

**SUSTAINABLE
DEVELOPMENT
REPORT
2013**



L'ORÉAL

L'ORÉAL
PROFESSIONNEL
PARIS

KÉRASTASE
PARIS

REDKEN
5TH AVENUE NYC

MATRIX
IMAGINEZ TOUT CE QUE VOUS POUVEZ ÊTRE

Because you're worth it.
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ADVANCED RESEARCH
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essie

LANCÔME
PARIS

GIORGIO ARMANI

YVES SAINT LAURENT

Kiehl's
SINCE 1851

BIOThERM

RALPH LAUREN
FRAGRANCES

clarisonic

shu uemura

ud
URBAN DECAY
beauty with an edge

DIESEL

HR
HELENA RUBINSTEIN

cacharel

VIKTOR & ROLF

VOTRE PEAU IDÉALE
VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE

ROGER & GALLET
PARIS

innéov
RECHERCHES AVANCÉES NESTLÉ & L'ORÉAL

THE
BODY
SHOP

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With our employees,
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INTERVIEW

**TOGETHER
WE WILL
MAKE BEAUTY
SUSTAINABLE.
TOGETHER
WE WILL MAKE
SUSTAINABILITY
BEAUTIFUL.**

Jean-Paul Agon
Chairman and Chief Executive Officer

**L'ORÉAL JUST MADE NEW
COMMITMENTS THROUGH
THE SHARING BEAUTY WITH
ALL PROGRAMME.
WHAT'S THEIR SIGNIFICANCE?**

The programme's very name reflects both what has driven us for more than a century and our approach for the years to come. L'Oréal is a company that has always been centred on a single business: beauty. It is a business with profound meaning, because it helps each person feel better with himself and with others. It is our awareness of this social utility and the way in which we perceive our business that we wanted to express and amplify in a comprehensive, ambitious social and environmental responsibility programme. Sharing Beauty with All is therefore entirely consistent with who we are, with our ethical principles and commitments – we support and implement the Principles of the United Nations Global Compact, a commitment renewed in 2013 –, but also with the conviction we share with many others: that businesses' ability to serve the public interest is what will make all the difference in the years to come.

WHY MAKE THESE NEW COMMITMENTS NOW?

They are part of a transformation process begun at L'Oréal several years ago. We first redefined our mission: beauty for all. To accomplish this mission, we chose a new strategy that we call universalisation, which is globalisation that respects differences. To implement this strategy, we set an ambitious target: to attract and win the loyalty of a billion new consumers. However, more consumers, more growth, also means more responsibility. So we want to reduce the impact of our activity on the planet while increasing our positive socio-economic impact on the lives of communities around us. With the commitments we are making today, we are continuing our transition towards a new development model, which is constantly becoming more responsible. And we are clearly placing our non-financial challenges at the same level as our financial targets, and so expressing our vision of the global performance of our company.

WHY DO YOU SAY THESE COMMITMENTS ARE AMBITIOUS?

First, because they address our entire value chain. Sharing Beauty with All covers innovating sustainably, producing sustainably and living sustainably. We also want to do whatever it takes for all our partners to share in our success: our employees, of course, but also our suppliers – who we are fully involving in this approach – and the communities around us. Second, because these commitments will guide us in completely rethinking the way we design, manufacture and advertise our products. For example, we have made the commitment that, by 2020, 100% of our products will have an environmental or social benefit, meaning a demonstrable, improved impact over today's performance, one that is quantifiable, measurable and verifiable. This is a major change for our brands, an entirely new paradigm. Our goal is to encourage more responsible consumption, not only by reducing the impact of our products, but also by involving consumers in this movement. We believe it is our responsibility to make sustainable development desirable.

“ THE TIME HAS COME TO ACCELERATE OUR PROGRESSES IN SUSTAINABLE DEVELOPMENT, FOR THE ENTIRE L'ORÉAL GROUP AND ALONG THE FULL LENGTH OF OUR VALUE CHAIN. ”

WHAT SUSTAINABLE DEVELOPMENT ADVANCES DID THE GROUP ACHIEVE IN 2013?

We continued to apply our strategy of reducing environmental impact by both producing and innovating sustainably. We also went further with our initiatives and experiments in sustainable consumption and responsible communication. A clear highlight of the year was the ongoing dialogue with stakeholders, which unquestionably determined and enriched our Sharing Beauty with All programme. For the past two years, we have been brainstorming with our external stakeholders on how best to exercise our responsibilities. We hold stakeholder forums around the world with NGOs, associations, experts and government representatives to engage in fruitful dialogue. This has helped us gain a clearer understanding of the expectations and needs such entities have with respect to a company like ours and address those needs in our strategy. Furthermore, L'Oréal is committed to ensuring that, by 2020, all its renewable raw materials come from sustainable sources. This is a reaffirmation of our ambition to reach “zero deforestation”. This will be the final outcome of action plans we've had in place since 2007 for sustainable sourcing of soya oil, palm oil and wood-fibre products, to be certain none of our products contribute to deforestation. Lastly, 2013 was the year in which we launched a programme I care about deeply and that is the quintessential reflection of L'Oréal's culture and values, a company that has always been deeply committed to a humanist and socially responsible project. This worldwide programme for employees, called

Share & Care, will give them access, wherever they live in the world, to a level of health care and social protection coverage which will put us amongst the top companies in all the countries in which we operate. For example, we want every woman employee to have the possibility of enjoying 14 weeks of maternity leave. This is a highly original project, which is going to lead to important social advances in some countries. I see it as a true laboratory of social innovation at world level. We know that much remains to be done, but we are determined to forge ahead via the 2020 Commitments we have made. This is a vast challenge, which means a profound cultural change for our Group and the way it interacts with society. We are opening another thrilling phase in the great L'Oréal adventure.



2020

OUR COMMITMENTS

*We want to bring beauty to all people.
Beauty expresses itself in many ways.
We believe in the beauty of protecting
the environment and biodiversity, the beauty
of supporting communities and providing
security for employees, the beauty of delivering
desirable and sustainable products for women
and men who trust in us.*

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for 2020**

/ OUR COMMITMENTS AND TARGETS

To make sure we deliver against our vision, we have created a framework with four clear commitments, which will help us to measure our progress. These commitments are supported by targets.

INNOVATING SUSTAINABLY

By 2020, we will innovate so that 100% of products have an environmental or social benefit.

Every time we invent or update a product, we will improve its environmental or social profile against at least one of the following criteria:

- the new formula reduces the environmental footprint;
- the new formula uses renewable raw materials that are sustainably sourced or raw materials derived from Green chemistry;
- the new packaging has an improved environmental profile;
- the new product has a positive social impact.

PRODUCING SUSTAINABLY

By 2020, we will reduce our environmental footprint by 60% from a 2005 baseline whilst bringing beauty to one billion new consumers.

- We will reduce CO₂ emissions at our plants and distribution centres by 60% in absolute terms, from a 2005 baseline.
- We will reduce our water consumption by 60% per finished product unit, from a 2005 baseline.
- We will reduce waste by 60% per finished product unit, from a 2005 baseline.
- We will send zero waste to landfill.
- We will reduce our CO₂ emissions from transportation of products by 20% per finished product unit from a 2011 baseline.

LIVING SUSTAINABLY

By 2020, we will empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet.

- We will use a product assessment tool to evaluate the environmental and social profile of 100% of new products, and all brands will make this information available to allow consumers to make sustainable lifestyle choices.
- All L'Oréal brands will assess where they have the biggest environmental and social impact, and make commitments to improve their footprint. Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.
- Our consumers will be able to influence our sustainability actions through our consumer sustainability panel.



DEVELOPING SUSTAINABLY

WITH OUR EMPLOYEES

By 2020, L'Oréal employees will have access to health care, social protection and training, wherever they are in the world.

- We will provide health coverage for employees which is aligned with the best practice of the country they are based in.
- We will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur.
- Every L'Oréal employee will have access to at least one training session per year wherever they are in the world.

WITH OUR SUPPLIERS

By 2020, 100% of our strategic suppliers will be participating in our supplier sustainability programme.

- All strategic suppliers will be evaluated and selected on social and environmental performance.
- All strategic suppliers will have completed a self-assessment of their sustainability policy with our support.
- All suppliers will have access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will be associated with our Solidarity Sourcing programme.

WITH THE COMMUNITIES AROUND US

By 2020, we will enable more than 100,000 people from underprivileged communities, equivalent to the size of our global workforce, to access work.

We will achieve our goal through programmes in the following areas:

- Solidarity Sourcing;
- inclusive distribution;
- beauty professionalisation;
- mentoring and community education;
- employment of disabled people and underrepresented socioethnic groups.

/ COMMITMENTS CO-CREATED WITH OUR STAKEHOLDERS

L'Oréal attaches crucial importance to dialogue with its stakeholders. This open communication, initiated in 2011, took the form of stakeholder forums around the world to proactively engage members of civil society, NGOs and associations in communicating with the Group's in-house experts to share their expectations. This was an opportunity for L'Oréal to receive input on its sustainability strategy to best align that plan with the major societal and environmental issues advocated by stakeholders. A dedicated and productive undertaking to co-create the concerted, ambitious commitments of the Sharing Beauty with All programme.

/ CONTINUOUS DIALOGUE

Because the importance and treatment of issues related to corporate environmental and social responsibility vary from one country to the other, L'Oréal held stakeholder forums around the world to promote dialogue at the local level on both local and global issues. In their respective countries, these forums were the opportunity to address a broad spectrum of topics from environmental issues, diversity and animal testing to product safety and women's rights. In addition to holding these forums, an online discussion platform was opened for stakeholders, covering the different areas of the Group's materiality analysis and giving those organisations wishing to continue the dialogue online the chance to ask questions to the Group's experts for real-time responses. A way to stay connected that focuses on continuous improvement and responsiveness. In France, in 2013, the Group consulted with more than a hundred organisations to refine the structure of its commitments for 2020, incorporating the issues raised during discussions at five topic-specific forums:

responsible sourcing, biodiversity, diversity and equal opportunity policy, responsible communication, and energy and climate change.

IN TWO YEARS,
754
ORGANISATIONS
CONTACTED.

232

ATTENDED **14 FORUMS**
IN **8 COUNTRIES**
(U.K., CHINA, U.S.A., BRAZIL, INDIA,
SOUTH AFRICA, DENMARK
AND FRANCE).





/ SUSTAINABILITY STRATEGY

Briefly presented at the opening of each forum, the L'Oréal policy – which entails integrating sustainability at the centre of its business strategy throughout the value chain – was well-received by stakeholders. Most felt it addressed the majority of civil society's expectations, and many noted its consistency. The discussions nevertheless brought to light a gap between what the Group does at the corporate level and consumer perception of its activities. Stakeholders feel that L'Oréal should promote and translate the sustainability commitments into brand platforms and products that consumers see as truly representative of L'Oréal and which more directly affect their lives. Participants also commented on L'Oréal's efforts in encouraging consumers to adopt more sustainable consumption patterns. These stakeholders believe that offering better products – those that are more effective, safer, socially more responsible and environmentally less harmful – is insufficient.

SUPPORTING CONSUMERS

The Group must also help consumers better understand what constitutes a sustainable way of life and how to do their part through their consumption and cosmetics use. Nevertheless, a contradiction lies within such an approach: several studies commissioned

by L'Oréal in different geographic zones and varying cultural and geographical contexts found that, even if consumers believe themselves to be very committed to sustainable development, this belief is minimally reflected in their consumption patterns. Finding the right leverage to overcome this obstacle will enable the Group to promote shared responsibility between the company and consumers.



L'ORÉAL'S RESPONSE THROUGH SHARING BEAUTY WITH ALL

These issues are essential components of L'Oréal's 2020 sustainability commitment and have been fully assimilated into its strategy. The brands will be more involved in reaching out more directly to the consumer. Each brand will assess its environmental and social impact, develop action plans to limit this impact and report on its progresses. By 2020, a product assessment tool will evaluate all new products on their environmental and social profile and brands will make this information available to consumers to support their making informed choices about sustainable consumption.



