

L'Oréal misses SLB targets

Prahalad Prasad (*), Josephine Richardson

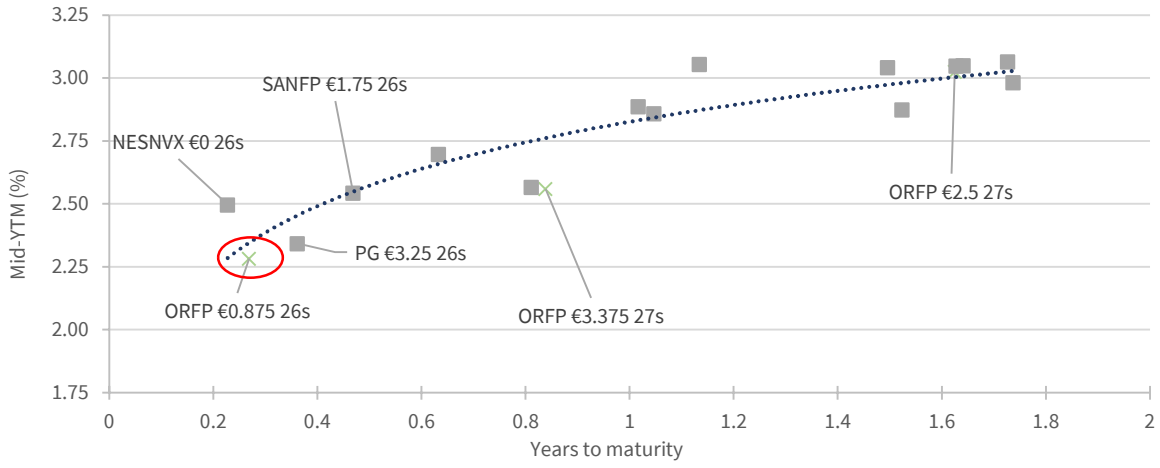
L'Oréal (ticker ORFP) has one Sustainability-Linked Bond (SLB) outstanding, maturing in June this year (ISIN FR0014009EJ8). The bond has three Sustainability Performance Targets (SPTs): one, reaching absolute zero Scope 1 + 2 GHG emissions across all operated sites (SPT1); two, achieving a 14% reduction in Scopes 1, 2 + 3 emissions per unit of sold product compared to a 2021 baseline (SPT2); and three, ensuring 50% of plastics used in packaging come from recycled or biobased sources (SPT3). All three targets had observation dates at the end of 2025.

On 18 March 2026, L'Oréal communicated that it had not achieved two of the three targets (SPT1 and SPT2),[1] which will result in the SLB paying an increased premium payment of 0.25% at maturity. Our earlier analysis of the company's targets ranked SPT1 as Likely MEET, with SPT2 and 3 assigned a 50:50 likelihood.[2] L'Oréal has provided further context for each target in its 2025 Universal Registration Document (URD), which we explore later in this paper.

Figure 1 shows L'Oréal's bond pricing compared to a representative peer group.[3] This suggests the increased premium payment may not yet have been fully digested by the market. We estimate this payment to be equivalent to 93bps due to the instrument's short maturity.

In terms of pricing, Figure 3 in the Appendix illustrates AFII's hypothetical pricing journey for SLBs. L'Oréal's SLB appears to still be in 'phase 2', where the miss has been confirmed, but the bond structure seems not yet to have been adjusted in Bloomberg (at the time of writing). When the step-up is reflected in the bond structure, this can sometimes trigger a pricing adjustment.[4]

Figure 1. Yields of select peer bonds. Source: Bloomberg Finance L.P., accessed 23 Mar 2026.



[1] Pg 280, "L'Oréal 2025 Universal Registration Document", L'Oréal, 18 Mar 2026.
[2] "L'Oréal SLB may be pricing a target miss", AFII, 12 Feb 2026.
[3] This universe of peer bonds was constructed for an earlier analysis, excluding three instruments, two of which have matured and one that is maturing next month. For details please see "L'Oréal SLB may be pricing a target miss", AFII, 12 Feb 2026.
[4] For an example please see "London & Quadrant SLB: market update", AFII, 7 Oct 2024.

