


**2014
PROGRESS
REPORT**

***SHARING
BEAUTY***
WITH ALL

THE L'ORÉAL SUSTAINABILITY COMMITMENT

L'ORÉAL



GO FURTHER ON THE WEB
Learn about our sustainable development strategy, commitments and initiatives in greater detail at www.sharingbeautywithall.com

Content

INTERVIEW WITH JEAN-PAUL AGON,
CHAIRMAN AND CEO
04

OUR COMMITMENTS
OUR RESULTS
07



Innovating sustainably

- ▼ REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR FORMULAS
11
- PRESERVING BIODIVERSITY
12
- ZOOM: JOINING FORCES WITH OUR STAKEHOLDERS IN THE FIGHT
AGAINST DEFORESTATION
13



Producing sustainably

- ▼ REDUCING CO₂ EMISSIONS
15
- REDUCING WATER CONSUMPTION
16
- REDUCING WASTE
17



Living sustainably

- ▼ ASSESSING THE FOOTPRINT OF OUR PRODUCTS
19
- RAISING CONSUMER AWARENESS ABOUT LIVING SUSTAINABLY
20



Developing sustainably

- ▼ UNIVERSALISING OUR SOCIAL MODEL
22
- JOINING FORCES WITH OUR SUPPLIERS AROUND OUR COMMITMENTS
23
- PROMOTING ACCESS TO EMPLOYMENT
24
- PROMOTING INCLUSION IN OUR COMMUNITIES
25
- ▼ ZOOM: THE "PANEL OF CRITICAL FRIENDS", AN EXTERNAL ASSISTING BODY
26

Jean-Paul Agon
Chairman and Chief Executive Officer

INTERVIEW

“Our objective is clear: to become one of the leaders of a new economic development model, which is increasingly ecological, responsible and inclusive.”

Could you remind us, in a few words, what the Sharing Beauty With All programme is?

It's our programme of sustainable development commitments, launched at the end of 2013, for the period up to 2020. Our Group already had a long tradition of sustainable development initiatives: we were trailblazers in sustainable innovation, and we made substantial advances in Green chemistry for example. As for the environmental footprint of our production, in 2005 we set ourselves the target of halving our CO₂ emissions in absolute terms, as well as our water consumption and the volume of our waste per finished unit by 2015. Furthermore, for more than 10 years we have been supporting and implementing the principles of the United Nations Global Compact, a commitment that we renewed in 2014. Our sustainability policy flows from L'Oréal's Code of Ethics and our strong Ethical Principles – Integrity, Respect, Courage and Transparency. Through Sharing Beauty With All, we wanted to go even further. Its new commitments, which are both practical and ambitious, cover our entire value chain. Ultimately they will transform our Group, and the ways in which we innovate, make our products, communicate with our consumers and share our growth with the communities around us. This represents a profound paradigm shift.

Why is it a paradigm shift?

In the 21st century, a company can no longer envision its success and its sustainability exclusively through the prism of financial performance. Nor can it conduct short-term sustainable development programmes that are disconnected from its business and long-term strategy. In 2020, for example, 100% of our products will have a demonstrable positive environmental or social benefit. This means that social and environmental criteria will be just as important in evaluating our future products as their efficacy or their contribution to the company's value creation. Here's another example: by 2020, we will have helped more than 100,000 people from communities in social or financial difficulty to access employment. That means we will be supporting as many people outside the company as we have employees at L'Oréal. This is truly a vision of the company as a driving force for economic and social progress. All in all, I am convinced that companies have a fundamental role to play in worldwide challenges as complex as global warming, the growing scarcity of resources, and precarious social conditions. Companies can have a really positive impact, not only by their actions but also by the chain reaction they can initiate among all their stakeholders, from



“Through Sharing Beauty With All, our new commitments, which are both practical and ambitious, cover our entire value chain.”

suppliers to consumers. At L'Oréal, sustainable development is fully integrated in the company's long-term strategy and its everyday management.

Why did you decide to publish a progress report this year?

When we launched our programme 18 months ago, we committed ourselves to providing regular updates on our progress, and establishing indicators for this purpose. These updates are essential. For us first of all, to see where we stand each year, and more clearly identify the points on which we need to continue focusing our efforts. But also

for those who want to monitor our progress and evaluate the implementation of our programme. The co-construction approach was crucial in defining the commitments: through dialogue with the representatives of civil society we have been able to define the most relevant strategy possible both for the Group and for our stakeholders. Now we have entered the programme's implementation phase, it is just as essential to continue to have an outside critical perspective, and to answer questions with facts and figures. Transparency is the true watchword.

It is with this in mind that we set up a "Panel of Critical Friends", a body of independent international experts who will meet once a year to challenge us about the advances we have made on the programme. I was ———>

→ *“The environmental and social criteria will be just as important in evaluating our future products as their efficacy or their contribution to the company’s value creation.”*

present last September at the Panel’s first meeting, which was extremely instructive. This process of challenging our environmental approach will drive us to keep on making progress.

In this first year of implementation, what advances have been achieved?

Thanks to the very determined efforts of our teams all over the world, we have already made significant advances in a number of areas. I would just like to mention three examples. At the end of 2014, 67% of our new products had an improved environmental or social profile, for example through reducing the water footprint of a new formula or using renewable raw materials. For the first year, this is a significant step forward.

2014 was also a year of significant achievements in sustainable production, especially in terms of reducing CO₂ emissions, because we achieved our -50% objective at the end of 2014. This is the result of efforts made since 2005, but also of projects put in place in 2014 to accelerate our momentum. In September we thus inaugurated a new biomass power plant in our factory in Burgos in Spain. This initiative, an industry first in Spain, means the plant will have a neutral carbon footprint in 2015.

Another major step forward in 2014 was the very good start made by the L’Oréal Share & Care programme, which aims to provide the best social benefits to our employees in all the countries in which we operate by 2015. Let’s take two

examples: in Malaysia and Dubai, maternity leave has been doubled to 14 weeks on full pay; and in Nigeria, 100% of employees are now insured, and are guaranteed a payment of two years of their gross wage in the event of death or disability, when no benefit of this type previously existed. The universalisation of our social policy within the Group also enables us to extend social protection worldwide. In my view, this is also the role of major companies.

And what are your next challenges?





As you have seen, in the last few years we have made major progress in sustainable innovation and production. We are now going to accelerate our efforts to incite more sustainable consumer lifestyles, a major issue for the whole of our industry. Already in the first year a great deal has been done to raise the awareness of our teams and to train them. We have also launched a project to develop a tool for evaluating the environmental and social impact of our products. This will improve the way we take future impact into account from the product conception stage, but also ultimately help us to share the information obtained with consumers, so they can make informed choices. This too is one of our commitments.

The second challenge is managing change. All our teams are fully aware of the importance of sustainable development issues. And we know that a programme of this kind takes time. It also requires changes in organisation and ways of working.






There is still a long way to go, but our objective is clear: to become one of the leading companies in sustainability, and one to spearhead a new economic development model, which is more ecological, responsible and inclusive. We are all determined to build a more sustainable L’Oréal. ●

OUR COMMITMENTS OUR RESULTS





Innovating sustainably

2020 TARGETS	2014 RESULTS
<p>100% of our products will have a positive 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:</p>	<p>67% of new products that have been screened have an improved environmental or social profile. <i>The analysis of new products in 2014 does not include make-up or fine fragrances. All other categories (shampoos, conditioners, shower gels, skincare, cleansers, haircolouring, styling, permanents, deodorants, sun protection) have been analysed as they are all formulas produced in the Group's plants in 2014.</i></p>
 <ul style="list-style-type: none"> the new formula uses renewable raw materials that are sustainably sourced or raw materials derived from Green chemistry, 	<p>46% of new or renovated products have a new formula using renewable raw materials sustainably sourced or raw materials derived from Green chemistry.</p>
 <ul style="list-style-type: none"> the new formula reduces the environmental footprint, 	<p>54% of new or renovated products have an improved environmental profile thanks to a new formula reducing the environmental footprint.</p>
 <ul style="list-style-type: none"> the new packaging has an improved environmental profile, 	<p>Indicator not available for 2014. <i>Baseline currently being calculated. A strict eco-design policy has long been in place at all the Group's Packaging Design centres. For example, one of L'Oréal's objectives is for all paper and cardboard packaging to be sourced from sustainably managed forests. In 2014, more than 97.9% of paper and cardboard packaging supplies were certified sustainable in accordance with FSC or PEFC standards.</i></p>
 <ul style="list-style-type: none"> the new product has a positive social impact. 	<p>17% of new or renovated products have an improved social profile thanks to a positive social impact.</p>

