

**2015
PROGRESS
REPORT**

**SHARING
BEAUTY
WITH ALL**

THE L'ORÉAL SUSTAINABILITY COMMITMENT

L'ORÉAL

SHARING BEAUTY WITH ALL



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*We are
determined
to drive
change.*”

Jean-Paul Agon
Chairman and Chief Executive Officer

It has now been two years since we introduced the **Sharing Beauty With All** programme to set out our 2020 targets, in line with our long-standing tradition of responsibility. An ambitious programme to ensure our Group continues to have a positive impact on society and the environment.

We have made real progress since then, at times even more swiftly than expected. One example is our goal of reducing CO₂ emissions from our plants and distribution centres by 60%: by 2015, a reduction of 56% had already been achieved, despite a production increase of 26%. We have continued to dissociate our growth from our environmental impact, proving that economic performance is clearly compatible with a commitment to protecting the climate.

Despite these advances, we have not lost sight of the fact that there are still a number of challenges to overcome. One such task is sustainable innovation in packaging, which we aim to step up. Another is responsible consumption: encouraging consumers to adopt more sustainable practices is a challenge as vital as it is complex, requiring a real paradigm shift. It represents a cultural revolution for marketing teams, who must now incorporate social and environmental criteria alongside those governing product design and launch.



As we pursue this programme, we can clearly see how these social and environmental commitments also provide our laboratories and plants with a source of creativity, innovation and performance. They encourage us to push the boundaries of technology and expertise. They urge us to be inventive.

Our progress proves that we are capable of doing more and raising the bar even higher. In the fight against climate change, 2015 was a milestone year, marked by the signing of a historic agreement at the COP21. Just before the conference, L'Oréal made a commitment to become a carbon-balanced company by 2020 by capturing as many emissions as we produce. This new ambition reflects our desire to develop an innovative low-carbon business model and to do our utmost to support the collective campaign to reduce global warming.

As expected, implementing this programme has required a great deal of effort and energy. Everyone has tackled the challenge head on. In 2015, I also decided to have the Sustainable Development Department report directly to me, since our commitment is cross-functional and strategic for all L'Oréal functions, brands, divisions and countries.

In this respect, Sharing Beauty With All is an incredibly unifying programme. It symbolises the cooperative, collective

“
We have continued to dissociate our growth from our environmental impact.”

spirit that is so indicative of the 21st century and so vital in overcoming the immense challenges of our time. And because sustainable development affects us all, we also plan, as of 2016, to integrate performance targets related to the programme into the bonus systems for all L'Oréal executives. This will allow their individual contributions to be acknowledged and will make the success of the programme a new key performance indicator.

There can no longer be any doubt: companies have to change. They can no longer see their success and long-term outlook in terms of economic performance alone. Sustainability has become the new norm, the new licence to do business and even the key to survival. It also gives companies an outstanding opportunity to foster innovation, value creation, and loyalty, both internally and externally.

For over a decade, we have supported and implemented the Principles of the United Nations Global Compact—a commitment we reiterated in 2015. L'Oréal is increasingly recognised for its sustainability

achievements around the world. The Group has received recognition from NGOs like the CDP (former Carbon Disclosure Project) for its efforts in fighting climate change. It has been praised by institutions such as the International Labour Organization (ILO) for its work in protecting employees through the L'Oréal Share & Care programme and its commitment to disability. It has also been acknowledged by external bodies such as Ethisphere, which has named L'Oréal “one of the world's most ethical companies” for the sixth year in a row.

Our sustainability policy is based on the L'Oréal Code of Ethics and our strong ethical principles: respect, courage and transparency. We strive to implement initiatives in line with the latest United Nations Sustainable Development Goals.

These various acknowledgements are a real source of pride for everyone at the company. They have spurred us to step up our efforts even further. Working alongside governments, institutions and other companies, hand in hand with citizens, we are more determined than ever before to be agents for change and to make a real difference.



Carbon-balanced ambition: towards a low-carbon business model



L'Oréal will balance its CO₂ emissions by 2020 and shape an innovative low-carbon business model through its new carbon-balanced initiative, announced by Jean-Paul Agon three months before COP21.

In late 2014, L'Oréal reached a key milestone in its drive to pursue a complete transformation towards a low-carbon business model: the Group successfully

reduced CO₂ emissions from its industrial activities by 50% in absolute terms, from a 2005 baseline, while increasing production by 22% over the same period. One year later, L'Oréal confirmed this positive trend: by the end of 2015, it had reduced its emissions by 56% and increased production by 26% over a 10-year period. This is incredibly symbolic.

The Group has proven that it is possible to dissociate carbon emissions from economic growth.

A twofold approach

Given the pressing need to address climate change, and against the backdrop of the 21st United Nations Conference of the Parties (COP21) held in France in December 2015, Jean-Paul Agon, L'Oréal Chairman and Chief Executive Officer, chose to take things a step further. On September 3rd, he announced the Group would completely balance its CO₂ emissions from production by 2020 to become a carbon-balanced company. This new ambition strengthens L'Oréal's



MONITORING INDICATOR UP TO 2020

TONNES OF GENERATED CARBON GAINS



Projects are now being rolled out. Initial results will be available for 2016.

generating carbon gains through the sustainable sourcing of raw materials in partnership with its suppliers. With this new ambition, L'Oréal aims to balance its incompressible CO₂ emissions (around 400,000 tonnes per year).

This innovative approach will be rolled out through a range of projects with three focal points, in line with the methods developed by international standards and the Kyoto Protocol:

- improving energy efficiency;
- promoting productive, low-carbon agricultural practices;
- developing forest-management projects.

To ensure its approach is effective, L'Oréal has put together an expert committee of independent carbon specialists chaired by Christian de Perthuis, Professor at Paris Dauphine University and founder of the Climate Economics Chair.

low carbon strategy. The Group now pursues a twofold approach to reducing its carbon footprint:

1. Reducing emissions linked to its industrial activities by 60% by 2020, from a 2005 baseline, through the increasing use of renewable energy and improvements in the energy efficiency of its industrial sites (see page 16);
2. Counterbalancing by 2020 the rest of its emissions by

BURKINA FASO



IMPROVING ENERGY EFFICIENCY AND FIGHTING DEFORESTATION

In Burkina Faso, 30,000 women harvest the nuts used to produce shea butter. In 2015, L'Oréal partnered with its supplier Olvéa on a project to install better stoves to reducing the amount of wood used to boil the nuts. This initiative will soon be followed with a campaign to fight deforestation. The project will help to reduce the carbon footprint of shea butter production and result in savings for producers.

INDONESIA



SUSTAINABLE AGRICULTURAL PRACTICES

L'Oréal uses patchouli in its fragrances. On the Indonesian island of Sumatra, the Group has partnered with its supplier Firmenich to develop an unprecedented, certified sustainable co-cropping model for growing patchouli and cinnamon plants together. The aim is to optimise the use of agricultural land and provide the 300 producers involved with an additional source of regular income. The initiative also helps to avoid the extension of farmland, thereby limiting deforestation.

2020 commitments, 2015 results

Every year since the launch of the Sharing Beauty with All programme in 2013, L'Oréal has published its progress towards meeting the targets set for 2020. The following dashboard shows the Group's sustainability progress in each of the four key areas of the programme, based on strategic indicators, including those reviewed by L'Oréal's statutory auditors.

Corporate, social, environmental, health & safety data verified by Deloitte & Associés and PricewaterhouseCoopers Audit are indicated throughout this report by symbols indicating the level of audit assurance: ☺ (moderate) and ☻ (reasonable). Please refer to the methodological note and assurance report published in the Publications available at: www.sharingbeauty.com/resources.

