the market and "deforestation free" palm to the group.

In this framework:

- we have created new methodologies and tools of traceability (2014-2016);

we created and launched in October 2016 the Sustainable Palm Index (SPI), which is a tool aimed at evaluating compliance of our direct suppliers of palm derivatives with our Zero Deforestation policy. An updated version of the tool better in line with POIG criteria as well as with the Responsible Guidance for Sustainable Palm published by CERES has been released in 2017. This tool has been made public, available to all companies and business partners in the sector on L'Oréal's website:

[https://loreal-dam-front-corp-endam-front-corp-encdn.damdy.com/ressources/afile/179399-fb84e-resource\\_pdf-sbwasustainable-palm-index.pdf](https://loreal-dam-front-corp-endam-front-corp-encdn.damdy.com/ressources/afile/179399-fb84e-resource_pdf-sbwasustainable-palm-index.pdf) For the past 4 years, all L'Oréal direct suppliers have been evaluated using the Sustainable Palm Index. To date, 98% of the volumes of PO & PKO derivatives purchased from our direct suppliers are compliant to L'Oréal Zero Deforestation policy. Every year, SPI scores are discussed during dedicated slots in annual business reviews meetings and one to one meetings are organized in order to define action plans for SPI partially-compliant suppliers. In 2021, the SPI scores were also integrated into the CSR evaluation scorecard shared annually with suppliers, and which represents 20% of the total supplier score assessment.

- Since 2019, L'Oréal is a founding member of the Action for Sustainable Derivatives (ASD), a collaborative cross-industry initiative co-managed by BSR & Transitions to accelerate the sustainable sourcing of PO & PKO derivatives. As a sponsor of the initiative, L'Oréal has shared its methodologies throughout the sector, notably regarding the Sustainable Palm Index methodology and has encouraged its direct suppliers to engage in ASD & to cascade SPI to their own suppliers: to date, 11 ASD members out of 23 are L'Oréal's direct suppliers.

In 2020, in partnership with another ASD member facing the same challenges with the Japanese market, L'Oréal decided to organize a specific 2-days workshop dedicated to Japanese suppliers in order to raise their awareness towards sustainable palm production and empower them to increase their Sustainable Palm Index scoring.

Thanks to this initiative, L'Oréal aims to onboard 100% of its suppliers and reach its target of compliance with its Zero Deforestation policy for 100% of its volumes of PO & PKO derivatives for the SPI in the campaign covering the 2021 palm-based derivatives supplied volumes (results will be available in June 2022).

- we have developed the Sustainable Refinery & Crusher Index (2016) in order to engage our indirect suppliers (refineries and crushing plants) towards compliance with our Zero Deforestation policy aligned with POIG Charter criteria. In 2016 and 2017, this internal tool to L'Oréal has been used as a due diligence in order to evaluate compliance of indirect suppliers with our policy. In 2018 and 2019, L'Oréal has been working with the Zoological Society of London (ZSL) to create a public scorecard of the global palm oil refineries and palm kernel crushers, so that the overall sector, including our direct suppliers for palm derivatives, could benefit from the approach to both make more sustainable procurement choices and engage non-compliant refineries/crushers towards sustainability. The objective of this tool is to enable L'Oréal to orientate its supplies towards upstream processing facilities whose commitments, actions and sourcing practices are in line with its requirements for NDPE and Zero Deforestation. Since 2020, the list of refineries and crushers with high levels of traceability was shared by L'Oréal with its direct suppliers for them to be able to orientate their supplies towards transparent actors.

- In addition, since 2018, L'Oréal, with the support of its trusted partner Transitions, contributes to develop the Implementation Reporting Framework, which aims to evaluate mills compliance and to adapt the methodology to the specificity of PKO-based derivatives. At ground level, GRAS data collection is used along L'Oréal's smallholders project with SNV in Jambi (Indonesia), while deforestation monitoring is operated by the RADD Consortium managed by WRI with geospatial data collected with Satelligence for the Siak/Pelalawan landscape programme joined in 2020.