Producing sustainably

2020 TARGETS	2014 RESULTS
 <p>We will reduce CO₂ emissions at our plants and distribution centres by 60% in absolute terms, from a 2005 baseline.</p>	<p>CO₂ emissions have been reduced by 50.2% from a 2005 baseline. <i>The calculation of CO₂ emissions concerns scopes 1 and 2 of plants and distribution centres. The reduction percentage is calculated in absolute value from a 2005 baseline.</i></p>
 <p>We will reduce by 20% our CO₂ emissions from transportation of products (in grams of CO₂ per unit of finished product and per km), from a 2011 baseline.</p>	<p>Indicator not available for 2014. The reporting process for this indicator is currently being implemented. Figures for 2014 will be consolidated in 2015.</p>
 <p>We will reduce our water consumption by 60% per finished product unit, from a 2005 baseline.</p>	<p>Water consumption was reduced by 36% from a 2005 baseline. <i>The water consumption calculation is based on plants and distribution centres. The reduction percentage is calculated in litre/finished product, from a 2005 baseline.</i></p>
 <p>We will reduce waste generation by 60% per finished product unit, from a 2005 baseline.</p>	<p>Waste generation was reduced by 23.1% from a 2005 baseline. <i>The calculation of waste generation is based on plants and distribution centres (excluding returnable packaging rotation with returnable packaging accounted at source). The reduction percentage is calculated in grams of waste per finished product from a 2005 baseline.</i></p>
 <p>We will send zero waste to landfill.</p>	<p>Only 3.8% of waste was sent to landfill. <i>The percentage of waste sent to landfill is calculated for the given year, by dividing the quantity of waste sent to landfill (5,088 tonnes) by the quantity of transportable waste, excluding reusable packaging (96,943 tonnes) and reusable packaging rotation (36,698 tonnes).</i></p>





Living sustainably

2020 TARGETS	2014 RESULTS
 <p>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.</p>	<p>The percentage of brands sharing information with consumers from the Product Assessment Tool to help them make informed sustainable lifestyle choices, and the percentage of new products evaluated using the Product Assessment Tool are not available for 2014. In February 2014, L'Oréal drafted a trial Product Assessment Tool that will make it possible to evaluate and improve products (new or renovated) based on 11 relevant criteria (seven environmental criteria for packaging and formula; four social criteria).</p>
 <p>All our brands will assess where they have the largest environmental and social impact, and make commitments to improve their footprint.</p>	<p>22% of brands have evaluated their environmental or social impact. <i>This percentage is calculated based on their share of 2013 consolidated turnover.</i></p>
 <p>Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.</p>	<p>25.4% of brands conducted a consumer awareness initiative. <i>The percentage of brands raising awareness among their consumers about making sustainable lifestyle choices in 2014 is calculated based on their share of 2013 consolidated turnover.</i></p>
 <p>Our consumers will be able to influence our sustainability actions through our consumer sustainability panel.</p>	<p>Indicator not available for 2014. The consumer advisory committee, intended to influence our sustainable development initiatives, will be implemented in 2016.</p>

Developing sustainably... ... with our employees






2015 TARGETS	2014 RESULTS
 <p>We will provide health coverage for employees which is aligned with the best practice of the country they are based in.</p>	<p>85.3% of the Group's permanent employees have healthcare coverage reflecting best practices in their country of residence. <i>This indicator is calculated according to the Group's global scope (Cosmetics and The Body Shop).</i></p>
 <p>We will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur.</p>	<p>70.1% of the Group's permanent employees receive financial protection in the event of personal injury, such as death or permanent disability. <i>This indicator is calculated according to the Group's global scope (Cosmetics and The Body Shop).</i></p>
 <p>Every L'Oréal employee will have access to at least one training session per year wherever they are in the world.</p>	<p>81.7% of the Group's employees attended at least one training session in 2014. <i>This indicator is calculated according to the Group's global scope (Cosmetics and The Body Shop).</i></p>

...with our suppliers

2020 TARGETS	2014 RESULTS
 <p>All strategic suppliers* will be evaluated and selected on environmental and social performance.</p>	<p>43% of the Group's strategic suppliers have been evaluated and selected based on their environmental and social performance. <i>They represent more than 60% of total direct purchases (raw materials, packaging materials and subcontracting). Furthermore in 2014, 834 (±) social audits were carried out, making a total of 6,129 since 2006.</i></p>
 <p>All strategic suppliers will have completed a self-assessment of their sustainability policy with our support.</p>	<p>50% of strategic suppliers have completed a self-assessment of their sustainability policy with our support. <i>The percentage is based on the calculation of the number of suppliers who, in 2014, were assessed on their environmental, social and ethical policies, as well as assessments conducted at their own suppliers by Ecovadis. Ecovadis provides expertise on social responsibility (CSR) consisting of scorecards covering 150 purchasing categories and 21 CSR indicators.</i></p>
 <p>All suppliers will have access to L'Oréal training tools to improve their sustainability policies.</p>	<p>Indicator not available for 2014. Access to training tools is part of the 2015 action plan.</p>
 <p>20% of strategic suppliers will be associated with our Solidarity Sourcing programme.</p>	<p>4% of strategic suppliers are involved in the Group's Solidarity Sourcing programme.</p>

* Strategic suppliers are suppliers whose added value is significant for the Group by contributing to the L'Oréal sustainable strategy by their weight, their innovations, their strategic alignment and their geographical deployment.

...with the communities around us

2020 TARGETS	2014 RESULTS
 <p>By 2020, we will enable more than 100,000 people from underprivileged communities, equivalent to the size of our global workforce, to access work through the following programmes:</p>	<p>More than 54,000 people from underprivileged communities in social or financial difficulty were provided access to work.</p>
 <ul style="list-style-type: none"> • Solidarity Sourcing; 	<p>52,000 people accessed work through the Solidarity Sourcing programme. <i>The Body Shop's Community Fair Trade programme is part of this initiative and helped 25,000 people access work.</i></p>
 <ul style="list-style-type: none"> • inclusive distribution; 	<p>200 people accessed work as part of an inter-industry, inclusive waste management project in Mumbai, India.</p>
 <ul style="list-style-type: none"> • beauty professionalisation; 	<p>1,400 people accessed work through the Beauty for a Better Life programme.</p>
 <ul style="list-style-type: none"> • employment of disabled people and under-represented socioethnic groups. 	<p>815 people with disabilities work for L'Oréal. <i>Employees with disabilities present as of 31/12/14 including employees with permanent contracts, fixed-term contracts, or working as beauty advisors with L'Oréal. This figure only includes those employees wishing to self-declare as having a disability. As self-declaration meets with significant resistance in various cultural contexts, this figure does not encompass the reality of the staff concerned.</i></p>



Innovating sustainably

By 2020, 100% of our products will have a positive environmental or social benefit. We have been committed to sustainable innovation for many years. Reducing the environmental footprint of our formulas, respecting and promoting biodiversity through a sustainable sourcing policy for our raw materials, committing to zero deforestation - all are means by which we will achieve this target.



REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR FORMULAS

11

PRESERVING BIODIVERSITY

12

ZOOM: JOINING FORCES WITH OUR STAKEHOLDERS
IN THE FIGHT AGAINST DEFORESTATION

13

REDUCING THE ENVIRONMENTAL FOOTPRINT OF OUR FORMULAS

By 2020, 100% of the Group's products will have a positive environmental or social benefit. One way for researchers to achieve this is by measuring and improving our formulas' biodegradability and water footprint.

OUR MONITORING INDICATOR TO 2020

OUR FORMULAS' ENVIRONMENTAL FOOTPRINT



54%

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

MEASURE OUR FORMULAS' ENVIRONMENTAL IMPACT

L'Oréal has been working for several years to reduce the environmental footprint of its products, particularly by improving the environmental profile of its formulas. With the commitments made in the Sharing Beauty With All programme, any accomplishment must be objectively and accurately assessed in order to claim the progress made. The Group has therefore developed methods making it possible to calculate a formula's biodegradability percentage, that is, their capacity to be degraded by microorganisms in nature, as well as its water footprint.

EVALUATE OUR FORMULAS' WATER FOOTPRINT

A water footprint is defined by the Water Footprint Network in relation to the concept of "virtual water," which measures the amount of water required for a product's manufacture and use. This quantity is divided into three water categories: "green" water or rainwater stored in the soil; "blue" water related to human, domestic, industrial and agricultural activity; and finally, "grey" water, indicating the volume of water needed to dilute and assimilate the substances released into aquatic environments. Grey water is considered a fair indicator of the water footprint for rinsed formulas. To evaluate this, L'Oréal uses a method derived from the one used to award the EU Ecolabel to soaps, shampoos and hair conditioners. It incorporates two key parameters reflecting the environmental quality of the raw materials used: biodegradability and aquatic ecotoxicity.

ASSESS OUR FORMULAS' BIODEGRADABILITY

Improving a formula's biodegradability percentage is an essential tool for reducing its environmental impact. To determine a formula's biodegradability, the Group's Research & Innovation teams calculate the ratio between the mass of organic ingredients in the formula, which are easily biodegradable, and the total mass of organic ingredients. Improving the biodegradability of new formulas that went into production from 2014 on will be assessed using, as a benchmark, the average values of formulas marketed in 2013 having the same cosmetic benefits. For renovated products, the previous formula will serve as the benchmark.