Innovating sustainably

2020 TARGETS	2015 RESULTS	2014 RESULTS
 <p>100% of L'Oréal products will have a positive environmental or social impact.</p> <p>Every time a product is created or updated, the Group will improve its environmental or social profile against at least one of the following four criteria:</p>	<p>74% ☺ of new or renovated products have an improved environmental or social profile.</p> <p>These indicators reflect marketed products that are new or renovated in terms of formula or packaging and made for the first time in 2015. The calculation is based on a scope, which, at the end of 2015, corresponds to 85% of volumes produced by the Group and which includes all product categories, excluding range extensions.</p>	67%
 <ul style="list-style-type: none"> the new formula reduces the environmental footprint, particularly with regard to water use; 	<p>22% ☻ of new or renovated products have an improved environmental profile thanks to a new formula that reduces their environmental footprint.</p>	
 <ul style="list-style-type: none"> the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry; 	<p>22% of new or renovated products have an improved environmental profile thanks to a new formula that uses renewable raw materials that are sustainably sourced or derived from green chemistry.</p>	
 <ul style="list-style-type: none"> the new product has a positive social impact; 	<p>14% ☻ of new or renovated products have an improved social profile because they incorporate raw materials from Solidarity Sourcing programmes.</p>	
 <ul style="list-style-type: none"> the new packaging has an improved environmental profile. 	<p>43% of new or renovated products have an improved environmental profile, thanks to a reduction in the environmental footprint of packaging</p>	

Producing sustainably

2020 TARGETS	2015 RESULTS	2014 RESULTS
 <p>L'Oréal will have reduced CO₂ emissions from plants and distribution centres by 60% in absolute terms, from a 2005 baseline.</p>	<p>56% reduction in CO₂ emissions from plants and distribution centres since 2005.</p> <p>The percentage reduction is calculated in absolute terms for scopes 1 and 2 in line with the GHG Protocol standard.</p>	- 50.2%
 <p>L'Oréal will have reduced a 20% reduction in CO₂ emissions from the transportation of products (in grams of CO₂ per sales unit per km), from a 2011 baseline.</p>	<p>289,244 ☺ tonnes of CO₂ resulting from the transportation of products in 2015, representing 0.021 grams of CO₂ per sales unit per km. Emissions are stated in absolute terms for 2015. Comparison with a 2011 baseline is pending. This calculation is based on Group scope excluding The Body Shop, Nyx Professional Makeup and Niely.</p>	Indicator not available for 2014.
 <p>L'Oréal will have reduced water consumption by 60% per unit of finished product, from a 2005 baseline.</p>	<p>45% reduction in water consumption in plants and distribution centres since 2005 (calculated in litre/finished product).</p>	- 36%
 <p>L'Oréal will have reduced waste generation by 60% per unit of finished product, from a 2005 baseline.</p>	<p>31% reduction in waste from plants and distribution centres since 2005 (in grams/finished product). Excluding returnable packaging rotation with returnable packaging accounted for at source.</p>	- 23.1%
<p>L'Oréal will send zero waste to landfill.</p>	<p>Only 2,2% ☻ of industrial waste sent to landfill in 2015 (from plants and distribution centres).</p> <p>0 waste sent to landfill, plants met their goal in December 2015.</p> <p>The percentage of waste sent to landfill is calculated for the given year — exclusive of local regulatory limitations — by dividing the amount of waste sent to landfill (2,891 tonnes) by the amount of transportable waste, excluding reusable packaging (90,066 tonnes) and reusable packaging rotation (41,878 tonnes).</p>	3.8%

Living sustainably

2020 TARGETS	2015 RESULTS	2014 RESULTS
 L'Oréal will use a product assessment tool to evaluate the environmental and social profile of all products. All brands will make this information available to allow consumers to make sustainable choices.	Tool development is nearing completion. These two indicators will be available in 2017.	Indicator not available for 2014.
 All brands will assess their environmental and social impact and make commitments to improve their footprint.	66.6% of brands have evaluated their environmental or social impact.*	22%
 Every brand will report on its progress and raise consumer awareness of its commitments.	34.4% of brands conducted a consumer awareness initiative.*	25.4%
 Consumers will be able to influence L'Oréal's sustainability actions through a consumer advisory committee.	Indicator not available for 2015. The consumer advisory committee will be introduced in 2016.	Indicator not available for 2014.

Developing sustainably...

2020 TARGETS	2015 RESULTS	2014 RESULTS
... with communities		
 By 2020, L'Oréal will enable more than 100,000 people from underprivileged communities to access work through the following programmes:	More than 60,600 people from underprivileged communities were provided access to work.	More than 54,000
 • Solidarity Sourcing;	57,200  people accessed work through the Solidarity Sourcing programme, including 22,400 through The Body Shop's Community Trade initiative.	52,000 including 25,000 via Community Fair Trade
 • vocational training in the beauty sector;	2,700 people in very difficult social or economic situation received free vocational training in the beauty sector as part of the Beauty for a Better Life programme, supported by the L'Oréal Foundation.	1,400
 • employment of disabled people.	773 people with disabilities work for L'Oréal. This figure only includes those employees wishing to self-declare as having a disability.	815

... with suppliers

 All strategic** suppliers will be evaluated and selected based on their environmental and social (CSR) performance.	51%  of the Group's strategic suppliers have been evaluated and selected based on their CSR performance. They represent more than 70% of total direct purchases (raw materials, packaging and contract manufacturing).	43%
 All strategic suppliers will have completed a self-assessment of their sustainability policy with L'Oréal's support.	74%  of strategic suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support. The percentage is based on the calculation of the number of suppliers who were assessed on their environmental, social and ethical policies in 2015, including assessments of their suppliers by Ecovadis.	50%
 All suppliers will have access to L'Oréal training tools to improve their sustainability policies.	Indicator not available for 2015.	Indicator not available for 2014.
 20% of strategic suppliers will be associated with the Solidarity Sourcing programme.	4% of strategic suppliers are involved in the Solidarity Sourcing programme.	4%

... with employees

 L'Oréal will provide healthcare coverage for employees reflecting best practices in their country of residence.	86.6%  of the Group's permanent employees have healthcare coverage that reflects best practices in their country of residence***.	85.3%
 L'Oréal will provide financial protection for all employees in the event of non-work-related accidents.	78.4%  of the Group's permanent employees benefit from financial protection in the event of a non-work-related accident leading to personal injury, including death or permanent disability***.	70.1%
 Every L'Oréal employee worldwide will have access to at least one training session per year.	72.6%  of the Group's employees attended at least one training session in 2015****.	81.7%

* This percentage is calculated based on their contribution to the Group's consolidated sales in 2014. ** Strategic suppliers are suppliers whose added value is significant in terms of their long-term contribution to L'Oréal's strategy through their influence, innovations, strategic alignment and geographic deployment. *** This indicator is calculated according to the Group's overall scope (Cosmetics and The Body Shop), representing 100% of employees for the scope of the L'Oréal Share & Care programme. **** This indicator is calculated according to the Group's overall scope (Cosmetics and The Body Shop).

The background of the entire page is a close-up, artistic photograph of several glass test tubes arranged diagonally. Some tubes contain clear liquids, while others contain water with various flowers, including pink and white blossoms. The lighting is bright and clean, creating a sense of scientific precision and natural beauty.

INNOVATING SUSTAINABLY

By 2020, 100% of L'Oréal products will have a positive environmental or social profile. The Group seeks to innovate sustainably through various initiatives that include reducing the environmental footprint of formulas, respecting biodiversity through a sustainable sourcing policy for raw materials, committing to zero deforestation and using eco-designed packaging.