- Despite the existence of this grievance procedure developed at the level of L'Oréal, understanding and acting on grievances remains challenging. Prioritizing and focusing on where collective action can have the most influence and impact is crucial. This is why L'Oréal has been actively contributing as a Co-chair of the ASD Grievance Taskforce to support the development of a grievance prioritization methodology based on severity, connection to ASD supply chain and exposure. This methodology,

reviewed by external independent experts in 2021 will be applied to a comprehensive list of grievances, resulting in a focused list of high priority grievances to engage on. L'Oréal will continue to actively contribute to the Grievance Taskforce in order to develop a grievance response management guidance with the actions companies could take, individually and collectively, to properly respond to grievances.

- In 2020, an Associated Press Article confirmed the major challenges already identified by L'Oréal regarding Human Rights in palm plantations. As an end-user far from the ground, L'Oréal intends to reinforce its Human Rights individual and collective action plan, with a specific focus on gender issues in the palm sector. To do so, L'Oréal has launched in 2021 a collaboration with the NGO Vérité in order to strengthen L'Oréal's palm oil human rights due diligence program for direct and indirect suppliers. Within this framework, Vérité is in charge to conduct an in-depth examination of the human rights situation in L'Oréal's palm and palm-based derivatives supply chains to investigate whether there are human rights abuses in palm plantations and mills linked to L'Oréal's supply base, as well as the scale and root causes of the issues. This will be done through a high-level human rights risk assessment, as well as with a focused assessment and in-depth analysis at the level of selected mills.

In addition, L'Oréal has also launched in 2021 a comprehensive review of its human rights due diligence program and tools (SPI, Grievance procedure, NDPE field assessment methodology) to be able to strengthen systems to assess and verify human rights and labor issues at various layers of the supply chain.

- In order to enable its direct suppliers to cascade to indirect suppliers, L'Oréal provides them the ability and support:

- o to cascade the SPI tool to their own suppliers;
- o to use the results of the SPOTT Palm Oil evaluation to orientate choices in terms of business allocation, considering parent companies of mills, crushers and refineries that are compliant with Zero Deforestation and NDPE policies;
- o to join and encourage direct suppliers to engage in collective initiatives, such as the Action for Sustainable Derivatives (ASD), to find concrete solutions and accelerate compliance of their supply chain with deforestation-free and responsible sourcing principles.

2/ We have also diversified our palm oil sourcing by developing innovative partnerships with suppliers, which allowed us to increase the volumes of Mass Balance for the palm-based derivatives covering 98.4% of our volumes in 2020.

3/ In 2015/2016/2017/2018/2019/2020/2021, we took advantage of several public opportunities to reaffirm our support to RSPO.

- In 2021, L'Oréal has actively and continuously contributed to share its progresses, notably in terms of certification coverage, and challenges with its peers and suppliers, through its participation to the 3 regular ASD Working Groups on Transparency and monitoring, Supply and market transformation or Positive Impact, and notably through specific webinars organized with L'Oréal's direct suppliers through ASD.

- In November 2021, L'Oréal participated to the online Innovation Forum and to the conference on "How evolved corporate procurement can deliver SDG targets AND meet Scope III GHG" taking the opportunity to communicate about L'Oréal's strategy to integrate sustainable sourcing performance into procurement business allocation strategies with a specific focus on the holistic action plan implemented on palm, including sources' compliance through RSPO certification & field projects, as well as suppliers' compliance through the Sustainable Palm Index.

- In April 2021, as part of L'Oréal's participation in the Siak Pelalawan Landscape Programme coordinated by Proforest and Daemeter, L'Oréal has joined an international webinar on sustainable palm oil in Indonesia, hosted by UNDP. This webinar was an occasion to demonstrate on how international buyers can support Indonesian stakeholders, including producers, local governments and other stakeholders, to increase sustainable palm oil development. Daemeter and Proforest were invited to present the Siak Pelalawan Landscape Programme during this webinar.

