The Inclusive Sourcing Methodology - Appendix

In addition to the examples integrated in the guide, the following document will provide you with further illustrations and tools.
STEP 1.2
Set your overall ambition and main objectives

Sustainability Commitments, L’Oréal Solidarity Sourcing Toolkit

OUR SUSTAINABILITY COMMITMENTS FOR 2030

In June 2020, we launched the L’Oréal For The Future program, our sustainability commitments for 2030. Thanks to this new program, we can make it possible to go further.

Sharing its growth has long been a priority for L’Oréal. We are working to **build a more sustainable and inclusive world** through multiple programs.

One of the pillars in achieving our ambition is the **empowerment of our business ecosystem**, including our consumers, our suppliers and the communities we work with.

**More specifically, we have committed by 2030:**
- to help an additional **100,000 people**(*) in social and economically vulnerable situation gain **access to employment**.
- 100% of our strategic suppliers’ employees will be paid at least a **living wage(**) covering their basic needs and those of their dependents, calculated in line with the best practices.

(*) Including additional 80,000 beneficiaries from the Solidarity Sourcing program, compared to its 81,138 beneficiaries baseline achieved in 2020.
(Solidarity Sourcing accounts for 82% of the Global +100,000 social and societal L’Oréal major commitment, completed with other Programs (The L’Oréal Foundation Beauty for a Better Life vocations training Program + the internal HR Diversity & Inclusion on handicap))
(**) Solidarity Sourcing projects must be exemplary
STEP 1.2
Set your overall ambition and main objectives

Theory of Change, RSPO Roadmap for Sustainable Palm Oil
**STEP 2.1**

Set your Inclusive Sourcing impact priorities

The Beneficiary communities, L’Oréal Solidarity Sourcing Toolkit
**STEP 2.1**

Set your Inclusive Sourcing impact priorities

Map of Solidarity Sourcing top levers, L’Oréal Solidarity Sourcing Toolkit
**STEP 2.4**

Deploy the first pilots and build an overall roadmap

Template example to structure project, Veolia (1/2)
**STEP 2.4**

Deploy the first pilots and build an overall roadmap

Template example to structure project, Veolia (2/2)
**STEP 2.4**

Deploy the first pilots and build an overall roadmap

Solidarity Sourcing Project Journey: the Milestones, L’Oréal Solidarity Sourcing Toolkit
### STEP 2.4

Deploy the first pilots and build an overall roadmap

**Solidarity Sourcing Project: Focus on Steps 1 to 4, L’Oréal Solidarity Sourcing Toolkit**

- **Vision**
- **Pre-requisites**
- **Identify Beneficiaries**
- **Evaluate, Report & Manage**
- **Cascading Tips**
- **Who Does What**
- **Manage Project & Follow-Up**
- **Get Inspiration and Scale**

- **Stage 2: Select your Inclusive Sourcing priorities and build their detailed business case**

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(© The initiator of the project can either be the Sourcing Category Manager, the Buyer with his Supplier, SBWA coordinator, or any L’Oréal stakeholder involved in a project involving suppliers not managed by a buyer.)
STEP 2.5
Define the KPIs to monitor to both measure progress and continuously improve your social, environmental, and business impact

Inclusive sourcing impact assessment for supporting the long-term unemployed individuals (LTUls), Audencia Business School
STEP 2.5
Define the KPIs to monitor to both measure progress and continuously improve your social, environmental, and business impact

Review and update Key Performance Indicators to track progress of the program, L’Oréal Solidarity Sourcing Toolkit

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**REVIEW AND UPDATE KEY PERFORMANCE INDICATORS TO TRACK PROGRESS OF THE PROGRAM**

**Absolute KPIs are interesting (numerator & denominator below) & even more interesting are the relative ones: very useful notably to benchmark on comparable basis the best in class at purchasing category, supplier, country and zones levels.**

**The essential Solidarity Sourcing Performance Indicators:**

- the number (#) beneficiaries/Million$ spend
- the Solidarity Sourcing spend coverage = Solidarity sourcing spend/total spend of your scope
- The % of strategic / A Class suppliers with Solidarity Sourcing projects
- # women beneficiaries
- # people with disabilities beneficiaries (key indicators reflecting 2 of the D&I group priorities)
- The project size = the average # beneficiaries/project

We also recommend to follow on each direct & indirect purchasing category and all geographical scopes, and their evolution over years:

- Beneficiaries by sourcing center
- Beneficiaries FOR EACH CATEGORY OF BENEFICIARIES [seniors, refugees, long term unemployed, veterans, minorities, jobs in zones classified as economically distressed...]
- Projects & # master /umbrella projects
- # and % of business units of the Company participating
- # countries of beneficiaries
- # Suppliers with at least 1 project
- Diverse suppliers supported by category [women-owned, minority-owned, disabled-owned, veteran owned, LGBTQ+ owned]
- # suppliers small businesses supported
- # Buyers with at least 1 Solidarity Sourcing project
- # Third parties involved (NGOs, associations...)
- Within people with disabilities beneficiaries: # through disabled social enterprises and # through “ordinary” committed suppliers
- Investments to finance Solidarity Sourcing projects
- The number of trainings & webinars on Solidarity Sourcing (internally & externally)
- The number of people trained on Solidarity Sourcing
- The number of supplier individual coaching & mentoring sessions - to support them analyzing their specific activity & designing their roadmap
- The number of coordinators in the Solidarity Sourcing WW network
- The % of sourcing centers and % spend covered with Solidarity Sourcing designated coordinator/SUN
- The number and % strategic suppliers assessed against the supplier D&I supplier checklist
**STEP 2.5**

Define the KPIs to monitor to both measure progress and continuously improve your social, environmental, and business impact.

**Beneficiaries: Counting Methodology, L’Oréal Solidarity Sourcing Toolkit (1/3)**

**How to count the beneficiaries?**

- The number of underprivileged people benefiting from the Solidarity Sourcing is proportionated to the L’Oréal’s related activity.
- On a full year basis, in consistency with the local working time.
- Calculation and reference external standards documenting the project are co-edited by Buyer & Supplier.
- **NEW!** An electronic checkbox on MySourcing portal is replacing the former Statements A and B, for supplier auditable commitment.

1. **Full Time Equivalent (FTE)**
   - This is the general case, where the beneficiaries have a full-time equivalent job and corresponding annual income.
   - **Calculation:**
     - directly prorated to L’Oréal business weight in the concerned supplier activity.

2. **Headcounts**
   - For Fair Sourcing raw materials projects, where beneficiaries often have various activities, types of cultures, and sources of incomes.
   - **Calculation:**
     - Also based on L’Oréal volumes, with an ad hoc individual impact threshold, supported by an independent referential, making sense with regard to local specificities.

Please refer to the beneficiary definition.
**STEP 2.5**

Define the KPIs to monitor to both measure progress and continuously improve your social, environmental, and business impact.

**Beneficiaries**: Counting Methodology, L’Oréal Solidarity Sourcing Toolkit (2/3)

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### BENEFICIARIES: COUNTING METHODOLOGY

**Full Time Equivalent (FTE)**

It consists in simply reporting the number of underprivileged people prorated to L’Oréal weight in the Supplier’s activity.

**Examples:**

- **Everytime possible, FTE prorated to L’Oréal volumes**: a promo bag supplier in China employing 100 underprivileged employees produces for L’Oréal 500kU, which represents 25% of its 2000 kU total annual volumes.
  
  Then the number of Solidarity Sourcing beneficiaries is 100 x 25% = 25.

- **Alternatively, FTE prorated to L’Oréal spend** for the activity concerned by the Solidarity Sourcing project:

  If L’Oréal business represents 28% of the business in value of the supplier, then the number of Solidarity Sourcing beneficiaries is 100 x 28% = 28

- Alternatively, if there is a specific productivity for L’Oréal, due to more complex construction for instance, the supplier may propose his calculation based on the exact number of hours of work necessary for L’Oréal orders.

  Here for instance if the supplier justifies 10kU/FTE for L’Oréal particularly about intensive productions, the number of beneficiaries is 500/10 = 50

  In the 3 cases, the supplier is accountable for the consistency with the local legal working time: 1 FTE = X hours/year.
STEP 2.5
Define the KPIs to monitor to both measure progress and continuously improve your social, environmental, and business impact

Beneficiaries: Counting Methodology, L’Oréal Solidarity Sourcing Toolkit (3/3)

2 Headcounts

In some cases the sole prorated time working on L’Oréal activity does not reflect accurately the number of beneficiaries. It is generally the case for small farmers and pickers for natural raw materials. It is also the case for some very small enterprises.

Examples:
Number of persons getting a substantial income increase (local threshold to be defined using a third party referential, with regard to local standard of living), overcoming poverty rate or any form of dependency, getting access to a pivotal benefit such as a vocational training entailing productivity gains, getting included in the formal economy and the social protection system...

Let’s take as an example a raw material purchased by L’Oréal: from Xkg by person (volume harvested) at the fair & sustainable conditions, an NGO confirms the impact on the person standard of living as substantially higher compared to the defined baseline.
STEP 3.1
Formalize overall Inclusive Sourcing commitment to communicate internally and externally.

Materiality Matrix, Keurig Dr Pepper
**STEP 3.5**

Communicate on your Inclusive Sourcing strategy and achievements, both internally and externally

2020 Top 15 Solidarity Sourcing Projects, L’Oréal Solidarity Sourcing Toolkit
Additional sources and tools

L’Oréal Speak Up policy and website:
https://www.loreal.com/en/articles/commitments/speak-up-policy/
https://www.lorealspeakup.com/

Keurig Dr Pepper’s Commitments to the UN Sustainable Development Goals:

Keurig Dr Pepper’s 2020 Social Impact Projects:
Acknowledgements

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