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**L'ORÉAL**

**United Nations Global Compact  
Communication On Progress (“COP”) 2011**

Advanced Level

## **About this document**

L'Oréal has been a signatory of the United Nations Global Compact since 2003 and is a member of the French network of the Global Compact (Forum des Amis du Pacte Mondial).

L'Oréal is committed to supporting the ten principles of the UN Global Compact relating to Human Rights, labor standards, the environment and the fight against corruption as well as reporting and communicating annually to its stakeholders on progress made to implement these principles.

L'Oréal is reporting according to the UN Global Compact "Advanced Level" and describes how it meets the 24 criteria of this Level in the following areas :

- Strategy, governance and engagement
- UN goals and issues
- Implementation of the UN Global Compact principles
- Value chain implementation
- Verification and disclosure

It reflects our self assessment on how we have met the UN Global Compact Advanced Level criteria. We consider that a criterion is met when we communicated its implementation or planned implementation of one or more of the commonly accepted best practices suggested under each criterion.

All information in L'Oréal's 2011 COP is compiled from our 2011 Annual Report (Annual Registration document), 2011 Sustainable Development Report, 2011 GRI Report, 2011 L'Oréal Fondation d'Entreprise Activity Report and Corporate website.

**L'Oréal's COP is available on L'Oréal's Corporate website ([www.loreal.com](http://www.loreal.com)).**

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## STATEMENT OF CONTINUED SUPPORT

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### **F**or sustainable, responsible and inclusive growth.

In a world facing an increasing number of challenges – climatic, environmental and societal – expectations with regard to companies are extremely high. But what could be seen as a constraint is in fact a remarkable source of inspiration, creativity and competitiveness. Our approach to sustainable growth is deliberate and carefully considered. Our ethical values are the basis of coherent policies in terms of responsible innovation, the environment, social and societal responsibility and philanthropy. We are particularly proud to have supported the principles of the United Nations Global Compact since 2003, and to be renewing our commitment again this year through concrete projects that are constantly progressing. In this way, we shall have solid foundations on which to build sustainable, responsible and inclusive growth.

First of all, sustainable growth, because hundreds of thousands of people all over the world are directly or indirectly dependent on the prosperity of our group. Here the key is our ambition to win over a billion new consumers. It is based on our strategy for universalising beauty that respects the diversity of the world. It is expressed in the form of products that are tailored to different needs, cultures and beauty traditions, and it also reflects the cultural richness of our teams. With this strategy, we are targeting solid, sustainable growth.

Secondly, responsible growth. We are all convinced that a company's behaviour is just as important as its performance, and L'Oréal's ambition is thus to be one of the most exemplary companies in terms of ethics. More than any other, the world leader in beauty has a duty to help preserve the beauty of the planet. We long ago began reducing the environmental impact of all stages in the life cycle of our products, with truly sustainable consumption as the goal. We are already well on the way to achieving the highly ambitious objectives we have set ourselves in terms

of reducing our environmental footprint, while our business continues to grow.

And lastly supportive growth, because experience has shown that the healthy state of our ecosystem and the company's performance are inseparably linked. For many years now, L'Oréal has been considerably boosting its societal commitments. Through the initiatives of its Foundation, its brands, "Solidarity Sourcing" and its subsidiaries, the group seeks to share its success and thus contribute to the greater well-being of the surrounding populations.

If we are to get through another century successfully, we need to continue taking action on three fronts. Firstly, being useful through our business, which over a hundred years has given meaning to our action because cosmetics are linked to the identity of all individuals, enabling them to fully express their personality, develop self-confidence, connect with others and find fulfilment. Secondly, aiming for the long-term, because we want all our actions to be lasting, so that we never sacrifice the future for the present; and lastly, committing ourselves, through our innovative force, to an ongoing effort of anticipation and progress that are both concrete and measurable.

The world's great challenges are collective issues in which each one of us has a role to play. Our global presence gives us an amazing capability for action and mobilisation. By facilitating access to products that contribute to the quality of life, protecting the natural capital of our planet and helping the communities around us, we create value that benefits everyone.