Reducing the environmental footprint of formulas

11

Respecting biodiversity

12

Optimising packaging

13

Achieving zero deforestation

14



Reducing the environmental footprint of formulas

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENTS



74% ✓

of new or renovated products have an improved environmental or social profile in 2015*.

ENVIRONMENTAL FOOTPRINT OF FORMULAS



22% ✓

of new or renovated products have an improved environmental profile thanks to a new formula that reduces the environmental footprint.

By 2020, 100% of L'Oréal products will have a positive environmental or social profile. The Group's researchers have a number of levers that they can use to help them achieve this goal, including improving the environmental profile of formulas.

Measuring and improving the environmental impact of formulas

To reduce the environmental footprint of products and preserve biodiversity, L'Oréal Research & Innovation teams seek to improve the environmental profile of formulas by focusing on two key areas:

- improving their biodegradability, i.e. their ability to be broken down by microorganisms found in the natural environment;
- reducing their water footprint, which represents the impact of products on the aquatic environment.

When conducting analyses, they compare the environmental profiles of formulas that offer exactly the same benefits to consumers. For example, a conventional shampoo cannot be compared with an anti-dandruff shampoo.

The improved environmental profile of new formulas produced in 2015 was therefore assessed against a benchmark of average values for formulas marketed in 2013 offering the same cosmetic benefits. The formula being replaced was used as a benchmark for products renovated in 2015.

More than 40,000 formulas analysed

To determine product categories based on the benefits offered to consumers, all 19 types of product made by the Group were analysed: shampoos, conditioners, shower gels, skincare products, cleansers, hair colouring, styling products, perms, deodorants, suncare products, make-up and fragrances. More than 40,000 formulas were screened in 2014 and 2015, leading to the

definition of 143 product categories. For each of these 143 categories, a baseline was determined, corresponding to the weighted average of 2013 sales volume (or 2014 if the product type was not available in 2013) for the two indicators (biodegradability and water footprint).

By the end of 2015, all values for these two indicators were made available to L'Oréal formula developers, with an eco-design tool developed to ensure that all new formulas deliver an improved environmental profile while offering the same benefits to the consumer.

New launches in 2015 include products from different L'Oréal Group brands that offer a level of biodegradability of between 97% and 99%, including Armani Men Master Cleanser, Ushuaïa Hibiscus Bio deodorant, Garnier Ultra Doux Mythical Olive body lotion, Kérastase Fusio-Dose Booster Discipline, The Body Shop Cranberry Body Scrub, Sanoflore Nuit des Reines, and Vichy After-Sun Shower Oil.

CHINA



ENHANCED PERFORMANCE AND REDUCED ENVIRONMENTAL IMPACT

In 2015, L'Oréal Paris launched two silicone-free anti-dandruff shampoos in China: AD SH-Extra Fresh and AD SH-Extra Moist.

Their special formula provides a pioneering breakthrough by offering outstanding performance while achieving a water-footprint reduction of more than 80% compared with the average for other shampoos in the same category. ●

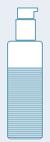
*These indicators reflect marketed products that are new or renovated in terms of formula or packaging and made for the first time in 2015. The calculation is based on a scope, which, at the end of 2015, corresponds to 85% of volumes produced by the Group and which includes all product categories, excluding range extensions.



Respecting biodiversity

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENTS



74% ✓

of new or renovated products have an improved environmental or social profile in 2015.

RAW MATERIALS AND BIODIVERSITY



22%

of new or renovated products have an improved environmental profile thanks to a new formula using renewable raw materials that are sustainably sourced or derived from green chemistry.

SOCIAL IMPACT OF PRODUCTS



14% ✓

of new or renovated products have an improved social profile because they incorporate raw materials from Solidarity Sourcing programmes.

By 2020, 100% of L'Oréal products will have a positive environmental or social profile. The Group therefore favours the use of renewable raw materials that are sustainably sourced or derived from green chemistry to respect biodiversity.

Sourcing renewable raw materials

More than 50% of raw materials used by L'Oréal are renewable. This represents around 1,400 ingredients from nearly 300 plant species sourced in over 80 countries.

Sustainable sourcing

L'Oréal has developed a sustainable sourcing policy for renewable raw materials based on four principles:

1. Ensuring the traceability of raw materials, which means knowing the plant's source and the country in which it is grown;
2. Ensuring that all stakeholders comply with social and environmental regulations;
3. Checking that the supply of these raw materials respects biodiversity and addresses sustainability issues in relevant areas, which includes producing a positive social impact on the lives of local people;
4. Having the entire approach verified by an independent third party.

In 2015, L'Oréal finalised the implementation of traceability campaigns for all suppliers, even though the significant number of steps involved in processing some materials can make supply chains highly complex and require a whole series of intermediaries. 100% of plant-sourced ingredients are currently tracked from their country of origin, or even the site of biomass production.

Defining projects

2015 was marked by the joint creation of action plans designed to improve conditions of supply for strategic ingredients as part of the campaign to respect

biodiversity. Examples include the project launched in India with more than 1,500 guar growers, the SPOTS project in Malaysia to ensure a sustainable supply of palm oil and palm kernel oil derivatives (see page 14), and the agreements with communities in the Amazon forest for the production of mururu, pracaxi and cupuaçu.

Tools for formulators

In late 2015, L'Oréal made the status of all renewable raw materials available to the Group's formulators designers and created an eco-design tool. This tool will help to promote renewable raw materials that are sustainably sourced or derived from green chemistry, encouraging formulators to use them in the development of new formulas.

BOLIVIA



BIODIVERSITY AS A SOURCE OF INNOVATION

Quinoa husk (the shell that protects the seed) was previously considered as waste and was therefore not used. However, L'Oréal researchers have now shown that the saponins and polyphenols contained in the husk boast effective exfoliating properties. In 2015, the Group developed a partnership in Bolivia for the sustainable sourcing of quinoa husk, creating a new market for growers and providing long-term benefits to 250 families. L'Oréal works with its local partners to train growers in low-carbon farming practices. Renewable, biodegradable, sustainably sourced and derived from green chemistry, quinoa husk is a shining example of L'Oréal's sustainable innovation programme. ●



Optimising packaging

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENTS



74%

of new or renovated products have an improved environmental or social profile in 2015.

PACKAGING



43%

of new or renovated products have an improved environmental or social profile thanks to packaging with a smaller environmental footprint.

MATERIALS



More than **4,900** tonnes of recycled materials used in 2015.

4,200 tonnes of materials saved since 2008 thanks to weight-reduction initiatives.

CERTIFIED PAPER AND CARDBOARD



100%

of paper used for the instructions included with products is certified.

99.8%

of cardboard used for product boxes is certified.

By 2020, 100% of L'Oréal products will have a positive environmental or social profile while providing equal or greater benefits to the consumer. Improving packaging is a key driver in achieving this goal.

Promoting more sustainable packaging

Since 2007, L'Oréal has implemented a responsible packaging policy based on three pillars, known as the three "Rs": Respect, Reduce and Replace. These focal points form the framework of a comprehensive and systematic eco-design process for finished-product packaging and transport packaging used in the manufacturing of products. This approach was extended to Point of Sale (POS) displays in 2015.

Packaging teams also work with Group brands to analyse the environmental profile of their packaging and identify ways to improve their ranges and products.

Respecting the environment

Another L'Oréal target is to use only paper, cardboard and wood packaging that is sourced from forests that are sustainably managed and preserve biodiversity. In 2015, 100% of paper used for instructions and 99.8% of the cardboard used for boxes were certified.