100%

OF THE GROUP'S NEW PRODUCTS WILL BE ASSESSED IN TERMS OF SOCIAL AND ENVIRONMENTAL IMPACT BY 2020.

100%

OF L'ORÉAL'S BRANDS WILL BE COMMITTED TO SUSTAINABLE CONSUMPTION BY 2020.



/ ENVIRONMENTAL IMPACT OF L'ORÉAL OPERATIONS

Though L'Oréal publicly set its objectives of reducing its environmental footprint by 2015, well known by stakeholders worldwide, a persistent question arose: how can the Group align its business ambitions – meaning the stated goal of attracting a billion new consumers in the years to come – with an environmental strategy sufficiently solid to address the issues? First, produce more with less; second, assess L'Oréal's carbon footprint as a whole, with experts having noted that the objective set for the 2005-2015 period focused only on the Group's plants and distribution centres.

L'ORÉAL'S RESPONSE THROUGH **SHARING BEAUTY** WITH ALL

Naturally, this concern was the focus of dedicated in-house appraisal. The Group reviewed its goals and set even higher standards for sustainable production by 2020. The challenge is enormous: to continue reducing the Group's impact while increasing production, since L'Oréal's

unit production will have nearly doubled by 2020 compared to 2005. By setting a target to reduce its carbon footprint by 60% from a 2005 baseline, the overall true effort is a reduction of 80%. Besides this aspect, the commitment to innovating sustainably and ensuring continuous improvement

of product profiles is an additional effort to more broadly address the Group's impacts.

60%

REDUCTION IN CO₂ EMISSIONS
AT THE GROUP'S PLANTS
AND DISTRIBUTION CENTRES BY 2020,
FROM A 2005 BASELINE.



Research Centre in Pudong (China) / Predictive Evaluation Centre in Gerland (France) dedicated to developing alternative methods.

/ PRODUCT SAFETY AND ANIMAL TESTING

Product safety, processes for guaranteeing it, ingredient quality... all these issues sparked a great deal of debate, and discussions demonstrated the value of concerted dialogue.

PUBLIC HEALTH

Several organisations specialising in this matter questioned the Group to know more about L'Oréal's policy on product safety and public health. A number of misunderstandings were resolved as most of the concerns related to how L'Oréal implements the precautionary principle, the plan to substitute substances categorised or perceived as hazardous, the risks associated with endocrine disruptors or managing allergic reactions. L'Oréal Research and Development experts were able to provide clear explanations, demonstrating the robustness of processes in place, giving those participating in these forums a good overview of L'Oréal Research's high-level expertise and solid methods.

ANIMAL TESTING

Organisations working on issues related to animal protection were present and very vocal in almost all forums held.

L'Oréal – as a cosmetics industry leader – is very often criticised on this topic, as most observers assume that animal testing is still a common practice. It was therefore challenging to convince and inform them of our commitment to eliminating all such tests. L'Oréal is committed to only marketing products whose safety has been evaluated according to rigorous and ethical protocols, the goal being to prevent consumers from experiencing any adverse effects from the product's use. Traditionally, the safety assessment of products and ingredients was done by means of animal testing. However, since the 1980s, L'Oréal believes that the future of safety evaluation lies in the development of alternative, "predictive" strategies. This approach is built on the substantial scientific progress being made in the fields of reconstructed skin models, molecular modelling and high-performance data processing. It allows exploitation of all data accumulated by the Group over the course of a century, representing over 50,000 ingredients. These new strategies and the considerable research efforts behind them have paid off: in 1989, L'Oréal was able to end all testing

of its products on animals, without making products any less safe. Since March 2013, the Group has taken another decisive step: it no longer tests on animal, anywhere in the world, and does not delegate this task to others. An exception could be made if regulatory authorities required it for safety or regulatory purposes. Thanks to advances in alternative methods, partnerships with research institutes worldwide and the extraordinary determination of its teams, L'Oréal has entered the "predictive" era of forecasting an ingredient's safety and efficacy before it has been synthesised.

This ambition, which is supported by the international scientific community and is known as "toxicology of the 21st century", is now practiced in the Group's laboratories and fuels innovation.

1989

SINCE THIS DATE, L'ORÉAL NO LONGER TESTS ANY OF ITS PRODUCTS ON ANIMALS.



/ RESPONSIBLE SOURCING AND BIODIVERSITY

The issue of the Group's responsible sourcing of raw materials generated many discussions around the world, particularly in two areas: the impact on biodiversity and the Solidarity Sourcing programme. Stakeholders expect a Group like L'Oréal to assume its responsibilities throughout the value chain, from sourcing ingredients to product end-of-life, and to continuously improve at every stage of the chain and include its suppliers in this progress initiative. The suppliers' involvement in the Carbon Disclosure Project, the Group's social audits policy or supplier days were viewed as a good approach.

SOLIDARITY SOURCING

The Solidarity Sourcing programme was extensively commented upon, quite often in a positive light, and rose a lot of questions. Stakeholders see it as a win-win strategy: good for the people, good for the environment and good for the business. One criticism, however, was the need for more hard facts and figures to illustrate the direct and indirect impacts of the programme.

IMPACT ON BIODIVERSITY – PALM OIL

On the theme of preserving biodiversity, the main topic of discussion was palm oil. Though the Group is not a major palm oil purchaser, this product is a symbol of the environmental fight against practices considered as unacceptable. L'Oréal's involvement in the Roundtable on Sustainable Palm Oil (RSPO) generated much debate, though stakeholders also readily admitted the difficulty in finding a responsible, unobjectionable model.

L'ORÉAL'S RESPONSE THROUGH SHARING BEAUTY WITH ALL

L'Oréal has given great weight to these concerns in developing its commitments. An important component of the programme focuses on its suppliers and their alignment with the Group's sustainable development objectives, including helping them assess their social and environmental performance. The Solidarity Sourcing programme is also one of the important levers to achieve the stated commitment to enable more than 100,000 people around the world to access work. With respect to palm oil, dialogue with stakeholders resulted in the Group's publicised commitment to "zero deforestation" by 2020 (see page 39).

100%

OF OUR RAW MATERIALS
WILL BE SUSTAINABLY SOURCED
BY 2020.

20%

OF OUR STRATEGIC SUPPLIERS WILL BE
ASSOCIATED WITH OUR SOLIDARITY
SOURCING PROGRAMME BY 2020.

VIEWPOINTS

“ The L'Oréal forum held in Johannesburg, South Africa was unlike many others I have attended. The level of transparency and forthrightness was clearly apparent. Usually, when companies meet with stakeholders, they seem to want to speak *to* and not *with* them. The uniqueness about the L'Oréal initiative was the ability of the representatives to engage the participants in a dialogue. Many of the concerns that were voiced were dealt with in a patient and constructive manner. For a company like L'Oréal to take such a bold step in addressing such forums around the world is commendable because it not only provides legitimacy for its products but also sets the benchmark for other such organisations. I have learned a lot regarding L'Oréal's sustainability strategy, and have really appreciated the engagement in its inclusive business programmes. I encourage the Group to scaling up such projects in other locations such as South Africa or India. ”

GEORGES VARKEY

Key opinion leader and social entrepreneur expert (MIGS South Africa), has participated at the L'Oréal stakeholders forum in South Africa.

“ The stakeholders forum organised by L'Oréal initiated public consultation on the topic of sustainability into China. While globally L'Oréal is actively reducing its environmental impacts by adopting LEED, renewable energy and energy efficiency, its local practices to further green supply-chains and support the local climate adaptation would very much help to realise its ambitious 2020 targets. ”

NANCY CHEN

ClimaXmi and Greenpeace campaigner, has participated at the L'Oréal stakeholders forum in Beijing.

“ I participated as WWF Forest Conversion Officer in the last biodiversity multi-stakeholder forum organised by L'Oréal Group. It was very relevant that L'Oréal exposed its biodiversity policy to the main stakeholders involved in the issue. L'Oréal has launched different projects to lower its biodiversity impacts. For example, L'Oréal covers all its direct and indirect palm oil uses. However, as the sector leader, it should go beyond this commitment and directly

support certification at production level in areas with high biodiversity, as it already does through their Solidarity Sourcing programme for other commodities. ”

BORIS PATENTREGER

WWF Forest Conversion Officer, has participated at the L'Oréal stakeholders forum dedicated to biodiversity held in Paris.

“ L'Oréal has taken important steps to reach out and understand a host of external environmental and social issues that plague the life cycle of its products. Now it has to take the lead in ensuring it pioneers environment-friendly and socially inclusive best practices standards for the entire industry. ”

SHAIENDRA YASHWANT

Key opinion leader and environmental militant, India, has participated at the L'Oréal stakeholders forum in Mumbai.

/ L'ORÉAL'S COMMITMENT FOR 2020

In Paris, on 23 October 2013, in front of 260 people from 22 countries, the Group publicly announced its new CSR commitments for 2020. At the heart of the Group's vision: innovating and living sustainably, an issue not only for L'Oréal but for all consumer-goods companies. Hence, too, the idea of taking advantage of this day to bring together experts from around the world and from different sectors to discuss and find inspiration in a forum themed "Reimagining consumption: Sustainability as a desirable choice for all".



/ A WORLDWIDE PUBLIC ANNOUNCEMENT

Jean-Paul Agon presented L'Oréal's new CSR commitments for 2020, Sharing Beauty with All, to the press. In opening the press conference, Mr. Agon emphasised that, "An institution that lasts is one that adapts." By presenting steadfast commitments commensurate with the Group's business ambitions, L'Oréal's Chairman and Chief Executive Officer expressed his intention to speed up the major steps already made: to continue to reduce the Group's environmental footprint while further increasing L'Oréal's social contributions. How? By affecting a complete change within the company through new, ambitious targets throughout the value chain.

A PROJECT FOR A BETTER SOCIETY

What impact does the company want to have on the environment and the communities around it? How can all stakeholders' expectations and needs be met? How can we build sustainable beauty? These

are the questions that guided the development of the Sharing Beauty with All programme. The company's role in the 21st century is thereby being re-examined. On 23 October 2013, Jean-Paul Agon's willingness was to demonstrate that the Group, which already has a solid legacy of actions in the field of sustainability, intends to take its model even further by creating a genuine virtuous circle. And, with that as an objective, the Group is not hesitating to reinvent itself in the process: "This is a vast challenge, which means a profound cultural change for our Group and the way it interacts with society. It is a highly ambitious programme which keeps all our employees on their toes, and requires their active involvement. In short, it is a new chapter in the history of L'Oréal which is pointing the way ahead for the coming years." ●

/ SUSTAINABILITY AS A DESIRABLE CHOICE FOR ALL

While L'Oréal has set the ambition of attracting one billion new consumers in the coming years, the Group has also established a clear objective for itself: promoting a more sustainable consumption. After officially unveiling its programme, the Group held the first international forum for reflection in Europe on this matter. In 2012, the first multi-stakeholder forum on sustainable consumption was held in New York at the initiative of L'Oréal's American subsidiary. In 2013, the Group again organised a forum, this time at the European level, with the theme "Reimagining consumption: Sustainability as a desirable choice for all". In partnership with five international organisations recognised for their expertise – BSR, Forum for the Future, Futerra, Sustainable Brands and The World Business Council for Sustainable Development – L'Oréal brought together more than 250 experts to share the current best practices around the world.

RECONCILING THE CONSUMER AND THE CITIZEN

How can consumption be made more sustainable? What is hindering the consumer in making that transition? What opportunities are available? The sustainable development directors of major corporations, opinion leaders and NGO and government representatives were able to find collective inspiration through a multidisciplinary approach over the course of three roundtables. Better living through sustainable innovation, how to change behaviour, the need to make sustainability desirable: these subjects were all explored as levers to make sustainable consumption a shared and desirable choice for consumers. The speakers, who came from around the world, generously shared their experiences, as well as their occasional doubts and challenges, in an effort to move collective thinking forward. ●



“ Thank you to the L'Oréal team for such an inspiring session. I also learnt two things: firstly, you can fit an incredible amount into four hours – everyone had so much to contribute; secondly, all of you have a role to play in creating a tipping point. Let's do it! ”

Sally Uren, Chief Executive of
Forum for the Future

260

PEOPLE ATTENDED
FROM 22 DIFFERENT COUNTRIES.