ESTABLISH A BASELINE AND IDENTIFY OUR PRIORITIES

Using the two indicators currently available, L'Oréal has managed to establish a baseline using the analyses of formulas marketed in 2013, and has also identified improvement goals to respect the Group's commitment to innovate sustainably by 2020. The Group's researchers, divided into twelve international working groups, analysed the major product categories and, through their efforts, more than 28,000 formulas were screened in 2014, covering categories as varied as haircare, skincare, personal hygiene products, or haircolour. The aim is to develop products with improved environmental profiles that also have equivalent or even increased consumer benefits.

Focus



SOME PRODUCT FORMULAS ARE MORE THAN 95% BIODEGRADABLE

Among the new products launched in 2014, there are products in each of our divisions that have biodegradability levels of between 95% and 99%, such as Redken's Thinning Retaliate Shampoo, Biotherm's

Aquapower Aqua Essence, the Serioxyl Kit for Coloured Hair by L'Oréal Professionnel, Argan Soap by The Body Shop, Mixa's soothing shower oil and Hydraphase Intense by La Roche-Posay. ●

* The analysis of new products in 2014 does not include make-up or fine fragrances. All other categories (shampoos, conditioners, shower gels, skincare, cleansers, haircolouring, styling, permanents, deodorants, sun protection) have been analysed, as they are all formulas produced in the Group's plants in 2014.

PRESERVING BIODIVERSITY

By 2020, 100% of L'Oréal's products will have a positive environmental or social benefit. To achieve this objective, the Group favours the use of renewable raw materials sourced from sustainable supply chains or processed using Green chemistry.

OUR MONITORING INDICATORS TO 2020

RAW MATERIALS



46%

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

PRODUCT SOCIAL IMPACT



17%

of new or renovated products have an improved social profile thanks to a positive social impact.

SOURCE RENEWABLE RAW MATERIALS

L'Oréal defines a renewable raw material as one having carbon content that is primarily of plant origin. This is currently the case with 46% of the raw materials used, meaning some 1,400 ingredients from nearly 300 plant species sourced from 60 countries. The use of some of these plant species, depending on their geographic origin, the extraction techniques or the ingredient-production methods, may entail ecological issues (protection measures, impact of our suppliers' activities on the natural habitats) and/or societal concerns (working conditions, fair wages, cultural matters). The Group is therefore faced with a two-pronged challenge: ensuring that the renewable raw materials used in making its products are from sustainable sources and, as often as possible, ensuring they are processed respecting Green chemistry principles.

DEFINE SUSTAINABLE SOURCING CRITERIA

In 2014, 100% of the renewable raw materials used were re-evaluated based on 26 criteria, such as respect for biodiversity and contribution to the socio-economic development of the area of origin. Ultimately, the raw materials considered to be "sustainably sourced" have a traceable supply that respects environmental and social regulations throughout the supply chain. To this end, each plant species used as a source for these renewable raw materials is subject to a detailed risk assessment, one that is regularly updated for the most sensitive species.

ESTABLISH A CONTINUOUS IMPROVEMENT SYSTEM WITH SUPPLIERS

Working with its suppliers, L'Oréal has established a continuous improvement system to incorporate the true impact of ingredient use on the regions of origin. A thorough investigation was conducted on supply chains for the most sensitive ingredients, such as shea butter, palm oil and its derivatives, and argan oil. This work has generated corrective action plans, now implemented with our suppliers and consistently guided by independent, external third parties. To date, these

plans have been applied to 94% of raw materials representing L'Oréal's greatest purchasing volumes and derived from species defined as sensitive.

Focus



CAPACITY BUILDING IN LOCAL COMMUNITIES IN BRAZIL

Brazil, home to nearly a third of the world's plant species, is a L'Oréal source for several renewable

raw materials, like babaçu oil and murumuru butter, both formulated into haircare products, and white clay, used to make personal hygiene products. To ensure responsible sourcing, the Group has established a new form of partnership based on agreements with local communities promoting sustainable collection practices. For murumuru supplies, L'Oréal contracted with its supplier to support 240 families in the Bragança region by helping build their technical capabilities. In 2014, the partnership with the COPPALJ agricultural cooperative, which employs women as babaçu-nut gatherers, was enhanced, meaning that 800 families from the Lago do Junco region now benefit from this agreement. ●

DEVELOP GREEN CHEMISTRY

In 2014, 22% of the renewable raw materials newly referenced by the Group were derived using Green chemistry principles. Such principles, like biotechnology, are used to manufacture plant-based active ingredients – biotechnology-sourced thermal plankton, for instance, or Pro-Xylane, the first anti-ageing active ingredient obtained through Green chemistry, made from a beech-wood sugar called xylose.



To learn more about our proactive efforts supporting biodiversity: www.sharingbeautywithall.com

JOINING FORCES WITH OUR STAKEHOLDERS IN THE FIGHT AGAINST DEFORESTATION

As part of a commitment to zero deforestation by 2020, L'Oréal is closely involving its suppliers to its environmental strategy. The Group's efforts in the responsible sourcing of palm oil are a vivid illustration of this innovative partnership approach.

PALM OIL: A GLOBAL CONCERN

The cosmetics industry uses little palm oil, but does use its derivatives. The Group consumes 60,000 tonnes of palm oil and palm kernel oil equivalents annually, or 0.4% of the global production of palm kernel oil and 0.05% of the palm oil production, to formulate glycerol, fatty acids and fatty alcohols, ingredients that figure in its products. While L'Oréal is a minimal consumer of these substances, the Group nevertheless intends to be an innovator and leader in this realm. And this in spite of a significant challenge: the processing supply chain involves a great variety of stakeholders, making the oils difficult to trace. Yet such traceability is the very thing needed to ensure responsible sourcing.

BEYOND THE RSPO: A NEW COMMITMENT

By late 2012, L'Oréal's entire palm oil supply met the standards and procedures of the RSPO (Roundtable on Sustainable Palm Oil), an entity working to preserve biodiversity. Since 2010, direct palm oil purchases have been RSPO-certified and respect one of the RSPO's most exacting traceability models, the SG (Segregated) model. Since 2012, the palm oil derivatives used by the Group have also been certified sustainable by the RSPO in accordance with the "Book & Claim" model, considered an acceptable intermediary solution until a significant amount of certified product becomes available on the market. Nevertheless, well-aware that certification schemes do not entirely guarantee the prevention of illegal deforestation of primary forests or keep peatlands from being turned into palm groves, both major sources of CO₂, the Group made a new commitment in January 2014: zero deforestation by 2020, together with an intermediate step of traceability of its main derivatives by late 2015.

WORKING WITH SUPPLIERS TO BUILD SOLUTIONS

Reaching this goal by 2020 implies that our providers commit to supplying themselves from sustainable plantations and ensure the maintenance and restoration of the carbon-intensive and high-conservation-value areas in case the cultivated areas are extended. To this end, based on field surveys and exchanges with local NGOs, L'Oréal has established a strategy to involve all supply-chain stakeholders in order to address all the environmental, economic and social issues often overlooked in the realm of palm-related production. L'Oréal has developed an original, proactive approach with its strategic direct suppliers, moving up the supply chain to the palm's origins: the mills and, when possible, the plantations. This traceability task began in May 2014 and was performed by an independent external third party, Transitions, based on suppliers' interviews. At its conclusion in late 2014, the survey led to the partial identification of areas of origin and the analysis of local risks. This

survey's main goal is to collaborate with suppliers in order to build tailored solutions to guarantee a supply of sustainable, deforestation-free palm.

100% of the palm oil, palm oil derivatives, and palm kernel oil derivatives supplies have been certified sustainable per RSPO criteria (www.rspo.org) since 2012. By 2015, these supplies will have to come entirely from known, traced sources.

97.9% of the paper and cardboard supply is certified (FSC, PEFC, etc.).

SUPPORTING INDEPENDENT GROWERS

L'Oréal is simultaneously looking to actively support independent farmers in granting them access to the international market. This is essential, because these growers – who, for example, represent 40% of palm oil production in Indonesia – are not trained growers. Because they do not always have access to the proper agricultural practices, like the agricultural input management, they are sometimes led to illegally increase the size of their plantations in protected areas to compensate for low yields. These small producers have difficulty piercing the market and obtaining funds from the bank and have little hope of receiving RSPO certification.

A word from...

Faroze Nadar, Senior Manager Global Corporate Sustainability, Emery Oleochemicals

“A SPIRIT OF COLLABORATION BETWEEN ALL THE ACTORS OF THE SUPPLY CHAIN.”