- In December 2021, L'Oréal published its 2030 Forest Policy, built with the involvement of external stakeholders, including environmental and Human Rights NGOs, Academics and Research Institutes, Non-financial rating agencies, certifying bodies and coalitions & development agencies, of which RSPO, but also raw materials and packaging suppliers.

- In December 2020, L'Oréal held a Stakeholders e-Forum to share the results related to its 2020 Zero Deforestation Policy, gathering around 15 non-profit organizations, including NGOs, Research Institutes, Experts or Certification bodies, including RSPO. This was the opportunity to update participants on the last achievements related to L'Oréal's palm action plan, discuss the remaining challenges and launch a consultation process with external stakeholders on L'Oréal 2030 Forests Policy, which will be the next generation of commitments notably for palm, in line with RSPO vision. Through this consultation process, L'Oréal has gathered feedbacks and comments, in order to get a transversal vision of external stakeholders' expectations and to ensure its 2030 commitments are responding accurately to environmental and social stakes regarding forest protection.

- In November 2020, L'Oréal participated to the Innovation Forum and to the conference on "Land track - Biodiversity: Case studies of progress made to protect and monitor biodiversity on the ground" taking the opportunity to communicate on its partnership with CIRAD aiming at supporting independent smallholders to improve their agricultural practices on the palm production and support them to obtain the RSPO certification.

- In 2020, in partnership with another ASD member, L'Oréal decided to organize a specific workshop dedicated to Japanese suppliers in order to raise their awareness towards sustainable palm production & empower them to increase their SPI scoring as well as their RSPO certification uptake.



- During the RSPO Roundtable in Bangkok (November 2019), L'Oréal held a Stakeholder forum gathering more than 15 non-profit organizations. The objectives of this event were to challenge, discuss and prioritize the operational solutions identified, ensure alignment of our action plan with the expectations of civil society, and reinforce the line of dialogue between L'Oréal and our stakeholders.

- In November 2019, L'Oréal participated to the Innovation Forum and to the conference on "Forests track: How to tackle deforestation by communities and smallholders" taking the opportunity to communicate about L'Oréal's strategy to support independent smallholders to get prepared to get the RSPO certification through field projects.

In addition, L'Oréal supported in 2021 a resolution at the 18th General Assembly of RSPO Members which was adopted, aiming at "Enhancing the robustness of the RSPO Mass Balance model to accelerate uptake of Certified Sustainable Palm Oil", along with peers, suppliers, WWF and ZSL.

Acknowledging the fact that 100% CSPO production can only be obtained through strong and robust certification schemes such as SG or IP, MB currently remains an important part of the volumes of CSPO sold on the market. With a final target of shifting the industry to physical certification as the most direct and efficient scheme to achieve control over the supply chain, this proposition aims to enhance the robustness of the MB model, both at the plantation and at the supply chain level, recognizing its role as an intermediary way to drive overall industry uptake of CSPO. As this resolution was adopted, a detailed study to and investigate the inherent structural and business limitations in the current Mass Balance (MB) model will be conducted in 2022. The aim is to obtain a set of recommendations to enhance the robustness and the accessibility of the Mass Balance model, including the expected minimum level of environmental and social safeguards required for the non-certified materials entering MB supply chains.

4/ Through 5 projects, L'Oréal initiates a long-term business relationship with every actor of the value chain, which is inclusive for the independent smallholders, and disruptive with regards to the rules of a traditional commodity market. In 2021, L'Oréal covered 27% of its physical sourcing from projects with independent smallholders:

1. In 2015, L'Oréal launched the "SPOTS" Project", a first pilot project targeting to support 500 smallholders by end of 2020, in the Beluran district in Malaysia. This project involves L'Oréal's direct supplier Clariant, in collaboration with the intermediary supplier Global Amines, the upstream producer Wilmar and the Malaysian social enterprise Wild Asia. So far the project has shown significant success and in the 6th year of the project, 942 small independent farmers and growers joined the SPOTS project, of which 774 obtained the RSPO certification representing 28,000 hectares of sustainably managed plantations. In 2021, L'Oréal has worked with Wild Asia and its suppliers to scale-up the project, in order to extend its positive impact to the whole district of Sabah by 2025. The 2025 objectives of this renewed collaboration at landscape level are to extend the RSPO certification to 3,500 independent smallholders while encouraging the adoption of regenerative agricultural practices for palm oil production on more than 10,000 hectares.