2013

OUR ADVANCEMENTS

In 2013, we pursued our initiatives worldwide to accelerate our progresses in sustainable innovation, sustainable production, sustainable living and shared development.

18 • Innovating sustainably

22 • Producing sustainably

26 • Living sustainably

30 • Developing sustainably

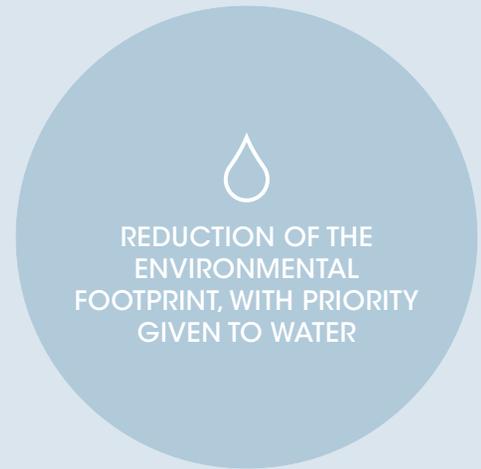
With our employees
With our suppliers
With the communities around us



INNOVATING SUSTAINABLY

Sustainable innovation is the first step in the product value chain.

For many years, L'Oréal has been committed to limiting the environmental impact of its formulae. L'Oréal's Research & Innovation teams have identified two priority focuses: the responsible promotion of biodiversity and the reduction of the environmental footprint, with priority given to water. Selecting plant-based raw materials, responsible sourcing, assessing ecotoxicity and bioaccumulation, improving the biodegradability of formulae and more: we are doing our utmost to improve our products' environmental quality while ensuring their performance.



RAW MATERIALS

PRODUCTS

34%
OF OUR REFERENCED NEW RAW MATERIALS ARE PLANT-BASED.

18%
OF OUR NEW RAW MATERIALS COMPLY WITH THE PRINCIPLES OF GREEN CHEMISTRY.

1,932
NEW FORMULAE UNDERWENT BIODEGRADABILITY AND WATER FOOTPRINT EVALUATION IN 2013.



250
SPECIES ARE THE SOURCE OF OUR PLANT-BASED RAW MATERIALS.

100%
OF OUR PLANT-BASED RAW MATERIALS ARE EVALUATED FOR THEIR POTENTIAL IMPACT ON BIODIVERSITY.



88%
BIODEGRADABILITY, ON AVERAGE, FOR OUR SHAMPOOS AND 86% FOR OUR SHOWER GELS IN 2012.

SOURCING

RAW MATERIALS

20,000
WOMEN BROUGHT TOGETHER IN ORGANISATIONS OF PRODUCERS OF SHEA BENEFIT FROM THE RESPONSIBLE PURCHASING PROGRAMME.

100%
OF OUR SHEA BUTTER SUPPLIES COME FROM FAIR-TRADE SOURCES.



80%
OF OUR PLANT-BASED RAW MATERIALS HAVE BEEN THE SUBJECT OF ACTION PLANS WITH OUR SUPPLIERS TO ENSURE SUSTAINABLE SOURCING.

60%
OF OUR SOYA OIL SUPPLIES ARE CERTIFIED SUSTAINABLE.

100%
OF OUR PALM OIL SUPPLIES ARE CERTIFIED SUSTAINABLE BY THE RSPO (Roundtable on Sustainable Palm Oil).

In 2005,
L'ORÉAL COMMITTED TO REFUSING ANY NEW RAW MATERIAL WITH AN UNFAVORABLE ENVIRONMENTAL PROFILE.

Since 2007,
100% OF OUR RAW MATERIALS ARE EVALUATED ACCORDING TO PERSISTENCE, BIOACCUMULATION AND ECOTOXICITY CRITERIA.

377
RAW MATERIALS (CORRESPONDING TO 778 CHEMICAL CONSTITUENTS) HAD THEIR ENVIRONMENTAL PROFILE EVALUATED OR COMPLETED IN 2013.



INDIA

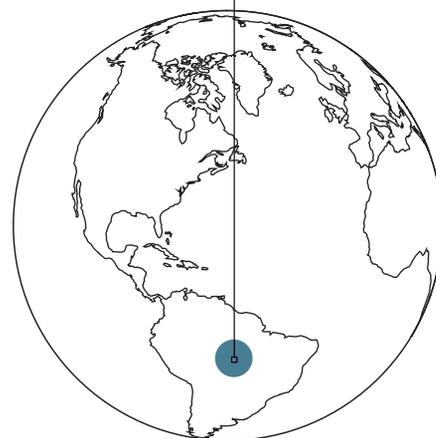
RESEARCH COMMITTED TO EXPLORING LOCAL RAW MATERIALS

The Indian R&I Hub encompasses 75 researchers in Mumbai and 20 in Bangalore. There, the teams are exploring Indian skin and hair and honing their understanding of consumers and local raw materials. The goal is to develop formulations founded on eco-design and biodiversity promotion that satisfy the local specificities and needs of this key market.

Multiple products poised for launch

"Ultimately, the products we develop will contain local ingredients that are already well-known in Ayurvedic medicine and are already being explored at our advanced research centre in Bangalore," explains François Pradier, Director of the Indian R&I Hub. The Bangalore teams are

phytochemistry specialists and are working extensively to collect and analyse millions of data, applying their expertise in bioinformatics. For example, they are also working with the *besan*, a chickpea widely used in homemade cosmetic products. Several patent applications have been filed over the past year and a number of products are poised for launch. Garnier's Fair Miracle, designed to ensure long wear on the skin – even in extreme heat and humidity conditions – has already been rolled out. ●



240

FAMILIES BENEFIT FROM
THIS PARTNERSHIP.



BRAZIL

A UNIQUE PARTNERSHIP FOR MURUMURU

In 2013, L'Oréal Professionnel Brazil unveiled its first range of haircare products, Absolut Control, made with murumuru. After argan oil, murumuru butter, with emollient properties that make hair volume easier to manage, could be a novel, original ingredient for the cosmetics industry. The seed from which it is sourced is also one of the raw materials harvested that provides a major revenue source for a group of communities in the Bragança region in the state of Pará.

Innovation through sustainable sourcing

In June 2012, L'Oréal began collaborating with representatives of these communities, the Brazilian natural ingredient supplier Beraca and the German cooperation agency GIZ. "This is the first time that we have established an agreement focused on a region and its various communities, rather than on an ingredient," says Blaise Didillon, Director of Research and Innovation in Brazil. For here the issue is not so much the risk of adversely impacting biodiversity, as *Astrocaryum murumuru* is not an endangered plant. Instead, the objective is to sustainably develop an ecosystem's natural resources. With its supplier, L'Oréal made a commitment to 240 families to strengthen their technical capacity with new equipments for example, as well as to promote sustainable harvest practices. The 2013 delivery of a seed dryer has already helped improve production quality. In a country that is home to 30% of the world's plant species and a platform for interesting innovation opportunities, this approach also involves other ingredients. ●

INTERVIEW

LAURENT GILBERT

Advanced Research
International Development Director



Respect for the environment, with a priority given to water, is one of the priority focuses for L'Oréal's Research teams. The Group has also opened a new field of sustainable innovation, focused on water footprint. Laurent Gilbert, Advanced Research International Development Director, explains the issue and stages of this work.

WHAT IS A WATER FOOTPRINT?

The water footprint measures the amount of water needed to produce and use a product through every stage of its life cycle. It is generally determined by evaluating the volume of three types of water: green water, used in agriculture; blue water, which serves to both manufacture and consume a product (measuring, for example, rinse water for a shampoo); and grey water, which represents the theoretical volume of water which, at the end of a product's life, is needed to dilute pollutants so they no longer have any foreseeable adverse impact on the environment.

WHY IS THIS IMPORTANT TO L'ORÉAL?

We realised that our most significant environmental impact was water-related, particularly during our products' use phase and end-of-life. All our products are made with substances having no foreseeable environmental risk. Nevertheless, we want to reduce their environmental impact. This is why our research teams have been addressing formula biodegradability for several years.

With the Sharing Beauty with All programme, we are committed to ensuring that all our products will have a measurable environmental or social benefit by 2020. Reducing their water footprint – by formulating shampoos needing only one litre of rinse water instead of the current average of seven, for example – is one way to achieve this. More broadly, the issue of water access is a major concern on an international level. Working on the water footprint means working to preserve an essential resource. We were among the first to make biodiversity conservation a priority. We place the same importance on water.

WHERE DOES THE GROUP NOW STAND IN THIS FIELD?

Through a partnership with the Quantis firm, we have helped establish a water footprint database for consumer products. We started by measuring the footprint for three Biotherm products before expanding this assessment to all our rinsed products, because they are the ones that consume the most water. In late 2013, the water footprint was measured for all our shampoos and shower gels. This knowledge base means we can determine what areas we need to work on and how to measure them.

WHAT ARE THE NEXT STEPS?

We are continuing our evaluation of all product categories. The objective is to improve the environmental impact of our formulae for an equivalent service to the consumer. We'll be working on all our products, more than just our shampoos and shower gels. By late 2014, we will have developed progress plans for all product categories and, by 2020, reducing the water footprint will be one of the criteria guiding us in improving our products' overall environmental profile.



PRODUCING *SUSTAINABLY*

In 2005, L'Oréal made unflinching commitments to reduce the environmental footprint of its production and distribution sites: to achieve a fifty percent reduction in greenhouse gas emissions in absolute value, water consumption per finished product and waste production per finished product. While its businesses continue to expand, the Group has already made significant progress by conserving resources and using innovative technologies. This is an ongoing challenge, one that has been taken up by all of L'Oréal's manufacturing teams, and is a solid foundation to go even further.

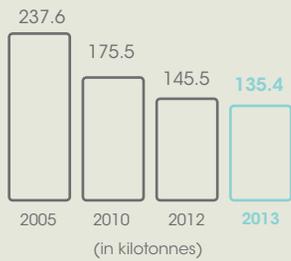


REDUCING GREENHOUSE
GAS EMISSIONS

CO₂

-43.1%

CO₂ EMITTED BETWEEN 2005 AND 2013,
A REDUCTION OF 102,200 TONNES.

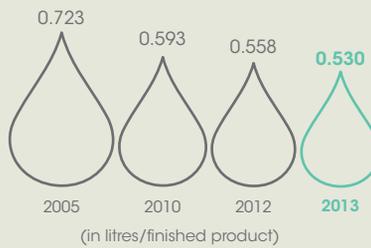


REDUCING WATER
CONSUMPTION

WATER CONSUMED

-26.7%

WATER CONSUMED PER FINISHED PRODUCT
BETWEEN 2005 AND 2013.

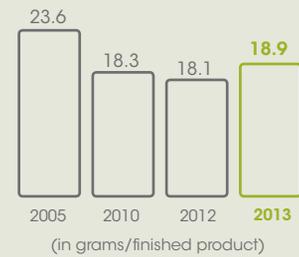


REDUCING
WASTE PRODUCTION

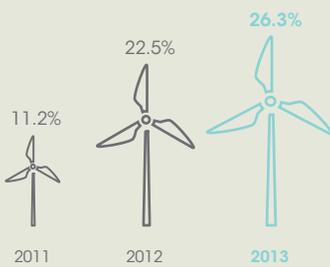
WASTE GENERATED

-19.6%

TRANSPORTABLE WASTE EXCLUDING RETURNABLE
PACKAGING PER FINISHED PRODUCT BETWEEN
2005 AND 2013.



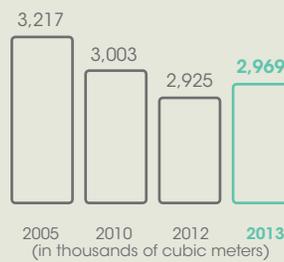
ENERGY CONSUMED
coming from renewable sources



26.3%

OF ENERGY CONSUMED CAME FROM
RENEWABLE SOURCES IN 2013.