Not investment advice. First published 23 Mar 2026. Important disclaimers at end of the document.
(*) Anthropocene Fixed Income Institute (www.anthropocenefii.org). Author for contacts: pra@anthropocenefii.org

SPT overview

SPT1 - Reach absolute zero Scopes 1 + 2 GHG emissions at all operated sites [5]

SPT1 was not achieved. Although L'Oréal states that 100% of its sites use renewable energy, the KPI specific to the SLB "*includes an additional methodological requirement on Scopes 1 and 2. For a site to secure the 'Achieved' classification under the terms of the Prospectus Regulation, fugitive emissions from refrigerant gases must not exceed a strict technical threshold of 130 tCO_2e per year per site".*[6] Despite all sites transitioning to renewable energy, **L'Oréal has disclosed that six sites recorded fugitive emissions in excess of this threshold**. Therefore, the SPT has not been met.

In our earlier analysis of L'Oréal's targets, we treated reaching absolute zero Scope 1 + 2 emissions and reaching 100% renewable energy across all operated sites as interchangeable, as per L'Oréal's reporting, and therefore had ranked this SPT as Likely MEET. This was based on the small increase required from 2024 to 2025 to meet our initial interpretation of the target, and the fact that L'Oréal had achieved 100% renewable energy across Europe and SAPMENA (South Asia Pacific, Middle East & North Africa) in recent years. However, as outlined above, the KPI methodology is not solely related to renewable energy but also includes fugitive emissions, which are ultimately the driver behind the target miss.

SPT2 - Achieve a 14% reduction of 'cradle-to-shelf' Scopes 1, 2, + 3 GHG emissions per unit of sold product, relative to a 2021 baseline

SPT2 was not achieved. L'Oréal has published two figures in relation to this SPT: one showing 'published data' and another 'comparable data'. The 'published data' reveals a 5% fall in emissions intensity compared to the 2021 baseline in the bond prospectus, whilst the 'comparable data' figure reports a 10% fall in emissions intensity, based on inventory data from 2019 and a subsequently restated 2021 baseline.[7] **In either case, the company missed its 14% reduction target.**

The company argues that *"2019 is the official baseline for the Group's decarbonisation goals and represents the most robust and granular source of data"*, [8] and allows for a more consistent comparison than the original SLB baseline, hence why both figures have been published.

In terms of drivers of the SPT miss, L'Oréal attributes this to changes in product mix and suppliers/service providers not reducing their emissions quickly enough. This is despite implementation of measures including improved raw material selection, more circular packaging, and lower-emitting logistics solutions.

[5] In L'Oréal's recent URDs, it describes this target as seemingly interchangeable with that of all operated sites using 100% renewable energy. However, L'Oréal has not previously provided any indication of how many sites are above or below the fugitive emissions threshold, only the % of sites meeting the KPI.
[6] Pg 280, "L'Oréal 2025 Universal Registration Document", L'Oréal, 18 Mar 2026.
[7] Ibid.
[8] Ibid.

SPT3 - Ensure 50% of the company's plastics used in packaging come from recycled or biobased sources.

SPT3 was achieved. L'Oréal achieved a figure of 50.14% of plastics used in packaging from either recycled or biobased sources, compared to a 50% target. This covers exclusively plastic materials and includes all primary, secondary, and tertiary packaging (transport equipment).

Transition implications

What do the two emission target misses mean for L'Oréal's transition?

Prima facie, failing to meet SLB targets can suggest a company is struggling to achieve its transition objectives. However, in L'Oréal's case, the additional context provided suggests it has made some positive progress towards at least some of its sustainability ambitions. Indeed, L'Oréal very nearly met its renewable energy target (SPT1), and believes it has set *"high standards in terms of criteria adopted"*" regarding this objective.

Regarding its 'cradle-to-shelf' emissions intensity target (SPT2), it is more difficult to assess L'Oréal's progress. The target was still missed even against the company's own new baseline, and whilst mitigants and strategies have been outlined, a conclusive judgment on what progress was possible remains out of reach.