2. Following the encouraging results of SPOTS project, in 2018 L'Oréal collaborated with the NGO SNV (Netherlands Development Organization) to implement a second project in the region of Berbak in Jambi, on the Indonesian island of Sumatra which aims to support 12,500 smallholders over 5 years. Since 2019, L'Oréal also partnered with the French Agricultural Research Centre for International Development (CIRAD) to evaluate impacts of agricultural practices of smallholders on their soils' quality & productivity of palm trees in two cooperatives of independent smallholders. The results will help to improve smallholders' practices & reduce their environmental impact. In 2021, 9,912 independent smallholders received trainings from SNV, among them 47% are women.

3. In 2020, L'Oréal joined the Siak Pelalawan Landscape Programme, a private sector-driven initiative in the districts of Siak and Pelalawan in Riau province, Indonesia, supported by Proforest and Daemeter. The programme supports and builds on existing government led initiatives, and has 4 long term goals: 1) Protect and enhance forests, peatlands and natural ecosystems, 2) Empower palm oil smallholders to achieve improved livelihoods, 3) Respect of labour and community rights within the palm oil sector and 4) Pursue sustainable palm oil production.

4. Since 2020, L'Oréal is working with its supplier Wilmar on a field project supporting smallholders in RIAU. In 2021, 610 independent smallholders received trainings to be able to obtain the ISPO certification. A methodology of NDPE assessment at project level has been developed with Daemeter in 2020 and 2021 will be deployed on the project in 2022.

5. In 2021, L'Oréal has partnered with Danone, Mars Incorporated, the Livelihoods Funds, Musim Mas and SNV to a ten-years project in North Sumatra, Indonesia. The project aims to sustain a deforestation-free supply chain, regenerate 8,000 hectares of degraded land, restore local biodiversity in 3,500 hectares, and improve the livelihoods of 2,500 independent smallholder farmers. While Mars and Danone, through their partnership with Musim Mas' mill, will source palm oil products, L'Oréal has also committed to source palm kernel oil produced by the independent smallholders in the project area through Musim Mas' mill. With a regenerative agriculture system in place, the project aims to regenerate smallholders' farms, increase their yield, improve their farms' biodiversity by improving soil health and integrated pest management, and increase and diversify farmers' income through intercropping. The project also focuses on female empowerment, working to balance decision-making power within smallholders' households regarding access to and control over resources regarding intercropping activities.

Those field projects impacted more than 11,460 beneficiaries in 2021.

In 2022, the NDPE assessment methodology developed with Daemeter will be deployed to 3 field projects, to make sure that those projects are compliant with L'Oréal 2030 Forest Policy.

### 1.3 If your company has any other publicly-available reports or information regarding its palm oil-related policies and activities, please provide the links here

- **Sharing Beauty With All Progress Report:**

Every year, L'Oréal communicates transparently about the results of its sustainability programme, Sharing Beauty With All, launched in 2013. This systematically includes progresses made on achieving zero deforestation. The 2020 Sharing Beauty With All closing report is available at: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/sbwa/sbwaprgroupe2020eng0.pdf> and contains in page 12 the specific section on "Achieving zero deforestation" detailing the action plan regarding palm oil, palm oil derivatives and palm kernel oil derivatives.