**Jean-Paul Agon,**

*Chairman and Chief Executive Officer*



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**STRATEGY, GOVERNANCE AND ENGAGEMENT**

**CRITERION 1** Key aspects of the company's high-level sustainability strategy in line with Global Compact principles

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION   |
|---|--|
| Impact of broader sustainability trends on the long-term prospects and financial performance of the organization  | <p>The L'Oréal Spirit</p> <p><b>"For Sustainable, responsible and inclusive growth"</b><br/>Statement of Jean-Paul Agon, Chairman and Chief Executive Officer</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Sustainable Development Report, pages 11, 19, 29 + 39</li> <li>• 2011 GRI Report, 1.1 + 1.2</li> <li>• 2011 Annual Report (Registration Document 1.8)</li> </ul> |
| Major sustainability risks and opportunities in the near to medium term (3-5 years)                               |  |
| Social and environmental impact of the organization's activities  |  |
| Overall strategy to manage sustainability impacts, risks and opportunities in the near to medium term (3-5 years) |  |
| Key performance indicators to measure progress  | <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, pages 46 &amp; 47</li> </ul>   |
| Major successes and failures during the reporting period  | <p><b>"If 2011 had to be summarized in two words, it would be the year of <i>sustainable innovation</i>".</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, page 3</li> <li>• 2011 GRI Report, 1.2</li> </ul>  |

**CRITERION 2** Decision-making processes and systems of governance for corporate sustainability

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION  |
|---|---|
| Involvement and accountability of management (C-suite) in developing corporate sustainability strategy in line with Global Compact principles and overseeing its implementation | <p>The Group Director of Ethics is the United Nations Global Compact contact, reports to the Chairman and CEO and participates in the Group's Corporate Responsibility Steering Committee.</p> <p>The Executive Vice President Communication, Sustainability and Public Affairs is a member of the Group's Executive Committee and chairs the Group's Corporate Responsibility Steering Committee.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul> |

|   |  |
|---|--|
| <p>Corporate governance structure Board of Directors or equivalent and its role in oversight of long-term corporate sustainability strategy and implementation in line with Global Compact principles</p> | <p>The Board of Directors' Strategy and Sustainable Development Committee demonstrates the Board's determination to ensure that L'Oréal has all of the means and resources to meet all of the challenges of sustainable growth.</p> <p>The Group Director of Ethics provides periodic reports to the Chairman and CEO, to the Board and to the Group's Executive Committee.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, 4.9</li> <li>• Ethics section on loreal.com</li> </ul> |
| <p>Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles</p>   | <p>All L'ORÉAL employees are appraised not only on their results but also on the way in which such results are obtained. Two ethical competencies are now part of L'ORÉAL's appraisal system worldwide - 'Act/Lead with human sensitivity' and 'Obtain results with integrity'</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>  |

**CRITERION 3** Engagement with all important stakeholders

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION  |
|--|---|
| <p>Regular stakeholder consultations in the area of Human Rights, labor, environment and anti-corruption</p> | <p>L'Oréal has regular discussions with organizations and associations interested by its development and activities, namely via its "Stakeholders Forums"</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, 4.16</li> <li>• 2011 Annual Report (Registration Document 6.3.2.)</li> </ul>                        |
| <p>Process of incorporating stakeholder input into corporate strategy and business decision making</p>       | <p>The Stakeholders Forums namely aim to collect feedback from stakeholders on L'Oréal's strategy regarding sustainability to nurture the Group's strategic thinking.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, 4.16 &amp; 4.17</li> <li>• 2011 Annual Report (Registration Document 6.3.2.)</li> </ul> |