In 2015, PVC represented 0.3% of plastic used by the Group. L'Oréal aims to completely eliminate PVC from its packaging by 2016.

Reducing and optimising resources

The goal is to design packaging and finished products that are optimised in terms of weight and volume. Design optimisation reduced the amount of materials used by 130 tonnes in 2015, bringing the total amount of materials saved since 2008 to 4,200 tonnes. Special efforts have also been made to reduce packaging in plants, such as removing

the cardboard boxes used to transport mascaras from the Yichang plant in China, which saved 17 tonnes of cardboard.

Replacing materials with better alternatives

Replacing conventional materials with renewably sourced alternatives, such as recycled or biosourced materials, reduces the environmental footprint of products. More than 4,900 tonnes of post-consumer recycled (PCR) materials were used instead of virgin materials in 2015 (an increase of 20% from 2014).

The new L'Oréal Professionnel Profiber bottle launched in mid-2015 features 25% recycled plastic. New bottles in the Spa of the World range from The Body Shop now contain 30% recycled plastic (saving 144 tonnes of virgin plastic per year). Another example: Vichy also incorporated 25% recycled glass in its 50ml jars, saving 295 tonnes of virgin glass in 2015).

BRAZIL



BIOLAGE: 100% BIOPLASTIC BOTTLES

In late 2015, Matrix in Brazil revamped Biolage, its range of shampoos and conditioners. These products are now packaged in bottles 100% made from plastic biosourced in Brazil using a local sugarcane derivative, bio-PE, a renewable raw material that reduces the carbon footprint of the product. This is the L'Oréal Group's first bioplastic bottle. ●





Achieving zero deforestation

MONITORING INDICATORS UP TO 2020

PALM OIL



100%

of supplies of palm oil, palm oil derivatives and palm kernel oil derivatives have been certified sustainable as per RSPO criteria since 2012.

DERIVATIVES



50%

of palm oil derivatives come from known mills.

CERTIFIED PAPER AND CARDBOARD

100%

of paper used for instructions included in product packaging is certified.



99.8%

of cardboard used in product packaging is certified.

As part of its commitment to zero deforestation, L'Oréal implements action plans to ensure a sustainable supply of soya oil, palm oil and wood-fibre based products (cardboard and paper for packaging) so that none of its products is associated with deforestation.

On the specific issue of palm oil, L'Oréal pursues an innovative strategy to trace the source of palm oil and palm kernel oil derivatives back to the mill, in partnership with all stakeholders: small growers, NGOs and suppliers.

L'Oréal: a responsible, innovative player

L'Oréal uses fewer than 1,000 tonnes of palm oil each year, along with 60,000 tonnes of palm oil derivatives (from the pulp of the palm fruit) and palm kernel oil derivatives (extracted from the kernel of the same fruit). Both types of oil are used to make glycerol, fatty acids and fatty alcohols used in products.

Continuing certification efforts

L'Oréal's entire palm oil supply has met the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO) since 2010, complying with one of its most exacting traceability models, the Segregated (SG) system. All palm oil derivatives used by the Group are also certified. L'Oréal increased the share of its Mass Balance certified purchases to 26% by the end of 2015, up from 11% in 2014 (with the remainder covered by RSPO's Book & Claim model).

Going one step further: tracing derivatives back to the mill

As part of its commitment to zero deforestation in 2014, L'Oréal undertook to trace the main palm oil and palm kernel oil derivatives back to the mill by the end of 2015. This was a complex task, since derivative processing involves a wide range of stakeholders and has a significant impact on supply chains.

An initial review was conducted in 2014 by an independent specialist. It involved strategic L'Oréal suppliers, who provide more than half of all palm oil and palm kernel oil derivatives.

In 2015, to identify the origin of all palm oil and palm kernel oil derivatives, L'Oréal extended the scope of its research to include all relevant suppliers. Results analysed in 2015 have shown that Malaysia and Indonesia are the main supplier countries and that:

- almost 80% of palm oil and palm kernel oil derivatives used by L'Oréal come from identified refineries (nearly 30);
- almost 50% of these supplies come from identified mills (nearly 600).

MALAYSIA



SUPPORTING SMALL PALM OIL PRODUCERS

Small independent growers represent around 40% of the world's palm oil production. However, because their lack of access to efficient agricultural practices results in low profits, they are

sometimes tempted to illegally increase the size of their plantations. In Malaysia, L'Oréal has committed to support SPOTS (Sustainable Palm Oil & Traceability with Sabah small producers), an unprecedented project in the market for palm derivatives, which previously did not trace production back to the plantation. L'Oréal has committed to purchasing RSPO-certified production from 500 smallholders over five years, through a partnership with NGO Wild Asia and its suppliers Clariant, Global Amines and Wilmar, all of which are committed to the project for the long term. The initiative gives these small growers fairer, long-term access to the international market, allowing them to improve their agricultural practices and living conditions while preventing deforestation. ●



PRODUCING SUSTAINABLY

By 2020, L'Oréal will have reduced the environmental footprint of its plants and distribution centres by 60%, from a 2005 baseline. The Group's key criteria for industrial performance include reducing CO₂ emissions in absolute terms, cutting water consumption, reducing waste per unit of finished product, and shrinking the transport footprint.



Reducing CO₂ emissions
16

Reducing water consumption
17

Reducing waste
18



Reducing CO₂ emissions

MONITORING INDICATORS UP TO 2020

CO₂ EMISSIONS FROM PLANTS AND DISTRIBUTION CENTRES SINCE 2005

(kilotonnes in absolute terms, based on GHG Protocol methodology, scopes 1 and 2)



CO₂ EMISSIONS FROM THE TRANSPORTATION OF SALES UNITS*



289,244 tonnes ✓

L'Oréal has set a goal of reducing CO₂ emissions in absolute terms at its plants and distribution centres by 60%, from a 2005 baseline, by 2020 while cutting emissions from transportation of its products by 20%, from a 2011 baseline.

Promoting low-carbon growth

By 2014, L'Oréal had already reached its initial objective for cutting CO₂ emissions from its industrial activities (achieving a 50% reduction in absolute terms, based on GHG Protocol methodology scopes 1 and 2), one year ahead of schedule. The Group is now targeting a 60% reduction by 2020 (from a 2005 baseline). In 2015, L'Oréal also proved that a commitment to tackling climate change is indeed compatible with a successful business model by achieving a 56% reduction in its emissions, in absolute terms, from a 2005 baseline while increasing its production by 26% over the same period—a performance praised by CDP for the third year running (see page 27).

Cutting energy consumption

Through improvements in building design and insulation, along with the optimisation of manufacturing processes and the use of more energy-efficient technology, L'Oréal reduced the kWh consumption per finished product at plants and distribution centres by 33% between 2005 and 2015. L'Oréal continues to implement the ISO 50 001 standard certification programme at all plants. The programme was first introduced in 2014 and led to certification of L'Oréal plant in Caudry (France), that same year. It is due for completion by 2020. Four more plants were certified in 2015: Vichy and Lassigny (France), Karlsruhe (Germany) and Pune (India).

Expanding the use of renewable energy

Renewables represented 42% of energy used at L'Oréal plants and distribution centres in 2015, thanks to the implementation of major projects using various technologies adapted to the geographical location

of our sites (biomethanisation, biomass, hydropower and solar panels), and the purchase of green electricity. Nine Group sites reached carbon neutrality by the end of the year: they include five plants (Burgos, Spain; Libramont, Belgium; Rambouillet, France; Settimo, Italy; Yichang, China) and four distribution centres (Victoria, Australia; Mexico City, Mexico; South Brunswick and Cranbury in the United States).