The level of disclosure in the URD on the SLB is also notable, as we often fail to see drivers of target misses so explicitly stated in a company's reporting. This enhances transparency in the SLB market, enabling investors to readily see whether a target has been met or missed. However, it must be noted that L'Oréal's reporting on SPT1 (renewable energy) in recent years has made assessment of the KPI more difficult, as reaching zero Scope 1 + 2 emissions and 100% renewable energy have been used interchangeably.

L'Oréal's standing as one of the world's largest and most creditworthy consumer companies makes its SLB outcomes a proxy for the sector's transition progress. The company appears to be moving in the right direction, while its SPT misses underscore the accountability function SLBs can provide.

Market pricing

The SLB's target-miss provision carries a simple value: a 0.25% premium adjustment at maturity.

Translated into an equivalent yield adjustment, given that the bond has a modified duration of 0.268, this premium payment is roughly equivalent to 93bps running.[9]

Our earlier paper identified a universe of comparable bonds which we used to analyse the pricing of the SLB. The ORFP SLB had been outperforming this peer group in the first few weeks of the year, pricing around 20bps tighter than the NESNVX 0% 26s, for example. Figure 2 extends the observation window to reveal that there has been some small underperformance by the bond during the recent period of market weakness. The ORFP SLB is now only around 16bps tighter than the NESNVX bond, whilst the PG 3.25% 26s (the other closest maturity bond), has outperformed to now trade in line.

[9] Duration from Bloomberg.

Figure 2. Yields of select short-dated L'Oréal peer bonds. Source: Bloomberg Finance L.P., accessed 19 March 2026

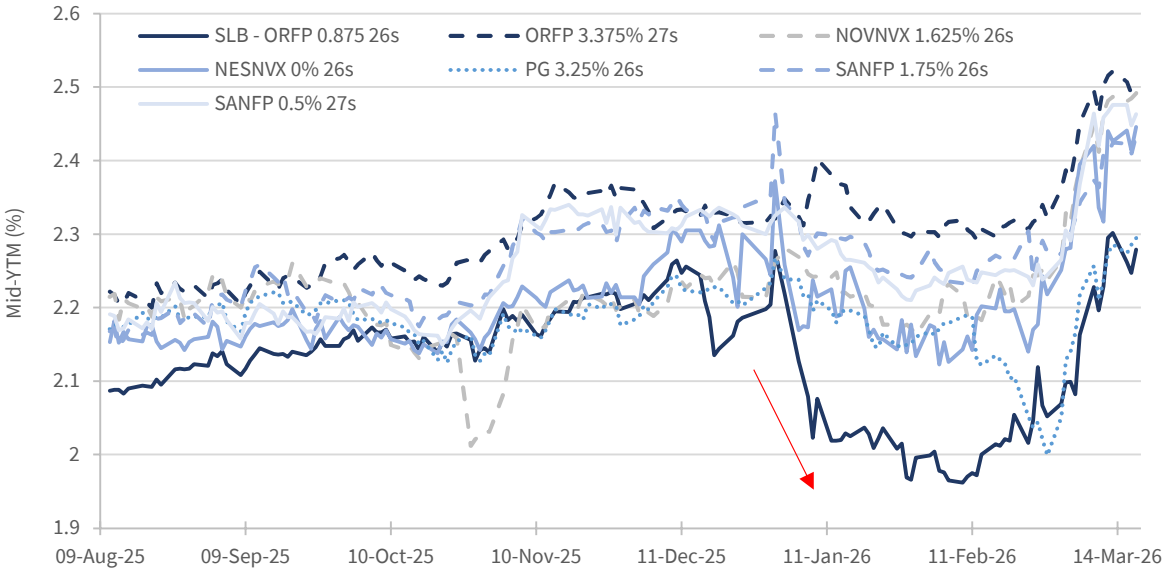


Figure 1 (on the front page) shows that the ORFP SLB is trading at a similar yield to its other very short-dated peers, suggesting the premium payment has not yet been digested by the market.