**UNITED NATIONS GOALS AND ISSUES**

**CRITERION 4** Actions taken in support of broader UN goals and issues

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION   |
|---|--|
| <p><b>Adoption or modification of business strategy and operating procedures to maximize contribution to UN goals and issues</b></p>                                  | <p><b>The L'Oréal Spirit</b><br/> <b>"For Sustainable, responsible and inclusive growth"</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Sustainable Development Report</li> <li>• 2011 GRI Report, 1.1</li> </ul>   |
| <p><b>Development of products, services and business models that contribute to UN goals and issues</b></p>  | <p><b>Examples of products or business models contributing to the UN goals and issues include namely Alternative Testing Methods, Green Chemistry, Formula Biodegradability, Packaging Eco-Design, Solidarity Sourcing, Sustainable Purchasing and Green Academies</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report 2011 pages 12-17, 20, 36 -37, 40 - 41</li> <li>• 2011 GRI Report, 4.11, EC6, EN26, SO1</li> </ul>  |
| <p><b>Social investments and philanthropic contributions that tie in with the organization's core competencies, operating context and sustainability strategy</b></p> | <p><b>Created in 2007, the L'Oréal Corporate Foundation supports programs in 3 key areas: science, solidarity and education.</b></p> <p><b>To involve staff in its community spirit and commitment to solidarity, L'Oréal decided to introduce a "Citizen Day"</b></p> <ul style="list-style-type: none"> <li>• Sustainable Development Report 2011 pages 44- 45</li> <li>• 2011 GRI Report, EC8, SO1</li> <li>• L'Oréal Fondation d'Entreprise, 2011 Activity report</li> <li>• 2011 Annual Report (Registration Document 6.3.2.)</li> </ul>  |
| <p><b>Public advocacy on the importance of one or more UN goals and issues</b></p>  | <p><b>For example, The Body Shop "Stop Sex Trafficking" campaign and L'Oréal's proactive Diversity policy</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report 2011 pages 31 &amp; 43</li> <li>• 2011 GRI Report, HR4</li> <li>• 2011 Annual Report (Registration Document 6.1.2.6.)</li> </ul>  |
| <p><b>Partnership projects and collective actions in support of UN goals and issues</b></p>   | <p><b>Many partnership projects are organized either with public organizations for example UNESCO or with private organizations, industry peers or suppliers at a Corporate, Brand or local level.</b><br/> <b>Examples include « Beauty from the Heart », UNESCO "For Women in Science", Hairdressers against AIDS, Opération Sourire, Médecins du Monde, Giorgio Armani/Green Cross International Accessible Drinking Water project, Garnier/Carrefour Environmental labelling, FSC Packaging, EDF/ Vichy Manufacturing Energy reduction project, the Carbon Disclosure Project</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report pages 16, 20, 23, 42,43</li> <li>• 2011 GRI Report, EC2</li> <li>• 2011 Annual Report (Registration Document 6.3.2.)</li> </ul> |

**HUMAN RIGHTS IMPLEMENTATION**

**CRITERION 5** Commitments, strategies or policies in the area of human rights

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>Commitment to comply with all applicable laws and respect internationally recognized Human Rights, wherever the company operates (e.g. the Universal Declaration of Human Rights)</p> | <p>L'Oréal is particularly attached to the respect of the spirit and letter of the laws relating to Human Rights.</p> <p>The L'Oréal Spirit<br/>The Code of Business Ethics</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul> |
| <p>Statement of policy expressing commitment to respect and support Human Rights approved at the most senior level of the company</p>  | <p>The L'Oréal Spirit<br/>The Code of Business Ethics</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>   |
| <p>Statement of policy stipulating Human Rights expectations of personnel, business partners and other parties directly linked to operations, products or services</p>                   | <p>The L'Oréal Spirit</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>   |
| <p>Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties</p>                                  | <p>The L'Oréal Spirit<br/>The Code of Business Ethics<br/>General Terms of Purchase</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 6.3.3.)</li> </ul>                            |

**CRITERION 6** Management systems to integrate the human rights principles

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>On-going due diligence process that includes an assessment of actual and potential Human Rights impacts</p> | <p>An Ethics Risk Assessment tool enables business units to identify and assess ethical risk (including in the field of Human Right).</p> <p>The identification of key human rights risks is part of the risk assessment of new projects/acquisitions.</p> <p>Risk assessment in our supply chain is carried out by the Purchasing Department and namely via supplier audits.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR Management Approach</li> <li>• 2011 Annual Report (Registration Document 6.3.5.)</li> <li>• Ethics section on loreal.com</li> </ul> |

|  |  |
|--|--|
| <p><b>Internal awareness-raising and training on Human Rights for management and employees</b></p>   | <p><b>Continuous communication on Human Rights is ensured, namely via our annual "Ethics Day"</b></p> <p><b>Staff are namely trained on Human Rights through the Group's ethics training courses.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR3</li> <li>• 2011 Annual Report (Registration Document 6.3.5.)</li> <li>• Ethics section on loreal.com</li> </ul>                                      |
| <p><b>Operational-level grievance mechanisms for those potentially impacted by the company's activities</b></p>                                      | <p><b>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</b></p> <p><b>In addition, employees can use the L'Oréal Ethics Open Talk website which provides a secure mechanism for raising concerns directly with the Group Director of Ethics.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR Management Approach</li> <li>• Ethics section on loreal.com</li> </ul> |
| <p><b>Allocation of responsibilities and accountability for addressing Human Rights impacts</b></p>  | <p><b>The Group Director of Ethics is responsible for supervising compliance with regards to L'Oréal's Human Rights policy.</b></p> <p><b>Country Managers are responsible for implementation of L'Oréal's Human Rights policy in their country.</b></p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.3.5.)</li> </ul>   |
| <p><b>Internal decision-making, budget and oversight for effective responses to Human Rights impacts</b></p>   | <p><b>See above</b></p>  |
| <p><b>Processes to provide for or cooperate in the remediation of adverse Human Rights impacts that the company has caused or contributed to</b></p> | <p><b>When a non compliance is found, our suppliers are asked to implement an action plan, which is monitored via a follow up audit.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> </ul>  |