Reducing emissions linked to the transportation of products

L'Oréal is aiming to reduce CO₂ emissions generated by the transportation of products from its plants to its distributors. The goal is to decrease emissions per sales unit by 20% between 2011 and 2020. In line with this campaign, L'Oréal's European Consumer Products Division boosted multimodal freight from 3% to 16% between 2009 and 2015, partially replacing road transport with rail solutions. Another initiative involves ensuring an extremely high load factor for delivery vehicles, which the European Consumer Products Division successfully increased to more than 95% in 2015.

CHINA



YICHANG: A PLANT WITH CARBON NEUTRALITY

For the past few years, the Yichang plant in China, which specialises in make-up production, has been pursuing innovation to improve its energy performance and cut its CO₂ emissions. This ambitious strategy has reduced the site's energy consumption by 33% in 10 years, empowering it to achieve LEED Gold certification. Through the use of hydropower, the leading source of renewable energy in the region, the Yichang plant has been 100% electric since September 2015, reaching carbon neutrality. ●

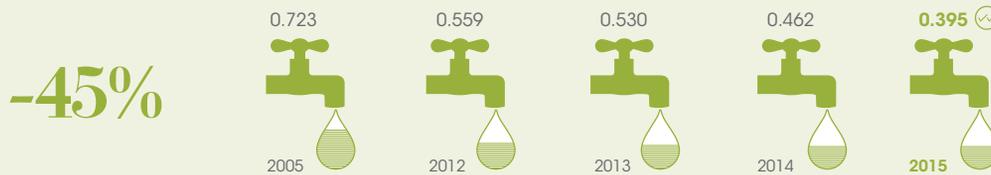
* Emissions are stated in absolute terms for 2015. Comparison with a 2011 baseline is pending. This calculation is based on Group scope excluding The Body Shop, Nyx Professional Make-up and Niely.



Reducing water consumption

MONITORING INDICATORS UP TO 2020

WATER CONSUMPTION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005 (in litres per finished product)



L'Oréal has committed to a 60% reduction in water consumption per finished product by 2020, from a 2005 baseline. To achieve this, Group teams are working on two fronts to optimise water use while developing projects to reuse and recycle water at production sites.

Optimising consumption

L'Oréal's industrial projects are carefully implemented to ensure responsible use of water, with consumption kept to a minimum, in line with the local availability of this vital resource.

The reduction of 45% in water consumption between 2005 and 2015 was reached by introducing hundreds of initiatives at all production sites.

Creating a dedicated internal management tool

Optimised water consumption is, internally, a key performance indicator for L'Oréal plants and is monitored using Waterscan, a tool specially developed by the Group. Waterscan categorises water consumption at each stage of the process and can identify the potential to reduce water use at each site.

Annual water consumption at L'Oréal plants has dropped by 1,000,000 cubic metres as a result, representing a reduction of 30% in absolute terms since 2005. L'Oréal has saved the equivalent of one and a half years' water use linked to industrial activities in the space of 10 years.

Recycling water on site

L'Oréal is developing a number of wastewater recycling projects. By the end of 2015, 10 facilities were in place at sites in Karlsruhe (Germany), Rambouillet (France, see inset), Aulnay (France), Libramont (Belgium), Burgos (Spain), Settimo (Italy), Istanbul (Turkey), Pune

(India), Suzhou (China) and Montreal (Canada). The approach involves retreating the wastewater discharged from the water treatment facilities of the plants in order to bring it up to the Group's quality standards. It is then reused by the plants to wash manufacturing tools and cooling processes.

The goal is to recycle and reuse all types of water, with the exception of the water used to make products. The introduction of these installations reflects L'Oréal's ambition to promote water recycling. The Group has already begun a campaign to achieve a neutral water footprint at its plants. Plans are now underway to implement similar measures at a number of other sites and to include them in the Group's industrial standards.

The full range of recycling initiatives up and running in 2015 saved L'Oréal nearly 100,000 cubic metres of water over the course of the year.

FRANCE



RAMBOUILLET HALVES WATER CONSUMPTION IN JUST 10 YEARS

The Rambouillet plant in France, which specialises in shampoos and conditioners, is one of the Group's largest and has gone to great lengths to reduce its water demand. As a result, between 2005 and 2014, the site had already reduced its water consumption by 38%. In 2014, it introduced a wastewater recycling project: the new system, which came on stream in 2015, treats an average of nearly 1,300 cubic metres of water every month entirely covering the plant's washing-water requirements. It has led to an overall reduction in water consumption of 47% compared with the 2005 baseline. ●



Reducing waste

MONITORING INDICATORS UP TO 2020

WASTE GENERATION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005

(in grams per finished product; excluding returnable packaging rotation, with returnable packaging accounted at source).



WASTE RECOVERED



WASTE SENT TO LANDFILL*

Only 2.2%
of industrial waste sent to landfill in 2015 (from plants and distribution centres).



0% of waste sent to landfill from plants in December 2015.

L'Oréal has committed to a 60% reduction in waste from its plants and distribution centres by 2020 and aims to send zero waste to landfill from any of its industrial sites by 2016 (plants met this target end 2015). This is an ambitious challenge for the Group, which defines "waste" as any solid substance that is not marketed as a finished product.

Reducing waste at the source

In 2015, L'Oréal reached a new milestone by reducing industrial waste from its plants and distribution centres by more than 30%.

L'Oréal's commitment to reduce its industrial waste involves decreasing the use of materials in all areas of its industrial activity.

This approach is underpinned by a number of wide-ranging initiatives involving the Packaging and Sourcing teams, working directly with the Group's raw-material and packaging-component suppliers and all manufacturing teams to target three key areas:

- reducing waste related to transport packaging through measures such as eco-design, weight savings, reuse and standardisation: L'Oréal reduced this category of waste by 13% in 2015;
- continuous improvement in manufacturing and packaging to boost the efficiency of production processes and cut waste from such processes: the Libramont plant in Belgium reduced waste from production by 30% in 2015;
- installing on-site sludge-drying systems at plants with in-house wastewater treatment facilities to reduce the volume of waste from sites and decrease the environmental impact of their downstream transport and treatment operations.

Achieving the goal of "zero industrial waste to landfill"

L'Oréal reached another important milestone in December 2015: all of its plants met the target of sending "zero waste to landfill". All distribution centres are expected to achieve this objective in 2016.

Recovering any remaining waste

The L'Oréal Group aims to take things a step further by recovering any waste that cannot be prevented. In 2015, 93% of the Group's industrial waste was recovered, i.e. reused, recycled or used as an energy source. 67% of this waste was used as a material (reused or recycled).

L'Oréal seeks to promote local recovery solutions wherever possible, both to reduce the environmental impact of waste management and to promote the circular economy while creating industrial synergies with other regional stakeholders.

FRANCE



PLANTS THAT TURN SLUDGE INTO COMPOST

The Ormes plant in France specialises in make-up production. The site introduced an innovative project in 2015 to process sludge at its treatment plant. The initiative involves

spreading the sludge onto a garden dubbed "the planted filter", where the plants break down the organic matter in the waste to produce humus that can be used as compost. Once up and running at full capacity, the 1,000 sqm garden will be able to process all of the sludge from the treatment plant. ●

*Excluding local regulatory limitations.



LIVING SUSTAINABLY

L'Oréal aims to empower its consumers to make sustainable choices. The Group is pursuing a number of initiatives to achieve this goal: transparently sharing information on the environmental and social impact of its products, assessing the footprint of every brand, raising consumer awareness, and making sustainable development more desirable.