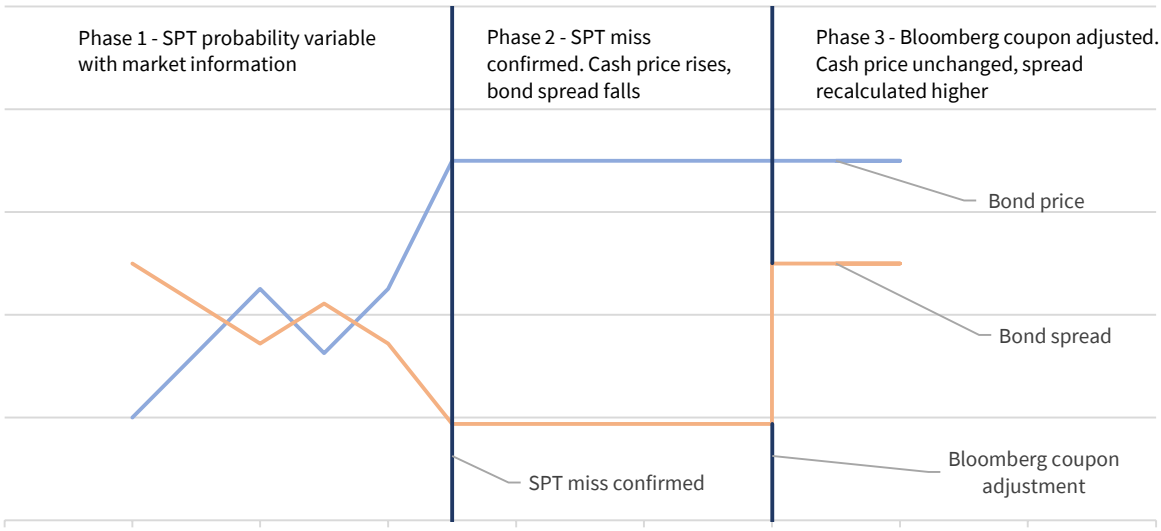
Conclusions

L'Oréal announced it has missed two of the three targets linked to its one outstanding SLB. The two targets missed were both related to emissions. SPT1 focused on reaching absolute zero Scope 1 + 2 emissions across all operated sites, whilst SPT2 required a 14% reduction in Scope 1, 2 + 3 emissions per unit of sold product, relative to a 2021 baseline. The company met its packaging target of reaching 50% of plastic packaging from either recycled or biobased sources.

The target misses result in an increased premium payment of 0.25% at maturity. Current pricing suggests the increased premium payment may not yet have been fully digested by the market. In terms of an equivalent yield adjustment to the premium payment, due to the short maturity of the bond, we estimate this to be 93bps.

Appendix

Figure 3. Hypothetical pricing journey of an SLB missing its target. Source: AFII.



IMPORTANT DISCLAIMER:

This report is for information and educational purposes only. The Anthropocene Fixed Income Institute ('AFII') does not provide tax, legal, investment, accounting, or any regulatory or regulated advice or services. This report is not intended to provide, and should not be relied on for, tax, legal, investment, accounting, or regulatory or regulated advice or services. Nothing in this report is intended (i) as investment advice, as an offer or solicitation of an offer to buy or sell, or as a recommendation, endorsement, or sponsorship of any security, company, issuer, or fund or (ii) to express a particular investment proposal in respect of a financial instrument or an issuer, or (iii) to propose a particular investment decision in respect of a financial instrument or an opinion as to the present or future value or price of any financial instrument or (iv) to recommend or suggest any investment strategy.

AFII is not responsible for any investment decision made by you. You are responsible for your own investment research and investment decisions. This report is not meant as a general guide to investing, nor as a source of any specific investment recommendation. Unless attributed to others, any opinions expressed are our current opinions only. AFII does not take into account your own circumstances or assets and AFII assumes no direct or indirect responsibility or liability for any investment decisions you make, and you remain fully responsible for your own research, legal and regulatory compliance, and decisions.

Certain information presented may have been sourced from third parties. AFII believes that such third-party information is reliable, and has checked public records to verify it wherever possible, but does not guarantee its accuracy, timeliness or completeness; and it is subject to change without notice.

Any reference to an issuer's creditworthiness or likelihood of positive or negative performance in the current or future market is purely observational and should not be taken as a recommendation, endorsement or advice in relation to such issuer or its securities.

AFII is a non-profit organisation that provides fixed income investors with the insights and tools they need to align their portfolios with ambitious climate and nature targets. For more information about the Institute, please visit www.anthropocenefii.org.