Thanks to our work on traceability, we are now in a better position to identify potential risks from our palm derivatives supply chain and to take action to meet our challenges. Partnering with L'Oréal on Solidarity Sourcing projects dedicated to palm is a true opportunity to explore new various innovative solutions together and to involve farmers directly as well as generating economic, environmental and social profit on a local scale, thanks to purchasing practices based on responsabilisation and a logic of collaboration between all stakeholders along the supply chain. ●



To learn more about our proactive efforts against deforestation: www.sharingbeautywithall.com



Producing sustainably

By 2020, we will have reduced the environmental footprint of our production by 60% from a 2005 baseline. Reducing our CO₂ emissions in absolute terms, our water consumption per finished product unit and our waste per finished product unit in all our plants and distribution centres, reducing the footprint of transportation of our finished products and targeting zero waste to landfill – these are the means by which we will achieve this target.



REDUCING CO₂ EMISSIONS

15

REDUCING WATER CONSUMPTION

16

REDUCING WASTE

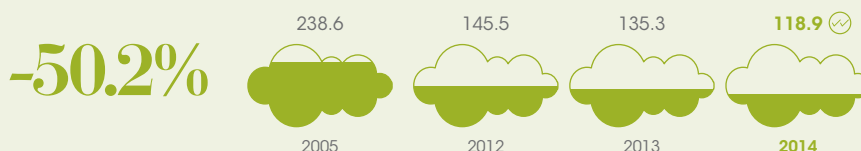
17

REDUCING CO₂ EMISSIONS

L'Oréal set the objective of reducing CO₂ emissions at our plants and distribution centres by 50% in absolute terms, between 2005 and 2015. This goal was reached this year already, even though production volumes actually increased by 21%. The Group is now targeting a 60% reduction by 2020.*

OUR MONITORING INDICATORS TO 2020

CO₂ EMISSIONS REDUCTION AT OUR PLANTS AND DISTRIBUTION CENTRES FROM A 2005 BASELINE
(in absolute terms, in kilotonnes, scopes 1 and 2 following the GHG Protocol methodology)



CO₂ EMISSIONS PER FINISHED PRODUCT AND PER KM FROM TRANSPORTATION OF PRODUCTS



Indicator not available. The reporting process for this indicator is currently being implemented. Figures for 2014 will be consolidated next year.

REDUCE ENERGY CONSUMPTION

L'Oréal firmly believes that lessening energy consumption is one of the principle levers for reaching its target for reduced CO₂ emissions. All new buildings must therefore respect the most cutting-edge standards in this realm (sustainable building standards such as LEED, HQE, BREEAM). Existing sites, however, have been improving their energy efficiency for more than 20 years. Redefined processes, LED installation, building insulation, heat recovery, improved overall production efficiency – these dedicated efforts have reduced the kWh per finished-product consumption of plants and distribution centres by 30% between 2005 and 2014. In 2014, to take this commitment even further, L'Oréal began the roll-out of an ISO 50001 norm certification programme (continuous energy-efficiency improvement) at its plants, with the first site, the Sicos plant in France, certified in 2014.

REDUCE EMISSIONS FROM TRANSPORTATION

To supplement the efforts of its production sites, L'Oréal has committed to reducing CO₂ emissions from transportation of finished products, from its plants to its customers. The goal is a 20% decrease per finished product and per kilometre between 2011 and 2020. The Group is relying on two levers to achieve this: integrating low-emission transport options as soon as possible and developing and implementing optimised transport plans.

EXPAND THE USE OF RENEWABLE ENERGY

L'Oréal is continuing to expand and enhance its strategy of increasing use of renewable energy. To this end, several major projects have got underway on many sites in recent years. Substantial installations and innovative technologies have significantly reduced CO₂ emissions: a biomass plant and cogeneration systems in Belgium, trigeneration in Spain, heat networks in Germany and Italy, photovoltaic power in China, the United States, and Spain. This proactive approach now means that five of the Group's plants (Burgos, Settimo, Rambouillet, Libramont and Yichang) and one distribution centre (DC Australia) have already reached, or will reach in 2015, carbon footprint neutrality.

Focus



COMBINED RENEWABLE ENERGIES IN SPAIN

L'Oréal's factory in Burgos opened a new biomass plant in September 2014. This is a novel installation for the

industry in Spain, one that combines the energy produced by biomass, photovoltaic technologies and a trigeneration system. For the first time, trigeneration facilities can supply the factory with steam, hot water, cold water and electricity and furnish 100% of its energy requirements for manufacturing and packaging its products. The biomass source will be waste wood from forests and sawmills in the Castille and León region. ●

CDP RECOGNITION FOR GROUP PERFORMANCE AND TRANSPARENCY EFFORTS

Since 2003, L'Oréal has been a member of the CDP, an international, independent NGO that assesses corporate efforts to measure, report and reduce CO₂ emissions. In 2012, the Group entered the CDP's Climate Disclosure Leadership Index, formed by the top 10% of the best-rated companies in terms of quality of information provided, before receiving, in 2014, its best rating since the programme's inception: the CDP gave L'Oréal a score of 98/100 for transparency of information provided, and an "A" for its success in reducing CO₂ emissions. These scores mean that L'Oréal, in this realm of responsibility, is the top-performing cosmetics company.

* Excluding Galderma – on a like-for-like basis.



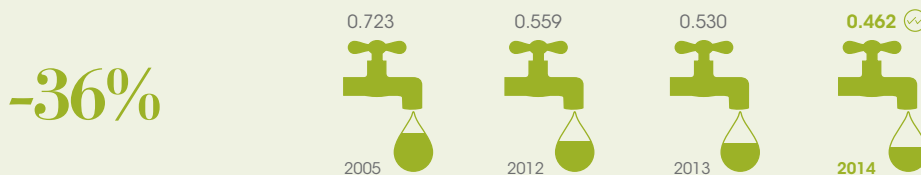
To learn more about our initiatives to reduce our CO₂ emissions: www.sharingbeautywithall.com

REDUCING WATER CONSUMPTION

L'Oréal has committed to a 60% reduction in water consumption per finished product by 2020, from a 2005 baseline. To achieve this, the Group is channelling its efforts into a multipronged approach involving respectful use of the resource – minimised to a needs-only basis – and development of water reuse and recycling projects on L'Oréal sites.

OUR MONITORING INDICATOR TO 2020

WATER CONSUMPTION IN PLANTS AND DISTRIBUTION CENTRES FROM A 2005 BASELINE (in litre/finished product)



DECREASE CONSUMPTION AT SOURCE

When L'Oréal undertakes an industrial project, it consistently applies simple principles to preserve water resources. In recent years, the Group performed comprehensive needs mapping on all its plants to identify all consumption stations. This made it possible to establish a timeline of reduction targets for each category of water consumed, and then develop a roadmap specific to each plant. This work led to progress in many areas, such as reduced wash and cooling-water consumption, which decreased by approximately 30% and 50%, respectively, per finished product between 2005 and 2014.

Focus



CLOSED-CIRCUIT VACUUM PUMPS IN THE UNITED STATES

Certain production equipment requires a vacuum to operate properly, one created with special water-consuming

pumps. The North Little Rock plant decided to place each of its vacuum pumps on a closed water-supply circuit. This technical change, which has no impact on equipment performance, saves 1,000 m³ of water per year per pump. This technique is now one of the Group's recommended best practices and is gradually being implemented across all L'Oréal sites. ●

Focus

REUSING RINSE WATER IN BRAZIL

A significant portion of the total consumption of potable water at L'Oréal's São Paulo plant is devoted to washing manufacturing equipment. The site is committed to reducing the amount of water consumed by the process while meeting all existing quality standards. Therefore, the final rinse water, which contains a minimum of pollutants, is collected and reused as the first water for equipment flushes. In 2014, the "Last Rinse,

First Flush" system led to a drop in the site's water consumption of around 8%, which translates to nearly 9,500 m³ of potable water saved over the course of the year. ●

ENCOURAGE RECYCLING

L'Oréal's plants are exploring an ever-increasing variety of ways, via a number of technological approaches, to reuse their industrial water. Ten sites have already installed downstream treatment facilities to make wastewater reuse possible. This recycling helps them meet their own water needs while simultaneously reducing consumption. The positive results are inspiring other plants to implement integrated water resources management.

Focus



INNOVATION IN ITALY: THE EVAPO-CONCENTRATOR

The L'Oréal plant in Settimo, Italy, recovers ten million litres of water each year using a new technology: the evapo-concentrator. This system works by recovering an available heat source for use in treating effluents, separating them into two segments: the good-quality, treated water that can then be reused on the one side, and the concentrates on the other side. The evapo-concentrator can potentially treat about 30 m³ a day. ●



To learn more about our initiatives to reduce water consumption in our production process: www.sharingbeautywithall.com

REDUCING WASTE

L'Oréal has committed to a 60% reduction in the waste generated by its plants and distribution centres, and to send zero waste to landfill by 2020. An ambitious objective for the Group considering its stringent definition of waste – any solid substance that is not a marketed finished product.

OUR MONITORING INDICATORS TO 2020

WASTE GENERATION IN PLANTS AND DISTRIBUTION CENTRES FROM A 2005 BASELINE EXCEPT RETURNABLE PACKAGING ROTATION (IN GRAMS/FINISHED PRODUCT), WITH RETURNABLE PACKAGING ACCOUNTED AT SOURCE

-23.1%



3.8%

of industrial waste sent to landfill.