Assessing the footprint of products

20

Raising consumer awareness
about sustainable consumption

21



Assessing the footprint of products

MONITORING INDICATORS UP TO 2020

CONSUMER INFORMATION



% of brands that share information with consumers from the product assessment tool to help them make informed, sustainable consumption choices.

EVALUATED PRODUCTS



% of new products that are evaluated through the product assessment tool.

Tool development is nearing completion; these two indicators will be available in 2017.

In 2020, L'Oréal will provide consumers with information on the environmental and social profile of each of its products to help them make informed, sustainable consumption choices.

Product assessment tool nears completion

By 2020, 100% of L'Oréal products will have an improved environmental or social profile. A vital step towards achieving this goal is the Group's project to develop a product assessment tool providing an index to evaluate social criteria alongside environmental indicators, which began in 2014. Four brands—Biotherm, La Roche-Posay, Garnier and Redken (in the United States)—implemented a simplified version in early 2015, which gave marketing teams greater insight into the potential for eco-design and led to the first tangible results. A second roll-out phase began in October 2015 to capitalise on the experience from the pilot initiative and build on work carried out to improve the Product Environmental Footprint. Teams are now developing a more elaborate version of the assessment tool, which is easier to use and offers a wider range of functions. The system will make it possible to simulate different designs, gauge their environmental and social impact and provide more information to consumers.

A robust system co-developed with stakeholders

L'Oréal consults a panel of 10 international experts, who met for the first time in December 2015. Their role is to challenge L'Oréal's choice of methods, criteria and indicators to develop the most appropriate system possible.

An unprecedented method for calculating social impact

Although there are already methods available to measure the environmental impact of products,

no such methodology is available to gauge their social impact. L'Oréal is a member of the Roundtable for Product Social Metrics, an initiative that brings together 12 international companies that have chosen to pool their efforts to tackle the issue. In 2015, L'Oréal developed an unprecedented method for calculating the social impact of cosmetics.

Designed to be included in the product assessment tool, this new approach can measure the social impact of products on employees (covering L'Oréal, partners and suppliers), consumers and the communities with which the Group interacts. L'Oréal has also set up a panel of seven established experts in analysing lifecycle social impact to support this approach and ensure that it meets the highest standards.

BIOOTHERM



BIOSOURCE: MORE SUSTAINABLE AFTER FACELIFT

In 2015, Biotherm used a pilot version of the product assessment tool to revamp its Biosource range. The new bottle now boasts an optimised design and a new pump to make life easier for consumers, along with three major environmental improvements:

- incorporation of 25% recycled plastic for 100 ml and 200 ml bottles;
- lighter packaging components (saving 10 tonnes of plastic per year);
- denser packaging of products during transport (saving 480 pallets a year). ●



Raising consumer awareness about sustainable consumption

MONITORING INDICATORS UP TO 2020

ASSESSMENT AND REPORTING



66.6%

of brands have evaluated their environmental or social impact and have pledged to reduce it and to report on their progress.

RAISING CONSUMER AWARENESS



34.4%

of brands conducted a consumer awareness initiative.

By 2020, L'Oréal will have improved the environmental and social impact of its new products and will share information with consumers on product performance, allowing them to make sustainable consumption choices and helping them to adopt more sustainable practices.

Understanding consumer expectations

Since 2013, L'Oréal has been conducting qualitative and quantitative research to improve its understanding of the expectations of consumers and determine the best way to engage them in tackling sustainability challenges in the cosmetics industry. In 2015, a quantitative survey was conducted among 12,000 women in four countries: France, the United States, Brazil and China. The findings were widely shared within the Group and incorporated into the vocational training plan for employees.

Continuous improvement plans for brands

All of L'Oréal's brands have committed to assessing their environmental footprints. L'Oréal laboratories work alongside packaging development and CSR teams to analyse their range of formulas and the environmental footprint of their packaging in conjunction with the executive management of international brands. The goal is to draw up a sustainable innovation plan to identify ways of improving individual ranges and products and implement an action plan. In 2015, these efforts involved 66.6% of the Group's brands.

Using brand influence

L'Oréal is well aware of its brands' ability to galvanise their stakeholders—partners, clients, media figures, consumers and the general public—to take up the key environmental and social causes of our time. The Group works diligently to ensure that each brand targets its own cause and conducts awareness-raising campaigns. 34.4% of brands conducted an

awareness initiative in 2015. For the fifth year in a row, Armani continued to develop Acqua for Life, an initiative implemented in partnership with Green Cross International, providing access to clean water to more than 80 communities around the world. Acqua for Life began its first initiative in Argentina in 2015. On World Water Day, March 22nd 2015, the brand launched a fun new awareness campaign involving influential bloggers, media, beauty ambassadors and fashion icons. The #1DayOn10Liters Challenge threw down the gauntlet to people not exposed to water shortage to get by for a day on 10 litres of water. People in some countries use an average of 100 litres of water in a single day, yet just 10 litres is a luxury in many parts of the world.

MUSCULOSKELETAL DISORDERS



L'ORÉAL PROFESSIONNEL TACKLES MSD

L'Oréal Professionnel, leader in the professional haircare market, works in partnership with one million hairdressers around the world. In conjunction with The Bone and Joint Decade,

a global alliance of doctors and researchers, the brand has introduced an ambitious programme to prevent musculoskeletal disorders (MSD), commonly referred to as Repetitive Strain Injuries (RSI), which represent 75% of occupational injuries suffered by hairdressers. L'Oréal Professionnel has developed tailored training programmes that include three sets of five-minute exercises hairdressers can use daily to prevent such problems, along with posters to encourage good practices in salons. More than 65,000 hairdressers had already benefited from these programmes by the end of 2015. The brand is aiming to train all professional hairdressers with whom it works within three years and is targeting an estimated seven million hairdressers worldwide with the 2016 launch of a free smartphone app. ●



DEVELOPING SUSTAINABLY

Sharing growth with its internal and external stakeholders is a priority for L'Oréal. The Group fosters access to work through a range of programmes, includes suppliers in its sustainable development commitments, and ensures that its employees around the world benefit from the best social practices.



Promoting access to employment and social inclusion

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Joining forces with suppliers to meet the Group's commitments

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Universalsing L'Oréal's social model

25



Promoting access to employment and social inclusion

MONITORING INDICATORS UP TO 2020

TOTAL BENEFICIARIES

MORE THAN **60,600** PEOPLE from underprivileged communities have gained access to employment.



VOCATIONAL TRAINING IN THE BEAUTY SECTOR

2,700 PEOPLE in very difficult social or economic situation received free vocational training in the beauty sector through the Beauty for a Better Life programme, supported by the L'Oréal Foundation.



SOLIDARITY SOURCING

57,200 PEOPLE accessed work through the Solidarity Sourcing programme, including 22,400 through The Body Shop's Community Trade initiative.



HIRING PEOPLE WITH DISABILITIES*

773 PEOPLE with disabilities work for L'Oréal.



By 2020, L'Oréal will have enabled 100,000 people from underprivileged communities to access work. To achieve this goal, the Group relies on a number of inclusive business models, such as providing vocational training, hiring people with disabilities and rolling out programmes such as Solidarity Sourcing.

Beauty for a Better Life: training as a catalyst for inclusion

In 2009, the L'Oréal Foundation launched the philanthropic training programme known as Beauty for a Better Life, which helps people in very difficult social or economic situations to achieve social inclusion. The programme is now active in more than 20 countries. In 2015, it provided free, high-quality training in beauty professions to promote access to employment for 2,700 people—twice as many as in 2014.