TOTAL WATER CONSUMED



-7.7%

WATER CONSUMED BETWEEN
2005 AND 2013.

WASTE RECOVERED

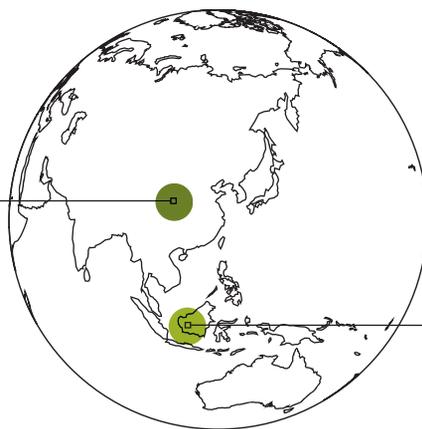


54%

of sites sent no waste
to landfill in 2013.

90.9%

OF WASTE RECOVERED IN 2013,
WITH 18 PLANTS AT 100%.



INDONESIA

JABABEKA MAKES THE SWITCH TO GREEN ENERGY

L'Oréal's largest factory in the world, which opened in late 2012, has made reducing its environmental footprint a priority, in keeping with Group policy. The plant had already been designed in line with strong environmental standards, which helped Jababeka become the first manufacturing site in Indonesia to receive Silver LEED certification. Nevertheless, rapid output growth in this emerging market is complicating full attainment of the objectives set by the Group to reduce greenhouse gas emissions, water consumption and waste production. To address this, three major projects were launched: sludge drying to reduce waste, reprocessing industrial wastewater and transitioning to green energy. "Reducing CO₂ emissions is the key issue," says the factory's Director, Adrienne Chinetti, "and we explored all solutions." Solar panels, cogeneration and wind power options were carefully considered by plant management. In the end, Jababeka chose a hydroelectric solution, which will be rolled out over the course of 2014. Thus with the exception of a small, oil-fired power station, 60% of electrical energy used at the plant will be green. ●



CHINA

AN ENVIRONMENTAL LANDMARK

"The year 2013 marks an important milestone in China's environmental performance. Despite significant production growth resulting from the market boom, China has nevertheless managed to reduce its CO₂ emissions in absolute terms for the first time ever," explains Bruno Pouch, Engineering, Property, Environment, Health and Safety Manager for Asia. The recently implemented projects at the Suzhou and Yichang factories strengthen China's commitment to an ambitious and innovative sustainable-production strategy.

Pioneer Suzhou

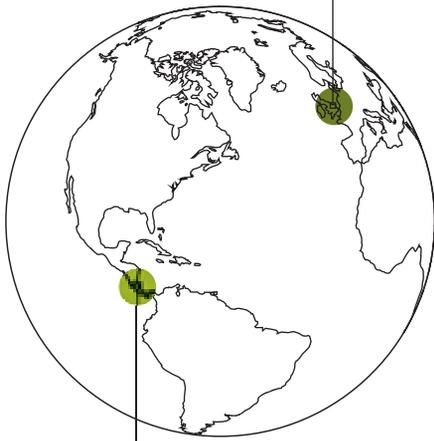
Suzhou once again lives up to its reputation as an innovative plant and environmental leader with two particularly innovative projects. First, a 1,020m² garden for filtering industrial sludge, a first in the cosmetic industry in China, went into operation in late 2012. It will process some

130 tonnes of sludge each year (out of a total of 650 tonnes), turning the waste into compost. Next, 25,000m² of solar panels were installed in April 2013 as part of Operation "Golden Sun". This very complex project, funded by the Chinese government, has necessitated almost four years of work and should provide 13% of the factory's power needs.

A new look for Yichang

The Yichang extension, which doubled the factory's production capacity, has already been awarded LEED Gold certification in 2014, and is now one of the environmental leading factory in the Hubei province. Thanks to the building's high construction standards in insulation, lighting and monitored water and electricity consumption, the factory now ranks as one of Asia's top environmentally responsible structures. And work continues on CO₂ emissions: in 2014, a direct connection to the Zhifa Dam will enable the plant's electricity consumption to be 100% green. ●





UNITED KINGDOM

A LARGER, MORE SUSTAINABLE DISTRIBUTION CENTRE

By adding 5,000m² to its Trafford warehouse in Manchester, L'Oréal UK & Ireland has improved its environmental footprint on several fronts. In logistics terms, the extension makes it possible to stop using external storage sites to compensate for a lack of capacity. Repackaging work performed by external providers is also now handled in-house. Lastly, the centre can now take direct delivery of continental European products without relying on an intermediate storage site. The result: annual CO₂ emissions from transport have been reduced by at least 12 tonnes. And the building itself is also now more energy-efficient. "We took advantage of the site extension, with its 100%-renewable electricity, to improve energy consumption management systems," says Stephan Coutelen, Operations Director for L'Oréal UK & Ireland. Among the upgrades are infrared sensors detecting both motion and daylight which, paired with low-energy lighting, should reduce power consumption by 10% in 2014. ●

75%

REDUCTION IN CO₂ EMISSIONS
FROM 2005 TO 2013 IN
THE TRAFFORD CENTRE.



MEXICO

CENTREX RECEIVES TRIPLE CERTIFICATION

Between December 2012 and September 2013, L'Oréal Mexico's distribution centre was awarded the most stringent environmental, quality and safety certifications available: OHSAS 18001, ISO 9001 and ISO 14001. "We're the only distribution centre to have been given this triple certification in Latin America," explains Supply Chain Director Gerardo Miranda.

A ground-breaking centre in green energy use

Centrex, built in 2010 and processing 144 million units annually, was already the first distribution centre in Latin America to receive Gold LEED certification. Further, by 2013, the centre's performance was such that it achieved the environmental objectives set by the Group in 2005 to reduce greenhouse gas emissions, water consumption and

waste production. To speed the transition to green energy and allow clear energy savings, low-energy lighting and solar panels for recharging forklift batteries were installed, coupled with intensive work with suppliers. Safety was also improved, with a focus on process automation and staff structure and training. These results are great news not only for environmental and safety reasons, but also for cost control, and pride in their performance motivates the teams to keep reaching for new horizons. ●

90%

GREEN ENERGY IN 2013
IN CENTREX.





LIVING SUSTAINABLY

L'Oréal has set a clear objective: to help promote responsible consumption. This issue is all the more crucial that products have particularly significant impact in their use phase and that the Group is seeking to increase the number of consumers using its products, intending to reach a billion new consumers in the coming years. From this standpoint, though the first step is clearly to provide consumers with eco-designed products, it is equally essential to provide them with the information they need to make their purchases and to raise awareness about sustainable lifestyles and responsible product use. It is also vital that the Group establish consumer relationships founded on trust by adopting responsible communication.



PROMOTING
RESPONSIBLE
CONSUMPTION

Satisfy consumer needs without compromising the ability of future generations to meet their own needs.

OUR APPROACH

RESPONSIBLE
PRODUCT
DEVELOPMENT



SUSTAINABLE INNOVATION



ECO-DESIGN



EFFICACY AND SAFETY



AVAILABILITY AND ACCESSIBILITY

RESPONSIBLE
COMMUNICATION
AND MARKETING



ADVERTISING AND PROMOTIONAL
MATERIAL BASED ON PROVEN
PERFORMANCE AND SCIENTIFIC DATA



RESPECT OF WOMEN'S
IMAGES AND SOCIAL
DIVERSITY



CAUSE MARKETING

RAISE CONSUMER
AWARENESS



PRODUCT INFORMATION
AVAILABLE ONLINE AND OFFLINE



COMMITMENT
INITIATIVES



ENCOURAGE CONSUMERS
TO ADOPT SUSTAINABLE
LIFESTYLES



FRANCE

PROMOTING RESPONSIBLE COMMUNICATION

Both internally and externally, L'Oréal has made the formal commitment to promote responsible communication. As a signatory to the Cosmetics Europe Charter on Responsible Advertising and Marketing Communication, which the Group helped draft, France's Voluntary Engagement Charter on Body Image and the Responsible Advertising Charter of France's Union des Annonceurs, L'Oréal is striving for continuous improvement in this realm.

A concern shared with French stakeholders

As France's leading advertiser, L'Oréal is particularly conscious of its responsibility when it comes to advertising. What image are we presenting in our brands' communication? How are we portraying women and men? How might we be potentially influencing mindsets? What are our responsibilities as a multimedia advertiser? These and many other questions were on the Group's agenda in September 2013 in discussions with a dozen French entities specialising in this field: government officials, advertising regulatory bodies, feminist organisations, and others. The debate went beyond the question of portrayals of women or men in the stricter sense and focused on the

broader representation of beauty. With concepts of archetypal or enhanced beauty, how can one avoid capitulating to social dictates and express diverse, respectful beauty in words and images? The stakeholders hailed L'Oréal's transparent dialogue and position on these issues, recommending different courses of action for the coming years, such as awareness-raising campaigns in schools or development of new ways to represent men in advertising.

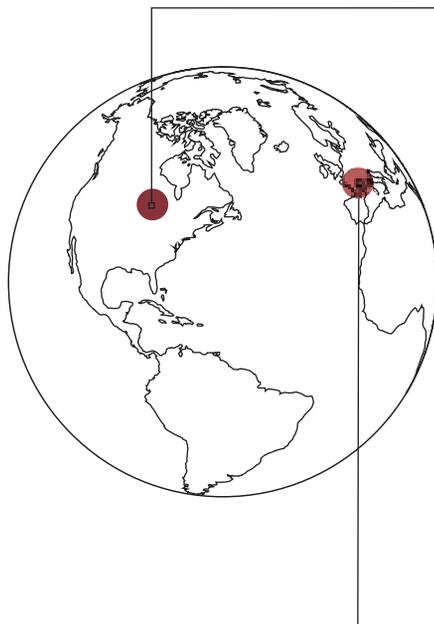
A study on portrayal of women

In 2013, to obtain a concrete, illustrated analysis of its future undertakings and to

be able to address those works effectively in the eyes of its stakeholders, L'Oréal conducted a semiotic study on the portrayal of women in advertisements from its Lancôme, Garnier, Vichy and L'Oréal Paris brands. The study examined 144 print and TV advertisements and served as the basis for concrete and constructive dialogue with experts, NGOs and associations specialising in this domain. The "portraits of women" created by each brand were assessed in accordance with critiques and potential preconceived notions that exist with regard to the fashion or cosmetics industries: a representation of standardised or

One of the Fundamentals of Internal Control

Responsible communication is one of the key topics covered in the Group's "Fundamentals of Internal Control". Management and staff are regularly informed and reminded of the in-house procedures in place to ensure compliance with responsible communication principles. Several fundamental principles govern how international and local communication approval procedures must be followed: prior to any external disclosure, all forms of advertising are to be approved by the Research & Innovation teams, in the International Division for the Evaluation of Product Communication, then communicated by the international marketing departments to the local scientific and legal departments in the various countries and approved by the country manager himself. In addition, the operations teams are kept informed every year by means of in-house media, such as entertaining educational videos or dedicated training modules.



UNITED STATES

***FROM GROOMING TO GARDENING:
GARNIER AND RECYCLING***

In Harlem, on 14 June 2013, Garnier USA inaugurated the first urban garden in which all non-botanic materials were made from recycled cosmetics packaging. More than 700 kilos of waste were kept out of landfills and used to make material for vegetable-bed structures, benches, picnic tables and walkway surfaces.