REDUCE TRANSPORT-PACKAGING WASTE

Between 2013 and 2014, L'Oréal plants reduced waste related to transport packaging by some 3,000 tonnes. This result came about through a number of initiatives from the Packaging and Purchasing teams, who worked directly with the Group's raw-material and packaging-component suppliers. The key drivers to this progress were the introduction of returnable packaging for plant deliveries and standardisation of pallets to limit wood waste.

REDUCE LOSSES IN PRODUCTION

In each *métier*, the Group's plants are working to integrate this issue of waste impact. Identifying and reducing production losses call for the involvement of all stakeholders in the value chain, from packaging to manufacturing to logistics flows. In 2014, the sites focused on improving the efficiency of their production processes to reduce material waste, such as packaging line waste and bulk loss during manufacturing. In Asia, L'Oréal successfully reduced this tonnage of material losses by about 12% between 2013 and 2014.

Focus



WEIGHING BINS IN BELGIUM

The prerequisite for any efforts to reduce production and manufacturing waste is to identify and measure these losses – hence the importance of the initiative taken by L'Oréal's

Libramont plant, which installed equipment in 2014 to monitor these losses in detail. Line bins were fitted with smart cards recognised at the four weighing stations across the production area and connected via special software. The technology compiles the produced waste tonnage based on type, line, machine, team, etc. The installation of this new system has already netted a line-waste reduction of almost 25%. ●

PROCESS SLUDGE FROM WASTE WATER TREATMENT PLANTS

In 2014, some L'Oréal plants with in-house treatment facilities implemented sludge-drying projects by recovering heat from operations or by using solar energy. These projects reduce the volume of waste from sites, decreasing the environmental impact of their downstream transport and treatment.

Focus



SLUDGE-DRYING FACILITIES IN INDONESIA

With the installation of a new solar-powered sludge-drying facility, the L'Oréal plant in Jababeka has reduced the sludge tonnage of the site by approximately 35% in 2014. This solar-drying system

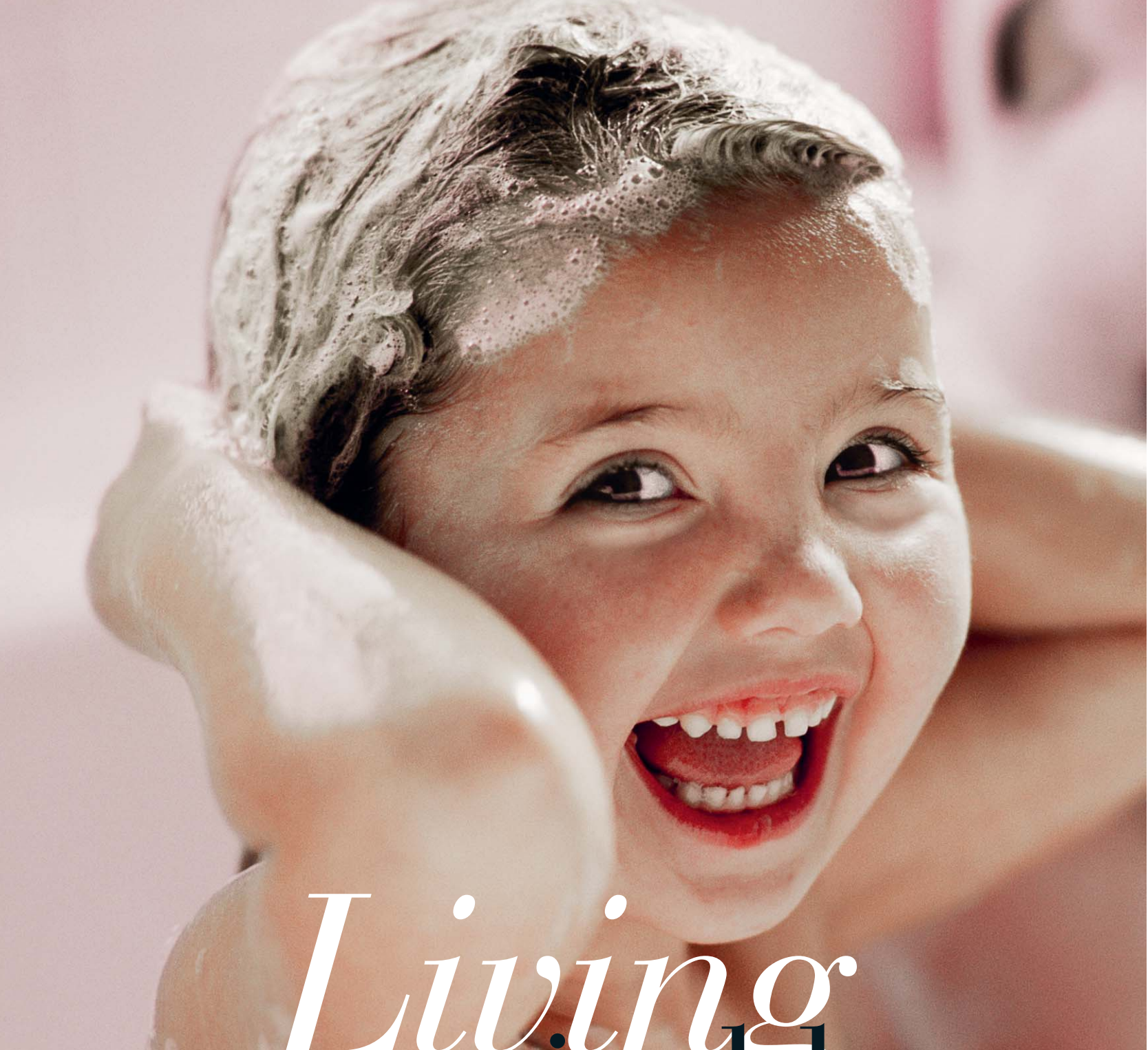
has led to a drop in volume of discharged sludge, thereby reducing the impact of its downstream transport. ●

ZERO INDUSTRIAL WASTE TO LANDFILL BY 2020

Alongside the Group's efforts in reducing waste at source, L'Oréal has promoted waste reuse and recycling for years. Today, 91% (☺) of the waste generated by its plants and distribution centres finds a second life: 65% becomes a new resource through reuse and recycling and a quarter of the waste is converted into energy. Today, only 3.8% of waste is sent to landfill and L'Oréal continues to work with local partners, particularly at its new facilities, to install the required systems able to treat the whole of its industrial waste, with the goal of achieving zero industrial waste to landfill by 2020.



To learn more about our initiatives to reduce waste in our manufacturing processes: www.sharingbeautywithall.com



Living sustainably

By 2020, we will empower our consumers to make sustainable consumption choices. Sharing environmental and social information about our products, assessing the footprint of each of our brands, raising consumer awareness about living more sustainably and making sustainable development desirable – these are the convictions by which we stand in order to achieve this target.



ASSESSING THE FOOTPRINT OF OUR PRODUCTS

19

RAISING CONSUMER AWARENESS
ABOUT LIVING SUSTAINABLY

20

ASSESSING THE FOOTPRINT OF OUR PRODUCTS

By the year 2020, L'Oréal will have improved the environmental and social profile of 100% of its new products and will share their environmental and social information with consumers as a way to help them make informed, sustainable lifestyle choices.

OUR MONITORING INDICATORS TO 2020

PRODUCT ASSESSMENT TOOL: CONSUMERS INFORMATION



% of brands sharing information with consumers from the Product Assessment Tool to help them make informed sustainable lifestyle choices.

PRODUCT ASSESSMENT TOOL: EVALUATED PRODUCTS



% of new products evaluated through the Product Assessment Tool.

These two indicators are not available this year as the tool is still under construction.

ESTABLISH A BASELINE

Manufacturing and marketing a cosmetic product generates different environmental impacts throughout its life cycle. It also affects a number of actors in the value chain – employees, suppliers, consumers, communities. In 2014, the Group drafted a trial product assessment tool that, for the very first time, evaluates social criteria alongside environmental criteria. As part of the drafting process, more than 28,000 formulas and 12,000 packages were evaluated according to these criteria, forming a baseline to be used as a springboard to improve the environmental and social profile of each new product.

DEFINE BEST PRACTICES IN MARKETING AND DEVELOPMENT

Among L'Oréal's four brands in Europe and the United States chosen as test subjects for the evolving assessment tool, two have begun the pilot phase in 2014. To promote comprehensive use of the instrument, the Group is seeing to it that evaluation starts at the earliest stages of product design, continues through the various development phases, and is integrated into existing processes as well. The marketing and development teams, in charge of product design, are therefore involved well upstream in the Sharing Beauty With All programme. After the pilot phase, lessons will be drawn from the trials to hone the tool prior to network-wide implementation. Furthermore, it will be tested and validated by independent external experts.