Promoting the inclusion of people with disabilities

Since 2008, L'Oréal has been working closely with local and international experts—including associations and NGOs—to develop a global policy to promote the employment of people with disabilities. In 2015, L'Oréal's workforce included 773 people with disabilities. More than half of L'Oréal's subsidiaries organised a Disability Awareness Day/Week. L'Oréal received the Disability Matters Award both in Europe and in the United States in 2015 for its Disability Initiatives Trophies, an internal competition that promotes the efforts of subsidiaries to hire people with disabilities. In November, L'Oréal was one of the first companies to sign the International Labor Organization's new Global Business and Disability Network Charter, which seeks to promote the inclusion of people with disabilities in the workplace. Every five years, since 2005, L'Oréal has also published a Diversity Report to share achievements linked to its efforts to promote diversity. L'Oréal published its first international Diversity Report in 2015 (www.diversityreport.loreal.com).

Using sourcing as a catalyst for social inclusion

In 2010, L'Oréal created Solidarity Sourcing, a global purchasing programme designed to allow even the smallest companies to bid on Group contracts and help people from underprivileged communities find lasting employment and an income. 25 new projects were introduced in 2015, bringing the total number of Solidarity Sourcing initiatives to 208, benefiting 34,800 people around the world. Meanwhile, The Body Shop's Community Fair Trade programme has provided access to employment for 22,400 people—meaning a total of 57,200 people now benefit from these two inclusive sourcing programmes. L'Oréal has pledged to associate 20% of its strategic suppliers with the programme, by 2020 (see page 24). By the close of 2015, 4% of these suppliers had implemented a Solidarity Sourcing initiative.

SOLIDARITY SOURCING



FAIRTRADE COTTON FOR L'ORÉAL PROFESSIONNEL HAIRDRESSERS

In late 2014, the Group's buyers began rolling out a project to ensure the responsible sourcing of cotton.

The initiative is being developed in partnership with Fairtrade International and the Kédougou cooperative in southeast Senegal. The region grows high-quality cotton through an environmentally friendly process that uses only rainwater. L'Oréal buys the cotton at a price that ensures additional income for growers. In 2015, L'Oréal Professionnel—the first brand to join the partnership—bought 62 tonnes of this cotton to make bath towels that the brand gives to its hairdresser clients. More than 500 cotton farmers in Kédougou benefited from this programme. ●

* This includes the total number of declared disabled employees on permanent and fixed-term contracts as of December 31st 2015. This figure only includes those employees wishing to self-declare as having a disability. Employees affected by disabilities are sometimes reluctant to self-declare.



Joining forces with suppliers to meet the Group's commitments

MONITORING INDICATORS UP TO 2020

SELECTION

51% ✓

of the Group's strategic suppliers have been evaluated and selected based on their environmental and social performance. They represent more than 70% of direct purchases (raw materials, packaging and contract manufacturing).



SELF-ASSESSMENT

74% ✓

of strategic suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support.



By 2020, 100% of L'Oréal's strategic suppliers will be involved in its sustainability programme. The Group's objective is twofold: to select its suppliers based on their environmental and social performance, and to provide them with the tools needed to ensure continuous improvement.

Supplier involvement: a cornerstone of the CSR strategy

Suppliers are an integral part of the environmental, social and ethical commitments made by the L'Oréal Group. Since 2002, all buyers have been implementing the responsible sourcing policy known as the L'Oréal Buy & Care programme, which makes suppliers an integral part of the Group's CSR initiatives. First and foremost, its strategic suppliers are regularly assessed. These are suppliers who provide the Group with significant added value by contributing their influence, innovation, strategic alignment and geographic positioning in long-term support of L'Oréal's strategy.

Assessing suppliers' CSR performance

Sourcing teams forge their supplier relationships around five performance pillars: quality, supply chain & service, CSR, innovation and competitiveness. The approach is underpinned by a standard assessment used worldwide and harmonised across all sourcing domains. The CSR pillar represents 20% of the total assessment. It covers both environmental and social considerations through a set of criteria including:

- the results of social audits: 951 social audits ✓ were carried out in 2015, for a total of 7,080 social audits since 2006;
- an Ecovadis assessment of suppliers' CSR policies: by the end of 2015, more than 400 suppliers—137 of them strategic (up from 130 suppliers in 2014, of which 92 were strategic)—had been assessed, representing a total of more than 74% of the Group's strategic suppliers;
- capacity to offer responsible products and services

(green chemistry, eco-design packaging and POS display design, etc.);

- CDP Supply Chain score (see inset).

Providing access to training tools

Regarding good practices' sharing, the first two training toolboxes were made available to suppliers in 2015. All suppliers invited to take part in the CDP Supply Chain and the Ecovadis assessment have been given access to online resources that allow them to gain a better understanding of L'Oréal's expectations in terms of CSR, calculate their CO₂ emissions and interpret their results. E-learning programmes, videos and other resources will expand this range of solutions, which will be hosted on an online platform exclusively for L'Oréal suppliers from early 2016.

CLIMATE



THE CDP SUPPLY CHAIN

Since its suppliers' activities represent more than 20% of its carbon emissions, L'Oréal considers such activity to be part of its broader environmental footprint. In 2009, the Group began involving suppliers in measuring and reducing its carbon footprint by asking them to work with CDP through the CDP Supply Chain programme. CDP is an NGO that encourages companies to publish their environmental impact data and provides tools for measuring, evaluating and communicating this data. 237 out of 253 suppliers (94%) took part in 2015, compared with 192 out of 215 (89%) in 2014. L'Oréal also made a new commitment in 2015: by 2020, suppliers accounting for 80% of the Group's purchases of raw materials, packaging and contract manufacturing will have set and communicated their targets for reducing carbon emissions through CDP. Suppliers who have already met this commitment now represent 40% of the purchasing amount. ●



Universalising L'Oréal's social model

MONITORING INDICATORS UP TO 2020

HEALTHCARE

86.6% 

of the Group's permanent employees have healthcare coverage reflecting best practices in their country of residence.

FINANCIAL SECURITY

78.4% 

of the Group's permanent employees receive financial protection in the event of non-work-related personal injury, including death or permanent disability.

TRAINING

72.6% 

of the Group's employees attended at least one training session in 2015.

Calculated according to the Group's overall scope (Cosmetics and The Body Shop), representing 100% of the employees for the scope of the L'Oréal Share & Care programme.

By the end of 2015, all essential components of the L'Oréal Share & Care programme—which embodies the Group's drive to universalise its social model—were in place in all countries in which L'Oréal has subsidiaries. And by 2020, 100% of L'Oréal employees will have access to training.

The L'Oréal Share & Care programme: a catalyst for social progress

L'Oréal has always sought to ensure that all of its employees enjoy the same level of safety and protection, driven by the belief that one cannot deliver sustainable growth without social performance. The L'Oréal Share & Care programme, unveiled in late 2013, set out to provide minimal, universal guarantees of social protection in all countries and to be in line with the best practices in each local market by the end of 2015. By the end of 2015, all essential components of the L'Oréal Share & Care programme had been implemented in all countries in which L'Oréal has subsidiaries. The programme covers four key areas:

- Care: healthcare, providing healthcare cover in line with the best practices available in the country of residence and fast access to quality healthcare for employees and their families;
- Protect: social welfare, to provide employees with financial support in the event of a non-work-related accident;
- Balance: parenting, to allow employees to make the most of being a mother or father while continuing to pursue their career;
- Enjoy: quality of working life.