An innovative second life for waste

The original objective was to help rebuild Harlem's community garden, which was damaged by Hurricane Sandy in 2012. Garnier, having been working with the TerraCycle association since 2011 to collect cosmetics packaging, had a novel idea: use some of the packaging in the garden's renovation. By joining forces with GrowNYC, which manages community gardens in New York, Garnier and TerraCycle gave this waste new life and a new use. The garden is expected to produce 900 kilos of fruit and vegetables for members of the Union Settlement, one of Harlem's oldest communities. Creating this 1,500m² community garden is one of the initiatives that earned Garnier USA a first sustainability pioneer award in October 2013 from Organic Monitor. ●

artificially created beauty, product promises, threats to the integrity of women. Far from this vision, the study focused on L'Oréal's efforts to communicate responsibly: advertising promoting diverse, multifaceted beauty, while enhancing this beauty such that it is rendered aspirational. The diversity of the Group's brand portfolio means it can communicate using a broad range of perspectives on both beauty and women. This underscores the universalisation of beauty, correlated with the business strategy: offering women and men worldwide the infinite diversity of beauty. ●

700

KILOS OF WASTE RECYCLED INTO GARDEN EQUIPMENT.

100%

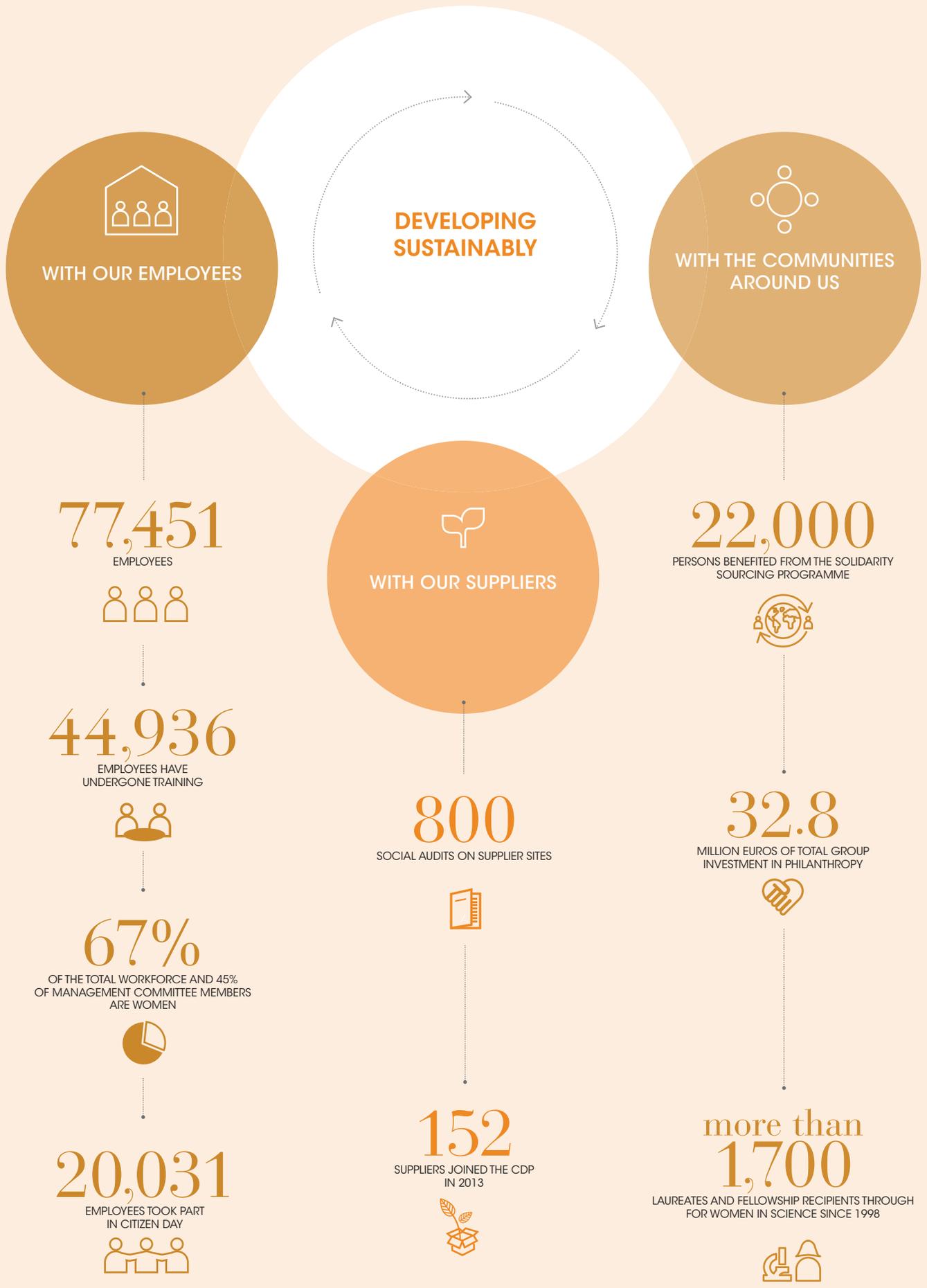
OF L'ORÉAL TV ADVERTISEMENTS HAVE BEEN SUBTITLED FOR THE DEAF AND HARD OF HEARING SINCE 2013.





DEVELOPING SUSTAINABLY

For L'Oréal, sharing the company's growth and success with its partners is a clear priority. This is why the Group has developed initiatives and programmes that serve as vectors to the company fully assuming its responsibility to its employees, suppliers and the communities around it. The year 2013 was very important in this respect, particularly with the launch of a global social protection programme for the Group's employees. But the Group also maintains strong relationships with suppliers, who are involved in the company's sustainable development approach, or vulnerable persons, that remained a Group focus in 2013 and for whom L'Oréal promotes social inclusion through fair-trade or philanthropic programmes.



SHARE & CARE / A NEW CHAPTER IN THE GROUP'S SOCIAL HISTORY

The objective of the L'Oréal Share & Care programme, launched in 2013, is to ensure the protection and welfare of all employees in all countries, based on the same social standards of excellence. A major breakthrough in L'Oréal's social model.

EXAMPLES OF MANDATORY SOCIAL BENEFITS BY THE END OF 2015

14

WEEKS OF PAID MATERNITY
LEAVE AT FULL PAY.

75%

OF MAJOR HEALTH EXPENSES REIMBURSED
(HOSPITAL, MATERNITY, SURGERY, CHRONIC
CONDITIONS).

24

MONTHS OF DEATH BENEFIT
OR DISABILITY PENSION.

Throughout the company's history, L'Oréal has sought to provide security and protection for all employees, such that they may work with peace of mind. The programme launched in October 2013 is therefore part of a longstanding tradition of social progress and attention given to the individual, beyond mere structural concerns. Created to promote a common benefits' framework at the best market level in each of the Group's subsidiaries, while taking inspiration from local initiatives and specificities, the L'Oréal Share & Care programme also reflects the Group's business strategy from a social standpoint: universalisation, which is globalisation, but with a clear respect for differences. The initial programme outline was established after an in-depth survey of the Group's 65 subsidiaries conducted to identify the best practices and needs of each country. A common set of measures will be implemented by late 2015.

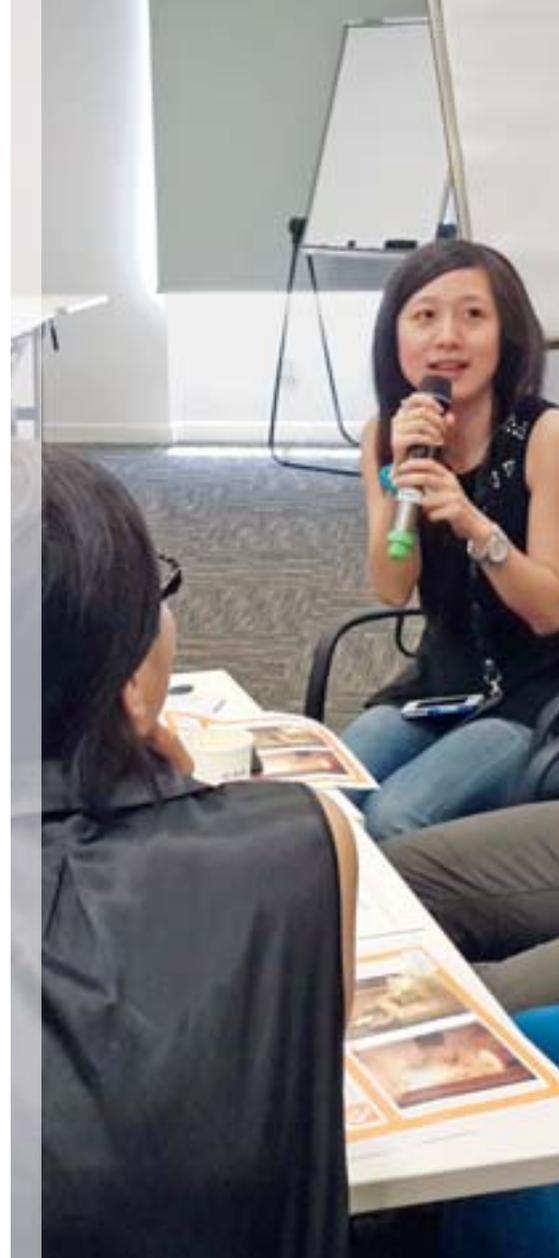
A FRAMEWORK FOR BASIC PROTECTION

"At L'Oréal, the social dimension has always been inseparable from the economic dimension," explains Bertrand de Senneville, Global Vice President of HR-Social Relations. "What remained to be done was universalising it to echo our business strategy." The success of L'Oréal's collective project does indeed depend on the exemplary model it provides. Such quality is in itself an essential factor in attracting new hires, retaining and motivating employees.

What makes this programme so unique is its unprecedented scale: like other major corporations' employee benefit programmes, L'Oréal Share & Care addresses employee health and welfare. But it also includes parenting and quality of life in the workplace. With these four fundamental pillars as a starting point, the programme has established a common framework of mandatory social benefits. These include 32 measures that meet employee needs and create consistency between subsidiaries. For example, while 67% of Group employees are women, maternity leave is set at a minimum of 14 weeks at full pay.

SOCIAL INNOVATION ACCELERATORS

"These are minimum targets and the countries are naturally encouraged to surpass them," says Bertrand de Senneville, for the Group's new social landscape should ...





PROTECTION - L'ORÉAL CANADA
Social protection closer to employees' needs

Because employees have varying personal circumstances and social protection needs, L'Oréal Canada has chosen to provide its 1,200 employees with a flexible benefits plan. This offer starts with a full range of key coverage paid for by L'Oréal. Employees also have a number of "credits" that can be allocated based on their personal priorities to improve the following forms of coverage: health and dental, disability and life insurance and accident insurance. Each employee can therefore opt for a greater or lesser degree of protection by category. "Nearly 60% of our employees choose optional coverage," notes Catherine Bédard, HR Director for L'Oréal Canada. "This clearly shows that we have been able to tailor our coverage offer to suit their needs."



“The challenge was to have all countries enjoy the advances in employee benefits while respecting their unique cultural characteristics.”

Bertrand de Senneville,
 Global Vice President of HR-Social Relations

75,000
 EMPLOYEES COVERED.

65
 SUBSIDIARIES CONSULTED.

WITH OUR EMPLOYEES

ENJOY -
L'ORÉAL INDONESIA
*Improving well-being
in the workplace*

On 1 October 2013, the headquarters' 300 employees moved into modern, spacious new premises at a central location in Jakarta's business district. "We paid particular attention to the working conditions there, and they're much more enjoyable," says Restu Widiati, HR Director for L'Oréal Indonesia. The space was designed to make the life of employees easier: a large and airy lounge for dining, organising meetings or relaxing, a prayer room, a staff shop with L'Oréal products, a lactation room for young mothers breastfeeding... And, to keep in shape, not only can staff attend healthy lifestyle educational sessions, but they enjoy preferential rates at a fitness centre next to the offices.



PARENTHOOD -
L'ORÉAL GERMANY
A hotline for families

Five years after creating one of L'Oréal's first kindergartens, Germany once again proves its commitment to a balanced family life for employees with the new "Family Services" programme. Made available at the end of 2012 to 2,000 employees across the country, this programme provides telephone support services and face-to-face guidance to assist them in caring for children or elderly parents and support them with any other family problem: finding a suitable childcare facility or retirement home, obtaining last-minute solutions to babysit a sick child, making an appointment with a psychologist or financial expert, and more. Initial feedback after the first 12 months shows that already 10% to 12% of employees use the programme, 84% of them being women. "It takes time for word-of-mouth to spread and for people to trust that their anonymity is assured," explains Nicolas Pauthier, HR Director for L'Oréal Germany. Nevertheless, with an increasing number of households facing the challenges of daily family life, there is no question that these services respond to very real employee needs.