ELABORATE METHODS TO CALCULATE SOCIAL IMPACT

In 2014, as a member of the Roundtable for Product Social Impact Assessment, an initiative uniting 12 international companies, L'Oréal helped create a methodology to apply when calculating a product's social impact. The Handbook for Product Social Impact Assessment, written in September 2014, was co-developed with eleven other international corporations. This methodology enables to define the relevant social criteria associated with different products throughout the products' life cycles, as well as the inherent indicators,

and then calculate their social impact into a concise score, incorporating all stakeholders (employees, communities and consumers). This methodology will fuel the Group's deliberations in defining social criteria, those to be used in the future to evaluate products.

A word from...

Alexandra Palt, Director CSR & Sustainability



“ WE ARE CONVINCED OF THE NEED TO PROVIDE OUR CONSUMERS WITH ENVIRONMENTAL AND SOCIAL INFORMATION RELATED TO OUR PRODUCTS SO THAT THEY CAN MAKE INFORMED CHOICES.”

Consumers around the world are expressing the desire to purchase products that are good for the planet and society. Yet this intention is seldom put into practice at the actual moment of purchase. Reconciling the will to be a responsible citizen with the decisions of a consumer is central to our vision for the Sharing Beauty With All programme. We firmly believe that we need to assess our products' environmental and social impacts and share this information with our consumers in order to help them make informed, sustainable choices. By finding the key avenues along which we can truly share our vision with consumers, and by making sustainable development desirable through our brands, we can help overcome some of the barriers to sustainable consumption that currently exist. The challenge is daunting and we do not yet have all the answers, but the path before us is clear as we address this challenge with increasing determination in the years to come. ●

RAISING CONSUMER AWARENESS ABOUT LIVING SUSTAINABLY

By 2020, L'Oréal will empower every consumer to make sustainable consumption choices. The levers to achieve this are understanding consumer expectations, assessing the impact of our brands and implementing initiatives or awareness campaigns.

OUR MONITORING INDICATORS TO 2020

RAISING CONSUMER AWARENESS ABOUT LIVING SUSTAINABLY



25.4%

of brands have conducted a consumer awareness initiative.

These percentages are calculated based on their share of 2013 consolidated turnover.

ASSESSMENT AND REPORTING



22%

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

UNDERSTAND CONSUMER EXPECTATIONS

In 2014, the Group's research teams set out to understand consumer expectations worldwide in terms of sustainable development. Identifying catalysts and impediments on this issue and understanding how communication about a product or brand can engage our consumers are a few examples of the areas explored through a dedicated platform shared with the Marketing and Product Development teams. Various subsidiaries, such as China, Belgium and Italy, provided additional information through specific studies interpreting local expectations of their consumers on topics such as naturalness, local businesses' social contribution, and levers and barriers to sustainable consumption in their specific contexts.

TRAIN TEAMS

A variety of training modules have been developed, particularly for the Marketing teams, to support increased skills within the company in improving a product's formula, packaging or POS display. Special attention was given to the development of tools to facilitate communication with consumers about sustainable development, without inducing guilt, with the proper balance of clear technical information, while perpetuating desirability and remaining in line with consumer expectations for a cosmetic product.

EVALUATE BRAND FOOTPRINTS

In 2014, twenty-two percent of the Group's brands were evaluated on their greatest environmental or social impact. Biotherm, Garnier, La Roche-Posay, The Body Shop and the Professional Products Division were assessed by various in-house, cross-departmental work groups comprising teams from the laboratories, Product Development and Brand executive management, who assessed both formula and packaging to outline improvement plans. Based on these plans, the brands created discussion platforms to establish the topics to be used when generating a dialogue with their consumers, thereby raising awareness about living more sustainably.

Focus



BIO THERM CONTINUES WATER LOVERS

Biotherm has been committed to preserving the planet's water resources and aquatic biodiversity since 2011 through the Water Lovers initiative, meant to encourage responsible consumption through limiting its products' water footprint and preserving global water resources. The aim is to provide consumers with keys to understanding, helping them make sustainable choices by providing them with special tools via the brand's website and social networks, such as "Biotherm's Bathroom" on Facebook. This interactive concept lets users calculate their personal water footprints, inspiring them to get involved and become spokespeople for this movement. Biotherm has also introduced limited editions: a portion of the profits from these products is donated to the Mission Blue initiative to protect the planet's waters. ●

Focus

LA ROCHE-POSAY AND MELANOMA SCREENING

For more than a decade, La Roche-Posay has been proactively involved in the fight against skin cancer: in partnership with major dermatologists' associations, the brand holds screening campaigns to educate the general public about the risks of skin cancer, provides advice on acceptable sun exposure and gives free, personalised screenings by dermatologists. In 2014, well over 3,000 dermatologists in more than 30 countries in Europe and the Americas helped diagnose more than 280,000 people and identify more than 2,800 lesions. In Australia, which has the highest incidence of melanoma, La Roche-Posay launched the "Become a Skinchecker" viral campaign in October, encouraging people to monitor their moles and those of their close ones. In 2015, the campaign will be extended to nearly 35 countries. ●



To learn more about our work in raising consumer awareness about living sustainably: www.sharingbeautywithall.com



Developing sustainably

Developing sustainably with our stakeholders is a priority. Ensuring that our employees around the world benefit from the best social practices, engaging our suppliers with our sustainable development commitments, enabling access to work for the communities around us through a variety of inclusive initiatives – that is the vision of responsible corporate citizenship that we are making unfolding.



UNIVERSALISING OUR SOCIAL MODEL

22

JOINING FORCES WITH OUR SUPPLIERS AROUND OUR COMMITMENTS

23

PROMOTING ACCESS TO EMPLOYMENT

24

PROMOTING INCLUSION IN OUR COMMUNITIES

25

UNIVERSALISING OUR SOCIAL MODEL

By the end of 2015, the Group will guarantee its employees, in the 68 countries where it is present, access to the best practices in place for worker benefits through the L'Oréal Share & Care programme. This programme represents the universalisation of our social model, while also serving as a genuine catalyst for rapid progress. By 2020, 100% of L'Oréal's employees will also have regular access to training, as part of our objective to ensure training for all.

OUR MONITORING INDICATORS TO 2020

HEALTHCARE

85.3% 

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

FINANCIAL SECURITY

70.1% 

of the Group's permanent employees receive financial protection in the event of personal injury, such as death or permanent disability.

TRAINING

81.7% 

of the Group's employees attended at least one training session in 2014.

These 3 indicators are calculated according to the Group's global scope (Cosmetics and The Body Shop).

A NEW PAGE IN THE GROUP'S SOCIAL HISTORY

L'Oréal has always sought to make sure its employees enjoy the highest levels of social protection. In France, since the Sixties, the Group has granted four weeks of maternity leave above and beyond the legal standard. The L'Oréal Share & Care programme, unveiled in late 2013, is part of this long tradition of ensuring employee well-being as well as a corporate stance of putting people first. L'Oréal Share & Care is meant to give the Group's employees the best benefits in four areas: healthcare, with better coverage and swift access to quality healthcare for employees and their families; social protection, for better coverage in case of personal injury; parenting, to assist them in balancing their work and personal lives; and lastly, the quality of life at work. In the 68 countries where the Group operates, the programme's objective is to establish a common base and align with local best practices, while encouraging each country to explore social innovations on its own. Through concerted team efforts, the programme's implementation is taking place very quickly, ahead of the goals set for late 2015.

Focus



MALAYSIA AND DUBAI: DOUBLING MATERNITY LEAVE

Malaysia went from eight weeks of maternity leave to 14 weeks paid maternity leave; Dubai, from eight and a half weeks paid at 50% to

14 weeks paid at 100%. And both countries have done more than just extend the leave period and pay – they have also created a guide with helpful advice for pregnant women and new mothers, as well as for their managers, to make the maternity period easier and to ensure the return to work is more comfortable. A relaxation area and nursing room are now available. ●

GOVERNANCE ATTUNED TO OUTSIDE INPUT

An Advisory Board was formed to analyse and identify key trends and best practices in social performance, as well as customs and needs, in every geographic zone. This has helped to foster the programme's expansion and implementation. Chaired by Jérôme Tixier, the Group's Executive Vice President of Human Relations and Advisor to the Chairman, the Advisory Board is composed of nine external members, including researchers, academics, and trade union officials, representing a variety of nationalities. This new body met for the first time in Paris on November 13th and 14th 2014 in the presence of the Group's Chairman and CEO Jean-Paul Agon. L'Oréal has also set up internal and external audit systems for the programme.

LEARNING FOR ALL: TARGETED TRAINING FOR EVERY EMPLOYEE

L'Oréal believes that the professional development of its employees is key to top performance and transformation. Whatever his or her profession, country or position, each employee should have access to career development opportunities throughout his or her career within the Group, which is essential in this increasingly globalised world. Learning For All has one clear objective: to give every single employee access to one training course a year by 2020. It also embodies our belief in encouraging each employee to be an actor in his or her own development, no matter what their occupation or status. Over 80% of L'Oréal employees attended at least one training course in 2014. An online training portal, My Learning, which was rolled out in 2013, has helped achieve this ambition more rapidly. My Learning – available in 11 languages and in the 68 countries where L'Oréal is present – offers more than 4,000 educational resources. By the end of 2014, the portal had provided more than 70,000 hours of training, compared with 20,000 at the close of 2012, and had a total of 42,000 active users, six times more than two years ago.