- **L'Oréal for the Future 2021 achievements on Forest :**

<https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/commitments/2022/forests-report-2021.pdf?rev=cc179cc76529473c98cdb5327eeea288>

- **L'Oréal 2030 Forest Policy:**

Within the scope of its new sustainability program L'Oréal for the Future, L'Oréal has committed by 2030, that 100% of its biobased ingredients for formulas and materials for packaging will be traceable, come from sustainable sources, and none of them will be linked to deforestation. In this framework and in the continuity of its 2020 Zero Deforestation Policy, L'Oréal has published in 2021, a new generation of ambitions for forests through its 2030 Forest Policy, recognizing that despite the progress made along its priority supply chains, forests are more vulnerable than ever to critical threats with major environmental and human consequences worldwide.

- **L'Oréal 2020 Zero Deforestation policy:**

The Zero Deforestation policy is also detailed on the Group website: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/sbwa/2014-loreal-zero-deforestation-commitment.pdf>

- **L'Oréal Palm Progress Reports:**

Willing to be even more transparent on Zero Deforestation results, L'Oréal has decided to publish in June 2016 its first Palm Oil Progress Report in order to be accountable to its stakeholders, among them consumers, on the targets, efforts, challenges and accomplishments in the sourcing of palm oil and palm oil derivatives.

The second Palm Oil Progress Report was published in July 2019: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/sbwa/2018-palm-progress-report.pdf>

In this Progress Report, L'Oréal exposes clearly the 3 main challenges faced and details its action plan for the coming years.

In 2022, L'Oréal will continue to measure and report its progress & challenges on its 2030 Forest Policy, and to actively engage with its stakeholders notably to share in transparency the specific priority raw materials roadmaps developed to achieve the objectives of its 2030 Forest Policy.

- **Annual reporting for CDP Forest, ACOP RSPO and POIG:**

Every year, L'Oréal reports on CDP Forest and gives access to its data detailing the key barriers and challenges. L'Oréal's landscape project in Jambi, Indonesia was also highlighted in a case study within a 2021 CDP report on "Landscapes and Jurisdictional Approaches": [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/971/original/CDP\\_Global\\_Corporate\\_Report\\_on\\_Forest\\_Jurisdictional\\_Approaches.pdf?1638207724](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/971/original/CDP_Global_Corporate_Report_on_Forest_Jurisdictional_Approaches.pdf?1638207724)

This also applies for the annual ACOP RSPO reporting where L'Oréal details the very specific obstacles and actions taken to overcome them in page 7: <https://rspo.org/members/142>

As a member of the Palm Oil Innovation Group (POIG), a multi-stakeholder initiative that strives to achieve the adoption of responsible palm oil production practices by key players in the supply chain through developing and sharing a credible and verifiable benchmark that builds upon the Roundtable on Sustainable Palm Oil (RSPO), and creating and promoting innovations, L'Oréal also reports annually on its progresses and challenges: <http://poig.org/wp-content/uploads/2021/11/POIG-RMWG-Annual-Progress-Report-2020.pdf>

- **L'Oréal responds to WWF questionnaire to be evaluated through the WWF Palm Oil Buyers Scorecard:**

<https://palmoilscorecard.panda.org/check-the-scores/manufacturers/loreal>

- Since 2019, L'Oréal is a founding member of the Action for Sustainable Derivatives (ASD), a collaborative cross-industry initiative co-managed by BSR & Transitions to accelerate the sustainable sourcing of PO & PKO derivatives. As a sponsor of the initiative, L'Oréal has shared its methodologies throughout the sector, notably regarding transparency & traceability (Supply chain mapping, Sustainable Palm Index), and has encouraged its direct suppliers to engage in ASD. Key ASD achievements in 2019/2020 are detailed into ASD Annual Update on Progress which starts by synthesizing the main challenges of the palm derivatives supply chain: [https://www.bsr.org/reports/ASD\\_Annual\\_Update\\_on\\_Progress\\_2021.pdf](https://www.bsr.org/reports/ASD_Annual_Update_on_Progress_2021.pdf)