LATE **2015**
DATE BY WHICH A COMMON
FRAMEWORK OF MEASURES
WILL BE IN PLACE.

... also take into account local specificities. Mandatory measures should be supplemented by additional benefits involving training, accessibility, meal cost-sharing, flexible work hours, etc. These extras, left to the initiative of every country, make it possible for the needs of each territory to be optimally met. Even before this global programme was rolled out, many subsidiaries had already implemented a number of initiatives (see insets). Today's goal is to encourage them to continue to serve as social innovation laboratories. "The challenge was to have all countries enjoy the advances in employee benefits while respecting their unique cultural characteristics," explains Bertrand de Senneville. Further, to meet transparency standards, the entire programme was passed through a measurement and evaluation system to ensure it is implemented in accordance with objectives.

A TEXTBOOK CASE FOR THE ILO

This approach caught the attention of the International Labour Organisation (ILO), a United Nations agency. To assess the contribution of major corporations in extending social protection worldwide, the ILO examined the initiatives of two large companies, L'Oréal and Danone (see interview with Helmut Schwarzer). "Their scientific approach is very exciting," says Bertrand de Senneville. ●



1/
*Massage sessions for employees
in Uruguay.*

2/
*The renovated Clichy
headquarters.*

INTERVIEW

HELMUT SCHWARZER

ILO, Department of social protection,
shares his views on the programme.



impact and serves as a helpful complement to national plans, countries must provide their own legal cooperative and regulatory framework. In L'Oréal's case, the sales and human resources strategies are complementary: the idea is to create the conditions for success for all employees. The social protection is viewed as a competitive advantage.

WHY AND IN WHAT CONTEXT DID YOU BECOME INTERESTED IN THE L'ORÉAL SHARE & CARE PROGRAMME?

In June 2012, the ILO was given a new mandate to study the extent of social protection within its 185 member countries. Given that context, we wanted to examine the role of multinational corporations and their global strategies in this realm. We became interested in the L'Oréal Share & Care programme for its high standards and because it set minimum levels of insurance coverage while adapting to national social and legal contexts.

WHY DOES THE ILO FEEL IT IS IMPORTANT FOR L'ORÉAL TO PURSUE SUCH A PLAN?

In an increasingly globalised world, we will need to see more companies adopting comprehensive strategies to strengthen workers' social protection. It's therefore very helpful to have the benefit of the experience and training these pioneers can provide to other companies or even public welfare policymakers. A programme like L'Oréal Share & Care also addresses local issues raised by social partners, particularly around social protection or parenting.

IN YOUR VIEW, WHAT IS NEEDED FOR IT TO BE A TRUE SUCCESS?

Companies need to find their plans on internationally recognised principles and social dialogue. They also need to tailor their programmes to local contexts and remain flexible. To ensure their strategy has genuine

CARE - L'ORÉAL URUGUAY

Promoting healthy habits

Back in 2011, L'Oréal Uruguay rolled out a programme to promote healthy habits in the workplace, with massages, improved nutrition and physical activity, all contributing to the objective of preventing health concerns. For example, the 134 employees at L'Oréal Uruguay are given a piece of fruit every day and can enjoy a 15-minute massage every two weeks, while distribution centre employees have access to exercise facilities. Further, the dietary awareness campaign implemented in 2012 is starting to have an impact, because the employees themselves requested lighter, more-balanced meals in the staff dining hall. "Not only have we adopted healthier habits, but the atmosphere is more relaxed," said a distribution centre operator. A way for the company to take care of its employees.

WITH OUR EMPLOYEES

CITIZEN DAY / EVER-INCREASING STAFF INVOLVEMENT

Greater staff involvement and even more initiatives: the 2013 edition of Citizen Day brought employees together again around the two key concepts of sharing and generosity. More than 20,000 employees from 61 countries took part in the Group's day focused on solidarity and citizenship.

As it has every year since 2010, this "field day" gave Group employees - from all entities and every hierarchical stratum - the chance to show solidarity with local communities in the form of meaningful, tangible initiatives. Each country identified the projects it wished to suggest, in partnership with the chosen associations, to be certain that those benefitting from this mobilisation had their specific needs met. A great number of field initiatives took place focusing on six key themes: youth, the fight against social exclusion, environment, disabilities, reintegration into the employment market and intergenerational solidarity.

TAKING SHARING FURTHER

Everywhere around the world, the event celebrating sharing and human contact has seen ever-increasing success as the years pass. In 2012, 18,400 employees took part; in 2013, that number rose to 20,000. This success is coupled with employees' growing eagerness to better prepare for this day and to choose an initiative in harmony with their personal values.

"In 2013, the newest feature was employees having the option of using the in-house social network to share photos and comments on the initiatives that were important to

them" explains Internal Communications Director Carolina Schmollgruber, who organised the event. In France, more than 4,000 messages were posted. Not only is it a way to share the realisation of the projects within the company, but it also spotlights the supported associations. For it is clear that employees were most touched by the pleasure of being useful and their positive interactions with those being aided. That is what has them poised to participate in the next Citizen Day in 2014. ●

20,031

EMPLOYEES VOLUNTEERED.

61 COUNTRIES
TOOK PART.

4TH EDITION.



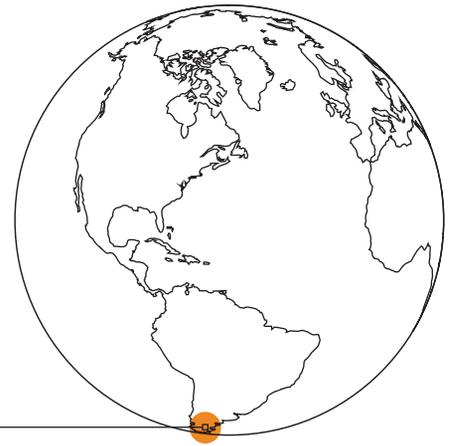
L'ORÉAL FRANCE

*A social commitment
that is gaining
strength*

As the traditional torchbearer for Citizen Day, France lived up to its reputation in 2013 with more than 6,000 employees volunteering, a thousand more than in 2012.

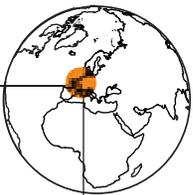
At the request of both employees and associations, projects involving direct interaction with the day's beneficiaries prevailed over more tangible renovation work.

"This satisfies those seeking more genuine, human contact," says Carolina Schmollgruber, Internal Communications Director, "but it is also in response to greater social maturity that makes it possible to explore more complex situations." This trend is paralleled by the increasingly expressed desire on the part of employees to maintain ties with the associations throughout the year.



L'ORÉAL ARGENTINA
*Beauty care
in shanty-towns*

On 6 August 2013, L'Oréal Argentina set up beauty salons in two shanty-towns, Cildañez and Los Piletones, in Buenos Aires. Nearly 500 women were welcomed, most of whom had never had the chance of visiting a beauty salon. After enjoying cosmetics makeovers and hairstyling from L'Oréal staff and professional hairdressers, they all left with a smile. "This initiative, which was tried for the first time in 2013, gave these women back their confidence and pride," explains German Herrera, Managing Director of L'Oréal Argentina. "And it was also a chance for our teams to confirm the day-to-day impact their occupation has on self-esteem." Around 190 Argentinian volunteers, or half the employees working in and around the Buenos Aires area, have also continued with the initiatives begun in 2010. This includes a "Children's Day" with 200 mothers from the Sardá Maternity and renovations at a school in Garin, an underprivileged neighbourhood that is home to the L'Oréal distribution centre.



L'ORÉAL GERMANY
Intergenerational solidarity

On 21 June 2013, 430 employees – out of a total of 1,900 – joined forces and got involved in Citizen Day, one third more than in 2012. Proof of a growing commitment which has focused notably on the elderly, as more than half of the subsidiary's 50 community projects have involved seniors. Special outings were for example arranged to offer them an interesting change of pace, such as trips to the Wuppertal Zoo, exhibits or carriage rides. "When civil service was abolished in Germany in 2011, it created a kind of

social vacuum, particularly in nursing homes," explains Corporate Communications Manager Viola Sprick. "There are no longer as many volunteers and those kinds of institutions have tremendous needs." While most initiatives come from major charitable bodies (the Red Cross, Arbeiterwohlfahrt, etc.), in 2013 for the first time employees were also able to submit their own project proposals. One example: a playground being rebuilt at a school for disabled children.

SOCIAL RESPONSIBILITY / JOINT MOBILISATION WITH SUPPLIERS

Packaging, raw materials, subcontracting, production facilities...
L'Oréal provides work for thousands of suppliers worldwide and has always endeavoured to build trust-based relationships with them.

Well aware of its economic and ethical responsibility to its suppliers, the Group has formalised its commitments in a sustainable procurement policy. But it is also strongly committed to having these suppliers align with the Group's social responsibility approach, guided by a twofold objective: encouraging optimal environmental and social practices among its entourage and, as a result, creating an expanding virtuous spiral. In 2013, such standards resulted in even greater transparency in social audits and in suppliers becoming increasingly involved in environmental protection.

MORE TRANSPARENT SOCIAL AUDITS

The Buy & Care programme, introduced in 2002 to incorporate social, ethical and environmental perspectives in supply chain operations, gained substantial momentum in 2013. Suppliers were already familiar with the ten areas covered by the social audits conducted by the Group to ensure compliance with ethical standards on child labour, working hours, subcontractor relations, etc. However, in 2013, L'Oréal chose to seek even greater transparency by sending a self-assessment tool listing all the auditors' questions for each area. Suppliers therefore have advance awareness of the evaluation criteria and can assess their own performance, which heightens the spirit of continuous improvement.

Furthermore, environmental criteria were added to all social audits in January 2013. Among the areas scrutinised by L'Oréal are compliance with local regulations on wastewater-treatment and air and soil pollution. The assessment is therefore gaining ground, covering an increasingly broad spectrum of supplier practices.

GREATER COMMITMENT TO THE CDP*

L'Oréal was one of the first companies to provide investors with statistics on its greenhouse gas emissions and its strategy on climate change by becoming a member of the CDP in 2002, an NGO that encourages companies to publish their environmental impact figures and provides them with measurement, evaluation and communication tools.

As suppliers represent 28% of its carbon emissions, L'Oréal directly involved them in its initiatives in 2009. By 2013, 152 of them agreed to participate in the programme. All were made aware of their carbon footprint, which had been measured in 2012 with the CDP, and meetings were held with some of them to design ways to improve their performance. Furthermore, 17 suppliers volunteered to be involved in Action Exchange (AEX), a new customised support programme created through a partnership between the CDP and the University of Minnesota. This support resulted in the



800

SUPPLIER AUDITS CONDUCTED IN 45 COUNTRIES IN 2013, MEANING 85% OF THE GROUP'S SUPPLIER PORTFOLIO SUBJECT TO SOCIAL AUDITS UNDERWENT EVALUATION BY LATE 2013.

88%

OF SUPPLIERS INVITED BY L'ORÉAL TOOK PART IN THE JOINT L'ORÉAL-CDP CARBON FOOTPRINT ASSESSMENT.

overall supplier average improving from D to C. The year 2013 was also L'Oréal's opportunity to reach yet another new stage by involving fifteen of its service providers in the CDP's pilot programme on water preservation. ●

* Formerly the Carbon Disclosure Project.

ZERO DEFORESTATION / CO-CONSTRUCTION WITH SUPPLIERS

L'Oréal is committed to achieving "zero deforestation" by 2020 and intends to also have its suppliers dedicated to this plan.

L'Oréal is well aware that some agricultural commodities may lead to deforestation and has been implementing specific action plans to avoid contributing to this phenomenon by favouring sustainable sourcing of soya oil, palm oil and wood-fibre based products. As part of its "zero deforestation" commitment by 2020, the Group plans to take this commitment further by closely involving its suppliers in this objective.