To learn more about L'Oréal Share & Care initiatives: www.sharingbeautywithall.com

JOINING FORCES WITH OUR SUPPLIERS AROUND OUR COMMITMENTS

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

OUR MONITORING INDICATORS TO 2020

SELECTION

43%

of the Group's strategic suppliers have been evaluated and selected based on their environmental and social performance. They represent more than 60% of direct purchases (raw materials, packaging and subcontracting).



SELF-ASSESSMENT

50%

of strategic suppliers have completed a self-assessment of their sustainability policy with our support.



INVOLVE OUR SUPPLIERS

Suppliers are an integral part of the environmental, social and ethical commitments made by the L'Oréal Group. Since 2002, all buyers have been implementing the responsible purchasing policy known as the L'Oréal Buy & Care programme. This means suppliers are involved in the Group's initiatives; first and foremost, our strategic suppliers, whose environmental and social policies are regularly assessed. These are suppliers who provide the Group with significant added value by contributing their influence, innovation, strategic alignment and geographic positioning in long-term support for L'Oréal's strategy.

ASSESS PERFORMANCE

In order to maintain long-term, value-generating relationships, the Purchasing teams forge their supplier relationships around five performance pillars: Competitiveness, Quality, Supply Chain & Service, Innovation and CSR. L'Oréal reshaped these five pillars in 2014 and developed a single global scorecard harmonised across all purchasing areas. Each one of these 5 pillars is a composite of formalised indicators. The CSR pillar represents 20% of the total assessment and covers the environmental, social and societal dimensions. Furthermore, 834 social audits were carried out in 2014, amounting to 6,129 since 2006.

SUPPORT SELF-ASSESSMENT

L'Oréal has also initiated a programme to evaluate strategic suppliers and their sustainable development policy. This means that, in addition to its own assessment, L'Oréal has asked the Ecovadis firm to perform an evaluation of its suppliers' sustainable development policy, covering four areas: environment, Human rights, ethical business practices and the involvement of their own suppliers. This assessment has two objectives: refining supplier performance analysis and helping suppliers improve by identifying the areas in need of improvement. By late 2014, more than 130 suppliers, 92 of them considered strategic, had been evaluated by Ecovadis on their environmental, social and ethical policies, as well

as their deployment to their own suppliers. This represents over 50% of the Group's strategic suppliers.

TAKE PART IN THE CDP SUPPLY CHAIN

Since its suppliers' activities represent 28% of its carbon emissions, L'Oréal believes such activity is part of its broader environmental footprint. Therefore, since 2009, the Group has involved its suppliers in measuring and reducing its carbon footprint by asking them to work with the CDP in the CDP Supply Chain programme. The CDP is an NGO that encourages companies to publish their environmental impact data and provides tools for measuring, evaluating and communicating this data. Since 2014, it is compulsory for strategic suppliers to take part in the CDP Supply Chain and 89% of suppliers invited (192 out of 215) have done so. Among the suppliers who have responded, 85% are measuring their CO₂ emissions and over 60% have clear objectives for reducing their carbon footprint, a significant improvement compared to 2013.

A word from...

Maurizio Volpi, President of Fragrances Division at Givaudan

“ SHARING BEAUTY WITH ALL PUSHES US TO MAKE THIS HAPPEN QUICKER.”

Givaudan are in their 6th year of our sustainability programme which covers many aspects including how we source, how we innovate, how we produce and how we partner. The Sharing Beauty With All programme has helped us better understand which criteria are most relevant for assessing sustainability aspects moving forward. The programme has also been invaluable in helping us articulate Green chemistry and sustainability issues relating to fragrances and their use in L'Oréal products. It pushes us to make this happen quicker! A sense of urgency that we like. ●



To learn more about our suppliers' involvement in our sustainability programme: www.sharingbeautywithall.com

PROMOTING ACCESS TO EMPLOYMENT

By 2020, L'Oréal will have enabled 100,000 people from underprivileged communities to access work. To achieve this goal, the Group relies on various inclusive business models, like vocational training in the beauty sector and hiring people with disabilities.

OUR MONITORING INDICATORS TO 2020

VOCATIONAL TRAINING IN THE BEAUTY SECTOR



1,400 PEOPLE

accessed work through the Beauty for a Better Life programme.

HIRING PEOPLE WITH DISABILITIES



815 PEOPLE

with disabilities work for L'Oréal. This figure only includes employees wishing to self-declare as having a disability. As self-declaration meets with significant resistance in various cultural contexts, this figure does not encompass the reality of the staff concerned.

PURSUE THE EXPANSION OF BEAUTY FOR A BETTER LIFE

The beauty sector can act as a catalyst to social inclusion and employment: it forges social ties by its very nature. In 2009, the L'Oréal Foundation launched the philanthropic training programme known as Beauty for a Better Life, which helps people in very challenging social or economic situations regain their self-esteem and achieve social reintegration through top-quality vocational training in the beauty sector. In 2014, nearly 1,400 people benefited from this programme, about 30% more than in 2013, and took advantage of free training in hairstyling, make-up application and beauty treatments.

WORK CLOSELY WITH LOCAL ACTORS

Beauty for a Better Life is now active in more than twenty countries. The great majority of the beneficiaries are women: some are unemployed, others in social or financial difficulty or victims of human trafficking, some have quit school or broken off family relations, others are victims of domestic violence or political or religious conflicts. To support these women, L'Oréal has developed a customised educational programme, tailored to local conditions, which offers theoretical and practical training in a specially-equipped salon. The L'Oréal Foundation and Group staff in the countries concerned work closely with the governments and in association with a local partner (NGO, charity organisations) that is a recognised expert in the fields of social issues and vocational training.

Focus

SUPPORT DISADVANTAGED MOTHERS IN INDONESIA

In 2014, the L'Oréal Foundation introduced Beauty for a Better Life in Indonesia, in partnership with the Pekka association, supporting disadvantaged, isolated mothers to help them reintegrate into society. One hundred women from the Karawang region, a particularly poor rural area, a three-hour drive from Jakarta, are taking the training, which received the Indonesian government's support. ●

RECRUIT PEOPLE WITH DISABILITIES

L'Oréal is committed to supporting people with disabilities as part of its international diversity policy formalised in 2005. By 2015, one of the Group's priorities is to promote employment of people with disabilities in accordance with national legislation or its own alternatives. Furthermore, to inspire and encourage its subsidiaries to take concrete action on this matter, L'Oréal has held, every other year since 2008, its own Disability Initiative Trophies. This competition became a worldwide event for the first time in 2014. After being evaluated by panels formed of L'Oréal managers and external disability experts, a variety of projects were judged on performance criteria, transferability, long-term vision, and the involvement of various stakeholders. In the end, 17 countries qualified for the world finals and L'Oréal Chile, L'Oréal Nigeria and L'Oréal Hong Kong were awarded prizes on October 30th 2014. These three countries are pioneers in their respective local contexts, whether in terms of hiring people with disabilities to join the teams, career development or positions obtained, and this despite there being no local legislation obliging companies to be proactive in employing people with disabilities.

Focus

HELP PEOPLE WITH DISABILITIES OPEN THEIR OWN HAIR SALON IN NIGERIA

In Nigeria, L'Oréal has entered into a partnership agreement with an association of hairdressing and cosmetic professionals in Lagos to help people with disabilities open their own salon, training them in hairdressing and sales. After two sessions, eight hairdressers had a regular source of income by the end of 2014. ●



To learn more about our local initiatives promoting access to employment: www.sharingbeautywithall.com

PROMOTING INCLUSION IN OUR COMMUNITIES

By 2020, L'Oréal will have helped 100,000 people from socially or financially challenged communities to access work. This objective will be met through the Solidarity Sourcing programme coupled with the Group's increased momentum in implementing innovative, inclusive business models in the years to come.

OUR MONITORING INDICATORS TO 2020

SOLIDARITY SOURCING



52,000 PEOPLE

accessed work through the Solidarity Sourcing programme. The Body Shop's Community Fair Trade programme is also part of this initiative. It helped 25,000 people access work.

INCLUSIVE BUSINESS MODEL



200 PEOPLE

accessed work through an inter-industry, inclusive waste management project in Mumbai, India.

PURCHASE AS A SOCIAL INCLUSION CATALYST

The objective of Solidarity Sourcing is to utilise L'Oréal Purchasing as a social inclusion catalyst. In 2010, the Group established the global solidarity purchasing programme, designed to help people from economically vulnerable communities find lasting employment and income. By late 2014, Solidarity Sourcing encompassed 250 projects helping more than 27,000 people around the world. Furthermore, The Body Shop's Community Fair Trade programme helped 25,000 people access work. A total of 52,000 people, across all geographic areas, currently enjoy the advantages of the Group's purchasing programme. Moreover, L'Oréal has now added over 50 fair-trade raw materials to 10.5% of its products (excluding The Body Shop) and over 90% of products sold by The Body Shop contain ingredients from the Community Fair Trade programme.