The L'Oréal Share & Care programme also aims to turn each country into a social-innovation laboratory, which means encouraging all countries to implement initiatives tailored to employee expectations. The programme has also received the support of the International Labour Organization, which launched

the "Global Business Network for Social Protection Floors" in October 2015 to support the development of social protection systems around the world. L'Oréal is a founding member.

Learning for All: making staff training a priority

L'Oréal believes that the development of its employees, whatever their function, country or position, is both a key performance driver and a question of responsibility and universal knowledge sharing. The Group has committed to ensuring that all employees benefit from at least one training session per year by 2020. 72.6% of employees attended at least one training session in 2015. My Learning, an online training portal rolled out in 2013, has helped achieve this goal more rapidly. My Learning offers more than 4,000 teaching resources and is available in 11 languages and in all countries in which L'Oréal is present. By the end of 2015, the portal had provided more than 70,000 hours of training, with a total of 33,000 regular users.

TURKEY

COACHING FOR YOUNG MOTHERS



"This programme made me realise how much L'Oréal was looking out for me and supporting me at a difficult time when I had to restore the balance between my personal and professional life," says Aysegul Akay, a senior accounting specialist

and one of the young mothers who have benefited from the series of six personal coaching sessions offered by L'Oréal Turkey to employees returning to work after maternity leave. These sessions are led by a professional coach and take place every two weeks, either in the workplace or outside the company. The national press has broadly covered the initiative, which has been praised as an innovative measure to encourage working women and allow them to enjoy motherhood to the full while pursuing their careers. ●



Stakeholders dialogue: a cornerstone of the L'Oréal approach

Every year, L'Oréal continues to build dialogue with its stakeholders and sets up ad hoc committees to share its sustainable development strategy and co-create strategic projects.

L'Oréal attaches great importance to stakeholders dialogue, i.e. all players with whom the Group interacts internally or externally: associations and non-governmental organisations (NGOs), academics and the scientific community, consumers, customers, suppliers, employees, shareholders, extra-financial rating agencies and investors. Informing and consulting these stakeholders is essential for sharing and strengthening L'Oréal's sustainable development strategy, objectives and achievements.

A fluid approach to dialogue

To work jointly towards the Sharing Beauty with All commitments for 2020, L'Oréal established dialogue with 754 organisations through forums organised by the Group in eight countries between 2011 and 2013.

These discussions were continued online via a dedicated stakeholder platform hosted on the www.loreal.com website. Dialogue has been ongoing since 2013 through panels and consultations organised to target specific projects. 58 NGOs, associations and academic experts were consulted in 2015.

An external governance body

The Panel of Critical Friends is an external committee set up as part of the Sharing Beauty With All



Left to right: Khalid AlKhudair, Helio Mattar, Lo Sze Ping, Mehjabeen Abidi-Habib, Alexandra Palt, Jean-Paul Agon, Analisa Balares, David Jones, José María Figueres, HRH Celenhle Dlamini.

programme. The panel comprises leading international experts on environmental and social issues. It meets once a year, joined by Jean-Paul Agon, to review progress, critically evaluate any action taken, suggest improvements and challenge L'Oréal's sustainability goals. The Panel of Critical Friends held its second meeting in Rio de Janeiro, Brazil, in September 2015.

Chaired by José María Figueres, former President of Costa Rica and Chairman of the Carbon War Room, the panel comprises HRH Celenhle Dlamini, Mehjabeen Abidi-Habib, Analisa Balares, Lo Sze Ping, Christian de Boisredon, David Jones and Khalid AlKhudair, along with Helio Mattar, invited to join the panel from Brazil in 2015.

A WORD FROM ALEXANDRA PALT CHIEF SUSTAINABILITY OFFICER



"Independent input from experts and associations is vital. They push us to go even further and help us create projects that are both ambitious and effective. In creating our new carbon-balanced ambition (see page 6),

we talked to more than 20 local associations in India, Burkina Faso and Indonesia to define the most relevant projects to develop on the ground. We have set up a committee of carbon experts tasked with reviewing the strength of our approach. We have pursued ongoing dialogue with local and international NGOs in rolling out our "zero deforestation" policy in Indonesia and Malaysia (see page 14). And we are also involved in a campaign to better take into account local issues with regard to mica sourcing in India through a collective approach with our partners and associations." ●

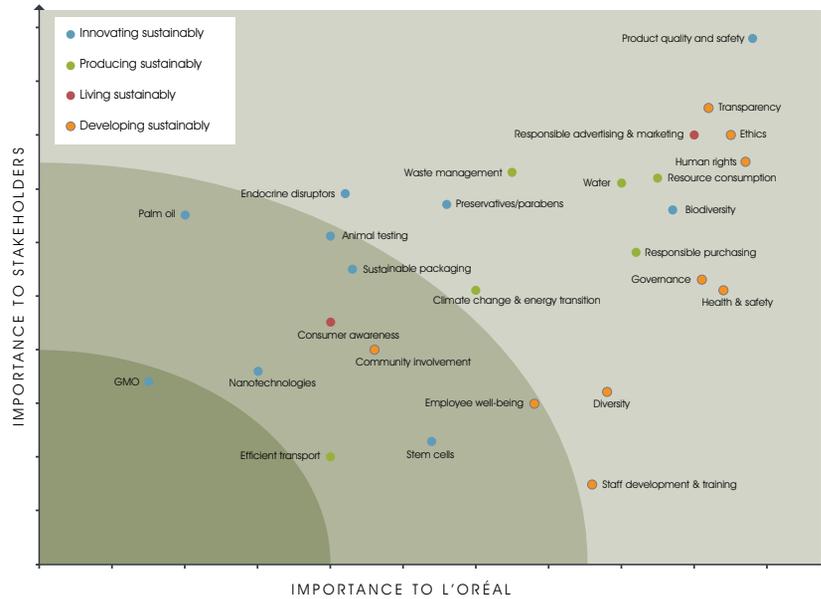


Find out more about reporting at:
www.sharingbeauty.com/reporting

Reporting: proven performance

Every year, L'Oréal publishes three reports providing a detailed, transparent breakdown of its strategy, its challenges and its results with regard to social and environmental responsibility: the Registration Document, the Communication On Progress in line with the United Nations Global Compact, and the Sharing Beauty with All Progress Report, which is released at the Group's shareholder meeting in April and published on the dedicated website www.sharingbeautywithall.com.

In 2012, L'Oréal conducted a "materiality analysis" in which the Group compared the expectations of its internal and external stakeholders with its own priorities to identify 29 "material" issues. This tool allows L'Oréal to revise its targets, evaluate the relevance of its indicators and adapt reporting accordingly.



Improvements in L'Oréal's CSR performance over time and its reporting through the use of reliable, robust indicators reviewed by statutory auditors (including some indicators with a reasonable level of assurance) have made the Group an industry leader in CSR.

- In 2015, the extra-financial rating agency Vigeo ranked the Group **number one in its sector**. L'Oréal's score of **68/100** was the highest score across all sectors.
- Another extra-financial rating agency, Oekom Research AG, ranked L'Oréal **number two** in the Household & Personal Products sector, and, for the fourth year in a row, awarded the Group "Prime" status, a distinction given to top-performing companies.
- **For the third consecutive year**, L'Oréal has been acknowledged as a leader by CDP, an independent international NGO that evaluates companies' efforts to measure, declare and reduce their CO₂ emissions. In 2015, L'Oréal achieved an **"A"** rating—reflecting the highest level of performance—in the Climate Disclosure Leadership Index (CDLI) for its carbon-footprint management policy and its strategy to combat climate change, along with a score of **99/100** for the transparency of its policy.
- For the sixth consecutive year, the Ethisphere Institute ranked L'Oréal as one of the "world's most ethical companies" in 2015.



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