FROM SOYA OIL...

L'Oréal uses limited amounts of soya oil as an emollient in its skincare products. From second semester 2013, through the in-house fair-trade programme known as Community Fair Trade, the Group's main supply of this product has been certified sustainable. It is procured by organic farming, fair-trade sources, and does not contribute to deforestation. By 2020, L'Oréal wants to source all its soya oil from sustainably managed supply chains. The Group's buyers will work closely with suppliers to improve the traceability of delivered raw materials from their points of origin and ensure its soy-based derivatives are also sustainably sourced.

...TO PALM OIL

The palm oil purchased by L'Oréal is mainly used in making skincare and hair care products. The Group also uses palm oil derivatives, such as certain surface active agents, which provide the detergent and foaming qualities of shampoos. By late 2012, these supplies

were all certified by the RSPO (Roundtable on Sustainable Palm Oil), an organisation dedicated to preserving biodiversity. The Group is also committed to working only with suppliers having responsible practices and able to demonstrate that their palm oil supply does not contribute to deforestation. Furthermore, the Group plans to encourage the most innovative suppliers, particularly in view of the complexity of supply chains for palm oil derivatives. All delivered materials must be fully traceable back through the supply chain. L'Oréal therefore pursues an objective in two steps: first, ensuring that, by 2015, it will know the sources of all palm oil (and major palm derivatives) it uses; and, second, by 2020, it will only buy palm oil that is guaranteed to be "free from deforestation". •



The wood-fiber supply chain too

Since 2007, the paper and board supplied to L'Oréal for packaging applications has had to meet the standard of being sourced from sustainably managed forests and certified by either the FSC (Forest Stewardship Council) or the PEFC (Programme for the Endorsement of Forest Certification). In 2012, 97% of the board used by the Group for packaging was certified. By 2020, only certified paper and board will be used for packaging and point-of-sale materials.

100%

OF PALM OIL SUPPLY GUARANTEED
"FREE FROM DEFORESTATION" BY 2020.

100%

OF SOYA OIL CERTIFIED
SUSTAINABLE BY 2020.

INCLUSIVE BUSINESS

/ L'ORÉAL COMMITTED TO SOCIAL INCLUSION

In 2020, L'Oréal will enable 100,000 people from underprivileged communities to access work. To attain this objective, the various inclusive business models developed by the Group – promoting inclusion through solidarity sourcing, micro-distribution, beauty professionalisation – will play an important role.

/ MICRO-DISTRIBUTION A LIFE-CHANGING MODEL SEES SUCCESS IN BRAZIL

In 2010, Matrix rolled out a micro-distribution project in the favelas of Rio, thereby addressing a strategic business-development issue: breaking into a market having a sparse, fragmented distribution network. This project has also had a significant positive social impact, particularly for women micro-entrepreneurs who, by becoming Matrix product distributors, have had the opportunity to earn significant income. The impact was ultimately much broader, as the greatest contribution was the vocational training of hairdressers in hair salons of the favelas: their service quality increased significantly and, consequently, their revenues did also. The programme was extended to São Paulo in 2013 and 50 women micro-distributors made products available to 2,400 salons and enabled 5,087 people to benefit from training.

OUTLOOK

In 2014, three years after being introduced in Rio, the project will also be implemented in other regions in Brazil. The presence of hundreds of Matrix micro-distributors will generate 4,500 indirect jobs. L'Oréal will also be collaborating with an external partner to assess the positive social impact of this model and its contribution to the local economy. ●



GHANA - MICRO-DISTRIBUTION

Looking back on a challenging and instructive year

In 2013, L'Oréal conducted new experimentations of inclusive business models. The first micro-distribution project on the African continent took place in Ghana.

The programme was conducted as an experiment with the support of Beautiful Soul, a social enterprise specialising in women's empowerment. As a social inclusion programme it was aiming to recruit, train and empower women salons' owners and beauty advisors from underprivileged communities to promote Softsheen-Carson products from wholesalers to end consumers. The programme was developed in Ghanaian cities like Takoradi, Tarkwa and in the Western Region. The 20 selected distributors showed enthusiasm to make the programme work and gained good support from

consumers and salons. But a third of the initial distributors left the programme finding the operation not sufficiently profitable for them and sometimes facing logistics issue or insufficient ongoing training. The experimentation was not completely successful and is now entering a new phase of redesigning, demonstrating L'Oréal's willingness and conviction that inclusive business models are part of the future development for communities and for business in emerging markets.



/ SOLIDARITY SOURCING PURCHASING AS A LEVER FOR SOCIAL INCLUSION

The objective of the worldwide purchasing programme Solidarity Sourcing is to convert L'Oréal's purchasing power into a lever for social inclusion. Introduced in 2010, it helps the Group build fair, long-lasting, value-creating business partnerships in the countries in which it operates, thereby making social and societal issues integral components of its business model.

RESPONSIBLE SOURCING

The greatest impact generated by the Solidarity Sourcing programme is through the purchase of plant-based raw materials that L'Oréal uses to manufacture its products. This entails a threefold challenge: ensuring availability of the raw materials, preserving biodiversity and providing producers with an equitable income. Four years after the programme's introduction, the vast majority of its 22,000 beneficiaries are the members of the local communities that joined the Group's responsible supply chains. In 2013, 100% of L'Oréal's shea supply came from a 100% solidarity-based supply chain. More than 20,000 women brought together in organisations of producers can benefit from the programme.

INSPIRING PROJECTS

The Group's intent to include vulnerable persons in its value chain inspires it to explore other paths for Solidarity Sourcing. Each year, projects are born that address new societal issues. Through these projects, minority-

owned companies, small and mid-size businesses or associations specialising in inclusion of people with disabilities and broader social inclusion find their place on L'Oréal's list of suppliers worldwide. The programme thereby helps integrate vulnerable persons into the working world and effectively combat the weakening of social bonds (see insets).

GAINING MOMENTUM

The new L'Oréal commitment, Sharing Beauty with All, means this trend will continue to gain momentum. By 2020, the Group's objective is to have associated 20% of its strategic suppliers with its Solidarity Sourcing programme. It also intends to have enabled 100,000 people from underprivileged communities to access work and long-term income. Responsible purchasing will be crucial to achieving this goal and therefore will continue to gain prominence. •

22,000

PEOPLE BENEFITED FROM THE
SOLIDARITY SOURCING
PROGRAMME IN 2013,
7,000 MORE THAN IN 2012.



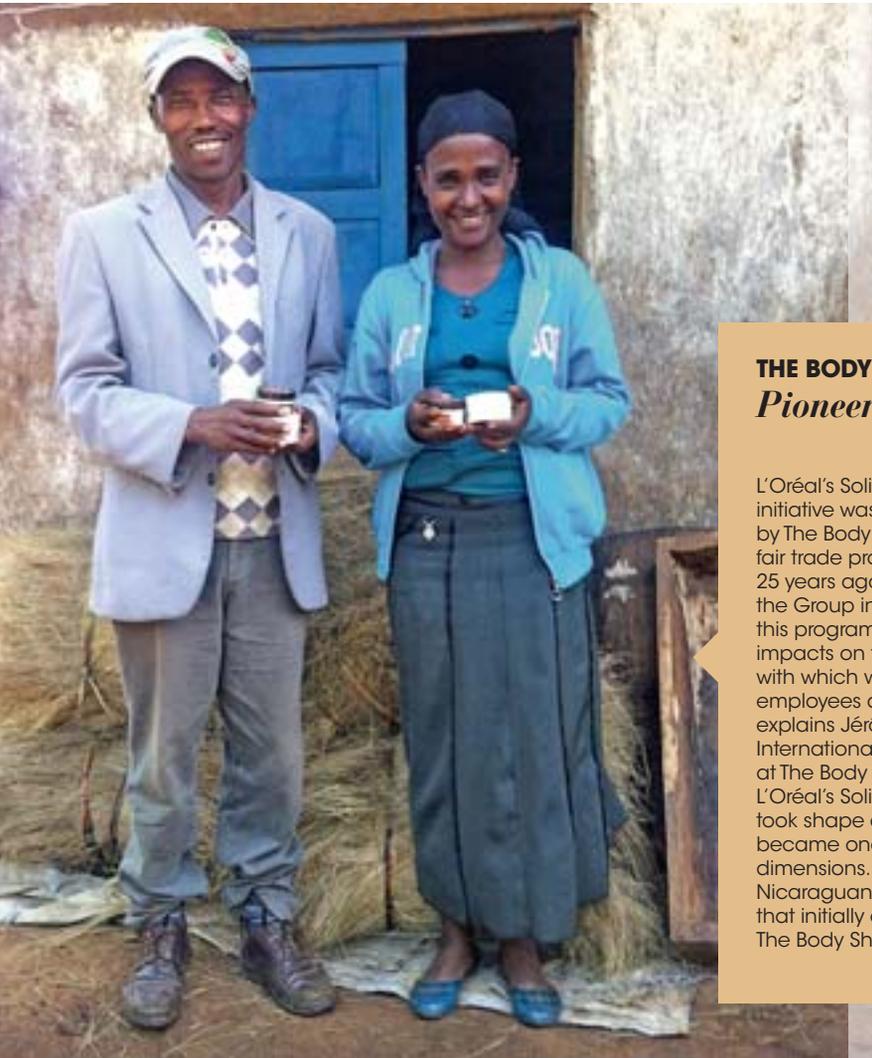
SOUTH AFRICA - EMPLOYMENT OF PEOPLE WITH DISABILITIES

Packaging solidarity in Soweto

As part of the Solidarity Sourcing programme, South Africa has chosen to engage with the Soweto Workshop for the Blind. This centre, located in the country's largest township (1 million inhabitants) where the unemployment rate exceeds 50%, provides work for approximately thirty blind and visually impaired persons. In April 2013, after first appraising the working

conditions in the workshop, L'Oréal began outsourcing plastic shrink-wrapping of its products to the site. Between April and October 2013, nearly 500,000 colouring products were shipped to the workshop for processing, generating revenue of some 12,000 euros and labour on average for 4 employees. "It's a small contribution in providing work opportunities

for people with disabilities, but we're nonetheless proud of it. We intend to expand this project in 2014, with increased turnover and additional employment of people," says Lebogang Tlale, Purchasing Manager for L'Oréal South Africa.



THE BODY SHOP - PURCHASING
Pioneer in fair trade

L'Oréal's Solidarity Sourcing initiative was largely inspired by The Body Shop's community fair trade programme introduced 25 years ago. "When we joined the Group in 2006, we presented this programme and its positive impacts on the communities with which we work, but also our employees and our consumers," explains Jérôme Courtaigne, International Sourcing Director at The Body Shop. Progressively, L'Oréal's Solidarity Sourcing took shape and fair trade became one of the Group's five dimensions. For example, the Nicaraguan sesame-oil supplier that initially collaborated with The Body Shop now supplies

a dozen L'Oréal brands. "Today, we're coming full circle. In 2013, we officially introduced our Solidarity Sourcing approach to broaden the scope of our impact in all our purchasing categories," emphasises Jérôme Courtaigne. The Body Shop has already invited thirty of its suppliers to join the programme and is preparing to launch four major projects with the objective of having one hundred beneficiaries by the end of 2014.

FRANCE - SOCIAL INCLUSION

Back to work with help from the Chevilly-Larue laboratories

In 2013, L'Oréal's research centre in Chevilly-Larue in the Val-de-Marne renewed its partnership with Ares, a company specialising in social integration, as part of the Solidarity Sourcing programme. Since 2011, the cleaning of laboratory equipment has been entrusted to employees recruited by Ares through insertion contracts. It is one way to help people who have been away from the working world to prepare to return to the labour market. "The contracts are for an average of 14 months,"

explains Ares CEO Thibaut Guilluy. "An ad hoc organisation was needed for the contracts to serve as effective catalysts for inclusion and for L'Oréal to be satisfied with our employees' service." The company therefore formalised the cleaning procedures, created learning support tools, developed customised training and implemented assessment and continuous improvement systems. "Professionalism is essential for us and, since L'Oréal has very high standards, this partnership has helped us make major

advances," adds Thibaut Guilluy. And it has generated excellent results: in 2013, 12 out of the 15 people in the programme were able to leave it, with 80% of them having job recruitment or skills training prospects on the horizon. The results were equally positive at the research centre: "They're providing quality services and these contracts add a valuable human element," says site Director Didier Bouche.