ACCELERATE THE EXPANSION OF SOLIDARITY SOURCING

Sustainable development is a vital part of L'Oréal's buyers' mission. Overseeing the environmental and social performance of each supplier's portfolio is now paired with implementing value-creating projects, like those developed as part of the Solidarity Sourcing programme. Between 2012 and 2014, the number of buyers having initiated a Solidarity Sourcing project doubled. Moreover, since 2012, internal auditors have begun including the programme in their audit scope as part of a continuous improvement process. Such audits have been conducted in China, Switzerland, South Africa, Benelux and all indirect European purchases.

JOIN FORCES WITH SUPPLIERS AROUND OUR COMMITMENTS

L'Oréal has pledged that 20% of its strategic suppliers will be involved in Solidarity Sourcing by 2020. In 2014, more than 190 suppliers were already involved, including solidarity suppliers committed to employing those distanced from the mainstream labour market. Moreover, some suppliers have applied this programme within their own supply chain. By the close of 2014, 4% of strategic suppliers had implemented a Solidarity Sourcing initiative.

Focus



RESPONSIBLE GUAR SUPPLIES IN INDIA

Grown mainly in India, in Rajasthan and Haryana, guar gum is increasingly used as a thickener and emulsifier in haircare and

haircolour products. L'Oréal, in partnership with its supplier, Solvay, the leading producer of this natural raw material, is currently developing a Solidarity Sourcing project to improve the living conditions of 1,500 farmer-harvesters, while promoting environmentally-friendly agricultural practices. ●

Focus

AN INNOVATIVE, INCLUSIVE WASTE MANAGEMENT PROJECT IN INDIA

In 2014, L'Oréal tested a new inclusive business model in India around waste management, particularly for shampoo packaging. The experiment was conducted in partnership with Stree Mukti Sanghatna, an association offering a solidarity waste-picking programme, and Ampolt Electronic, an entity that develops green solutions in energy and technology. Waste-pickers collected the waste, to be later reused as fuel. Implemented in 13 Mumbai districts with a team of 200 women overseeing the waste collection, the project succeeded in gathering and recycling 540 tonnes of waste between April and December 2014. In 2015, it will be extended to all Mumbai districts, as well as other parts of India. ●



To learn more about our inclusion initiatives: www.sharingbeautywithall.com

THE “PANEL OF CRITICAL FRIENDS”: AN EXTERNAL ASSISTING BODY

L'Oréal involved its external stakeholders to formalise the commitments of its Sharing Beauty With All programme. In 2014, the Group stayed true to this partnership path by gathering for the first time a panel of independent international experts to challenge, every year, L'Oréal's efforts in achieving its objectives.



From left to right: Alexandra Palt (L'Oréal Director CSR & Sustainability), Edmund Blamey, Christian de Boisredon, Mehjabeen Abidi-Habib, José María Figueres, Jean-Paul Agon (L'Oréal Chairman and Chief Executive Officer), Princess Celenhle Dlamini, Lo Sze Ping and Sara Ravella (L'Oréal Executive Vice-President Communication, Sustainability and Public Affairs).

“With Sharing Beauty With All, L'Oréal is extending and strengthening this co-constructive approach to its sustainable development strategy, involving external stakeholders, who were central to defining the Group's commitments.”

As part of the Sharing Beauty With All programme, L'Oréal committed to providing regular updates on its progress and accomplishments. To assist it in this initiative, the Group formed an independent, international panel of experts, the “critical friends”, serving as an external assisting body to the programme.

RECOGNISED AND INDEPENDENT STAKEHOLDERS

The panel is chaired by José María Figueres, President of Costa Rica from 1994 to 1998 and internationally renowned for his commitment to sustainable development. Serving with him are other leading global experts on environmental and social issues:

- Lo Sze Ping, Chinese environmentalist, former Greenpeace activist, CEO of Greenovation Hub;
- Mehjabeen Abidi-Habib, Pakistani researcher in human ecology, natural resource management specialist;
- Princess Celenhle Dlamini, a South African who is a director of the Ubuntu Institute, an organisation working toward achieving the United Nations' Millennium Development Goals;
- Analisa Balares, the American Founder and CEO of Womensphere™, which develops media tools and online communities, and presents awards to inspire and encourage women wanting to make a difference in the world;

- Christian de Boisredon, French creator of the “impact journalism” concept through Sparknews, which spotlights positive initiatives worldwide;

- and, in 2014, sustainable marketing specialist Edmund Blamey took part as a special guest.

CONSTRUCTIVE CO-CREATION

These “critical friends” will meet once a year, joined by Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal. Their role is to review the progress made through the Sharing Beauty With All programme, critically evaluate the actions taken, and suggest improvements to be made. The “Panel of Critical Friends” first met in France on September 19th 2014, at the Group headquarters in Clichy. The morning was devoted to a presentation of the Group's sustainable development achievements since the commitments were first outlined, and how those objectives were achieved. In the afternoon, some panel members attended exchanging and debating workshops on specific issues, where they were able to make contributions based on their respective skills and expertise. L'Oréal is thereby extending and strengthening this co-constructive approach to its sustainable development strategy, involving external stakeholders, who were central to defining the Group's commitments. ●

FOR FURTHER INFORMATION, REFER TO ALL THE GROUP PUBLICATIONS

All our 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.



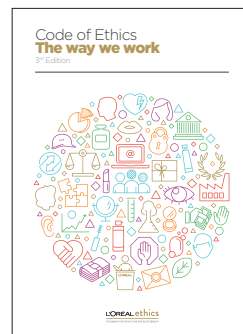
THE ANNUAL REPORT
L'Oréal in 2014, with its Divisions, brands and countries, driven by its mission – Beauty For All – and by its strategy – the Universalisation of beauty.



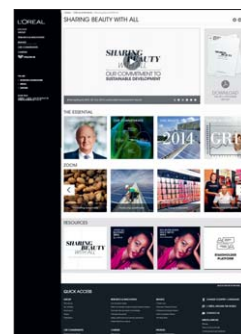
THE REGISTRATION DOCUMENT
This document includes the 2014 financial statements, the Annual Financial Report, the Management Report of the Board of Directors including a section on Social and Environmental Responsibility.



THE PROGRESS REPORT
2014 Progress Report of the results of the Sharing Beauty With All sustainability programme.



THE CODE OF ETHICS
The third edition of the Code of Ethics (2014) is the reference document that inspires the choices and guides the actions of L'Oréal's employees on a daily basis. The Code of Ethics is available in 45 languages, as well as in French and English in Braille.



GO FURTHER ON THE WEB
Learn about our sustainable development strategy, commitments and initiatives in greater detail at www.sharingbeautywithall.com

⊕ 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 on www.sharingbeautywithall.com).



Conceived and edited by the Image and Corporate Communication Department.

Photograph credits: ©Mert Alas & Marcus Piggott for Lancôme (inside front cover-inside-back cover), ©Thomas Gogny (inside front cover-inside-back cover-p.5), ©Getty images (inside front cover-inside-back cover-p.5-10-18-21), ©L'Oréal (inside front cover-inside-back cover-p.22), ©Paco Santamaria (inside front cover-inside-back cover-p.15), ©Leandro Bergamo (inside front cover-inside-back cover), ©Ricardo Wolf (inside front cover-inside-back cover), ©Claudius Hauzwaun (inside front cover-inside-back cover), ©Atypic Studio (inside front cover-inside-back cover), ©Cyril Abad/Agence Capa (p.3-14), ©La Roche-Posay (p.11), ©Jason Taylor (p.12), ©Morris Lenczicki (p.16), ©Paolo Armando (p.16), ©Magdalena Giannelis (p.17), ©Yusrina Husna (p.17), ©Garnier (p.19), ©Biotherm (p.20), ©Mechelle Engemann (p.25), ©Michel Labelle (p.26). **Designed and produced by:** [Angie](http://Angie.com) (RAL0014).

The Lys Altitude paper on which the 2014 Progress Report is printed comes from sustainably managed forests and is 100% recyclable. It carries the FSC (Forest Stewardship Council) label. The purpose of this eco-certification is to promote responsible management of forests worldwide, management which is environmentally-appropriate, socially-beneficial and economically-viable in order to meet the needs of present and future generations.

logo FSC
à venir

logo imprimvert



L'ORÉAL

Incorporated in France
as a "Société Anonyme"
with a registered capital
of 112,246,077.80 €
632 012 100 R.C.S. Paris

Headquarters:
41, rue Martre,
92117 Clichy Cedex, France
Tel.: + 33 1 47 56 70 00
Fax: + 33 1 47 56 86 42

Registered office:
14, rue Royale
75008 Paris, France