PHILANTHROPY

/ A COMMITMENT TO COMMUNITY SERVICE

L'Oréal has made societal commitment a priority, which is reflected principally in the Group's active philanthropy policy. In France, the L'Oréal Foundation develops programmes around the two key themes of science and beauty. Internationally, the Group's subsidiaries also support community-service initiatives. Furthermore, L'Oréal's many brands demonstrate their philanthropic commitment, in line with each brand's unique identity.

/ L'ORÉAL FOUNDATION FOCUSING ON WOMEN AND THE MOST VULNERABLE

The L'Oréal Foundation embodies the Group's willingness to be ever more committed to social causes based on two of its fields of expertise: science and beauty.

PROMOTING SCIENCE AND WOMEN'S ADVANCEMENT

In 2013, the L'Oréal Foundation celebrated the 15th anniversary of one of its flagship programmes, For Women in Science. It has been developed since 1998 in partnership with UNESCO, resulting from the intersection of science's fundamental, dynamic role in the Group and the need to increase the number of women in scientific research, a realm in which they have long been grossly under-represented. What makes this long-term programme so powerful and original is that it supports women throughout their careers. Each year, five laureates, one from each continent, receive an award for the excellence of their work and their contribution to research advancement. Furthermore, in 2013, portraits of the L'Oréal-UNESCO laureates were displayed for the first time along Paris' Champs-Élysées. Showing these women as role models is another way to help change global mindsets.

For Women in Science also offers international

fellowships to young researchers who are still doctoral or post-doctoral students, to encourage them in their work and open doors for them at prestigious institutions outside their home countries. In the past 15 years, 195 such fellowships have helped aspiring women scientists continue their research and establish a network of meaningful contacts in the scientific community.

BEAUTY: STRENGTHENING SOCIAL BONDS AND INCLUSION

L'Oréal is convinced that beauty can change people's lives and strengthen social inclusion. It therefore channels its beauty expertise into its Foundation initiatives to assist the most vulnerable people. ...

77

LAUREATES SINCE 1998.

2 HAVE SINCE RECEIVED THE NOBEL PRIZE:
PROFESSORS ELIZABETH BLACKBURN AND
ADA YONATH.



WITH THE COMMUNITIES

... The first way it does so is by making treatments available to this population, and the Foundation therefore enthusiastically supports Médecins du Monde in reconstructive surgery and develops socio-aesthetic programmes. For those suffering from cancer, anorexia or poverty, these programmes help them regain self-confidence and rebuild their lives from the inside out. The Foundation also assists those from disadvantaged backgrounds with training opportunities through The Beauty for a Better Life programme, which has offered free training in the beauty professions since 2009. The programme was introduced in France in 2012 in partnership with the Fondation d'Auteuil. ●



MORE THAN
1,000

SOCIALLY OR ECONOMICALLY
DISADVANTAGED PEOPLE BENEFIT EACH
YEAR FROM THE BEAUTY FOR A BETTER LIFE
PROGRAMME IN NEARLY 20 COUNTRIES.

/ SUBSIDIARIES' PHILANTHROPY INITIATIVES LOCAL EXPRESSION OF GLOBAL COMMITMENT

In 2013, L'Oréal supported hundreds of projects worldwide. All of these solidarity initiatives are developed by local subsidiaries to meet local needs. This generous, cohesive commitment again united the forces of all the Group's métiers in 2013, also making it possible to even further extend the impact of the two flagship programmes, For Women in Science and Beauty for a Better Life.

CELEBRATING FOR WOMEN IN SCIENCE FELLOWSHIPS

The year 2013 marked the 10th-anniversary celebration in the United States, China and Indonesia of the national fellowships distributed to young woman doctoral or post-doctoral researchers as part of the For Women in Science programme. Special events were held throughout the year to bring the fellowship recipients face-to-face with high-school girls. The Group's Indonesian subsidiary published a book chronicling the paths taken by previous programme fellowship recipients in their quest for excel-

lence. This winning community serves to give science a female face, one embodying excellence and innovation and acting as an inspiring model for young girls uncertain about pursuing scientific studies. Their research efforts are also especially important in a troubled economic environment, in which science can foster dynamic progress.

BEAUTY FOR A BETTER LIFE EXPANDS IN ASIA

In 2013, Beauty for a Better Life was launched in Cambodia and Vietnam with the objective of presenting new life options for socially and economically disadvantaged women by training them for careers in beauty. This programme takes on even greater meaning in these countries, where being born a woman can be a disadvantage from the start, as girls are still excluded from general schooling. With no education, no job and therefore no resources, their chances for a fulfilling future are jeopardised. The Beauty for a Better Life programme therefore provides true hope by opening the doors to voca-

tional training and providing them vital assistance to build another future.

In Cambodia, the programme was established in partnership with the Happy Chandara school. This institution, founded in 2008 by the French Toutes à l'école association, provides free education to more than 1,000 girls in the underprivileged Phnom Penh suburbs. In September 2013, 22 girls from this school became the first members of the programme's hairdressing class.

In Vietnam, Beauty for a Better Life is supported by two partners: Reach and Association des Femmes, which act to help the most vulnerable women find their place in society. Thus far, the programme is providing 235 young women with personalised training in hairdressing. ●





/ BRANDS COMMITMENTS FOUNDED IN UNIQUE IDENTITIES

The L'Oréal brands joined forces with their stakeholders in 2013 on projects consistent with their identity and the values they represent. Thus a diverse spectrum of initiatives was implemented in many realms: solidarity, of course, but also health, art, education, science, beauty and the environment.

LA ROCHE-POSAY STANDS FIRM IN THE FIGHT AGAINST MELANOMA

Every year, 200,000 new cases of melanoma are diagnosed and result in nearly 46,000 deaths. If detected in time however, 90% of skin cancers can be cured. This is what prompted La Roche-Posay to make a commitment more than a decade ago to join the fight against melanoma. This combat is in line with the brand's DNA, as it specialises in sensitive skin and is recommended by dermatologists worldwide. With the brand's support, more than 70,000 people in 31 countries received free melanoma screenings in 2013. La Roche-Posay also took part in introducing the myskincheck.org website to help all people assess their degree of skin cancer risk, take steps toward making a dermatologist appointment or simply develop healthy skincare habits. •

“ The melanoma screening operations can save lives. We're proud to be a part of this effort. ”

Elisabeth Araujo,
International General Manager
of La Roche-Posay

10.6

MILLION EUROS

OF TOTAL BRANDS' INVESTMENT.



49

L'ORÉAL SUBSIDIARIES

LOCALLY IMPLEMENT THE FOR WOMEN
IN SCIENCE PROGRAMME.

257

WOMEN ARE IN VOCATIONAL TRAINING
IN VIETNAM AND CAMBODIA TO BECOME
HAIRSTYLISTS.

2013

/ OUR RESULTS

GROUP



INNOVATING SUSTAINABLY

Cosmetics and dermatology research	624 patents filed
Expenditure on research and development	857 million euros, i.e. 3.7% of sales
Raw materials	34% of referenced new raw materials are plant-based 18% of referenced new raw materials comply with the principles of green chemistry

PRODUCING SUSTAINABLY

Greenhouse gas emissions (scope 1 and 2)	43.1% reduction (since 2005)
Total energy consumption	4.5% increase vs. 2012 while production increased by 6.8%
Energy consumption	142 kWh per 1,000 finished products ✓
Water consumption	26.7% reduction per finished product (since 2005)
Water quality after on-site treatment	15.9% reduction in terms of COD (chemical oxygen demand) in total tonnes of COD
Waste and recycling	19.6% reduction in transportable waste, excluding returnable packaging in grams per finished product (since 2005) ✓ 90.9% of our waste is reused, recycled or used for energy production 54% of our industrial sites sent no waste to landfill ✓
Atmospheric emissions	9.9% increase in volatile organic compounds (VOC) 39.3% reduction in SO ₂
International standards	84% of our plants are ISO 14001 (environment) certified. First inclusion in the scope of 3 new uncertified plants

LIVING SUSTAINABLY

Consumer advice	1,209,000 cases handled in 60 countries
-----------------	---

DEVELOPING SUSTAINABLY

WITH OUR EMPLOYEES

Workforce worldwide	77,451 employees	✓
Vocational training	44,936 employees received training	
Representation of women	67% of workforce worldwide 45% of Management Committees	
Lost time injuries	4.7% reduction (based on conventional frequency rate)	
Citizen Day	20,031 employees rallied round	

WITH OUR SUPPLIERS

L'Oréal Buy & Care programme	800 social audits of supplier sites	✓
Social audits; non-conformities, by type	Child labour 4% Compensation and benefits 18% Working hours 21% Health and safety 37% Other 18%	
Collaboration with suppliers	152 of the 173 invited suppliers joined the CDP in 2013	✓

WITH THE COMMUNITIES AROUND US

Solidarity Sourcing	22,000 people had access to employment thanks to this programme (excluding The Body Shop programme)
Group philanthropy	32,8 million euros of total investment
L'Oréal Foundation	Multi-annual budget of 40 million euros
L'Oréal-UNESCO For Women in Science	245 women given awards worldwide, i.e. more than 1,700 since the programme was created 49 countries now give grants to promising young women scientists

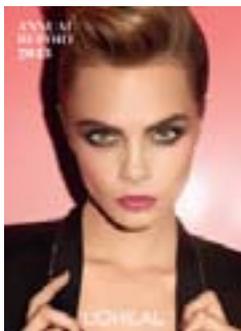
* See Registration Document 2013, pages 256 to 257.

** Net profit, excluding non-recurrent items, after minority interests. See Consolidated Financial Statements/Registration Document 2013, pages 127 to 129.

Comparisons are with 2012, unless stated otherwise.

✓ Social affairs, environment, hygiene and safety data verified by Deloitte & Associés and PricewaterhouseCoopers Audit (please refer to the methodological note and assurance report published in the GRI sheets designed for experts in the "Sharing Beauty with All" section of the www.loreal.com website).

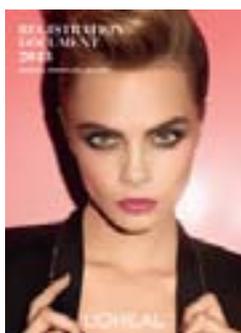
/ FOR FURTHER INFORMATION, PLEASE REFER TO ALL THE GROUP'S PUBLICATIONS



THE ANNUAL REPORT

L'Oréal in 2013, with its divisions, brands and countries, driven by its mission – beauty for all – and by its strategy – the universalisation of beauty.

Beauty is universal / L'Oréal offering beauty for all / Beauty is a science / Beauty is a commitment



THE REGISTRATION DOCUMENT

This document includes the 2013 financial statements, the Annual Financial Report, the Management Report of the Board of Directors, including a section on Social and Environmental Responsibility.

Presentation of the Group / Corporate governance / Key figures and comments on the financial year / Consolidated financial statements / Parent company financial statements / Corporate social, environmental and societal responsibility / Stock market information and share capital / Annual General Meeting / Appendix



THE SUSTAINABLE DEVELOPMENT REPORT

Presentation and concrete examples of the Group's sustainable development strategy.

Innovating sustainably / Producing sustainably / Living sustainably / Developing sustainably

All these information publications are available on www.loreal.com and on www.loreal-finance.com or can be obtained on request from the Image and Corporate Communication Department and the Financial Communications Department.



@

GO FURTHER ON THE WEB
 You can find the GRI sheets designed for experts in the "Sharing Beauty with All" section of the www.loreal.com website and the Communication on Progress Report of the United Nations Global Compact on <http://www.loreal.com/governance/acting-ethically/loreal-supports-the-united-nations-global-compact.aspx>



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L'ORÉAL

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