**CRITERION 7** Monitoring and evaluation mechanisms of human rights integration

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION   |
|---|--|
| <p>System to monitor the effectiveness of Human Rights policies and implementation, including in the supply chain</p> | <p>Country Reporting Ethics, L'Oréal's annual ethics reporting system monitors all the themes covered in our Code of Business Ethics, including Human Rights.</p> <p>Since 2002, L'Oréal Buy &amp; Care program ensures through external audits that its suppliers comply with applicable laws, Human Rights and labor principles</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> <li>• Ethics section on loreal.com</li> </ul> |
| <p>Leadership review of monitoring and improvement results</p>  | <p>The Group Director of Ethics provides periodic reports to the Chairman and CEO, to the Board and to the Group's Executive Committee.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> <li>• Ethics section on loreal.com</li> </ul>   |
| <p>Process to deal with incidents</p>   | <p>All concerns are thoroughly investigated and appropriate action is taken in case of non-compliance with L'Oréal's Human Rights principles</p> <p>When a non compliance is found, our suppliers are asked to implement an action plan, which is monitored via a follow up audit.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> <li>• Ethics section on loreal.com</li> </ul>  |

**CRITERION 8** Key outcomes of human rights integration

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION   |
|---|--|
| <p>Outcomes of due diligence process</p>  | <p>In 2011, 793 supplier audits were carried out, bringing the total to more than 3300 since 2006.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> </ul>                                  |
| <p>External and formal reporting of operations or operating contexts that pose risks of severe Human Rights impacts</p> | <p>No risks of severe Human Rights impacts have been identified</p>  |
| <p>Outcomes of processes of remediation of adverse Human Rights impacts</p>   | <p>When a non compliance is found, our suppliers are asked to implement an action plan, which is monitored via a follow up audit.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR6-7</li> </ul> |

**LABOUR PRINCIPLES IMPLEMENTATION**

**CRITERION 9** Commitments, strategies or policies in the area of labour

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>Reference to relevant international conventions and other international instruments (e.g. ILO Core Conventions)</p> | <p>L'Oréal supports the fundamental principles of the United Nations Universal Declaration of Human Rights and the International Labor Organization's Core Conventions. L'Oréal wants to contribute to ending the exploitation of children in the workplace and forced labour, to ensure that workers' rights are respected and promote diversity.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>                |
| <p>Reflection on the relevance of the labor principles for the company</p>   | <p>L'Oréal has always placed the human dimension at the heart of the company and done so with a long-term vision. The development of men and women is one of the key elements in the group's economic and social performance.</p> <ul style="list-style-type: none"> <li>• 2011 GRI report, LA Management Approach</li> <li>• 2011 Annual Report (Registration Document 6.1.1.)</li> <li>• 2011 Sustainable Development Report pages 30-33</li> </ul>  |
| <p>Written company policy on labor</p>   | <p><b>L'Oréal's Code of Business Ethics</b><br/> <b>Suppliers/Subcontractors and Child Labor</b><br/> <b>Responsible restructuring</b><br/> <b>Human Resources policy</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI report, LA Management Approach</li> <li>• 2011 Annual Report (Registration Document 6.1.1.)</li> </ul>   |
| <p>Inclusion of minimum labor standards in contracts with suppliers and other relevant business partners</p>           | <p><b>All suppliers and subcontractors are required to comply with the Group's General Terms of Purchase and Payment, which include respect for the core Conventions of the International Labor Organization and for local legislation, particularly in terms of the minimum wage, working time, health and security.</b></p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.3.3.)</li> </ul>                    |
| <p>Specific commitments and goals for specified years</p>  | <p><b>"Zero accidents" target</b><br/> <b>The "Ergonomic Attitude" program</b><br/> <b>"Bringing learning to all" via the "My Learning" platform</b><br/> <b>Diversity commitments</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, pages 32 &amp; 34</li> <li>• 2011 GRI Report, LA9 and LA11</li> <li>• 2011 Annual Report (Registration Document 6.1.1.)</li> <li>• Diversity section on loreal.com</li> </ul> |

**CRITERION 10** Management systems to integrate the labour principles

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p><b>Risk and impact assessments in the area of labor</b></p>   | <p><b>Employee survey</b><br/><b>Social dialogue</b><br/><b>EHS culture audits</b></p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.1.2.4.)</li> <li>• 2011 GRI Report, LA Management Approach, LA4, LA6</li> </ul>  |
| <p><b>Allocation of responsibilities and accountability within the organization</b></p>  | <p><b>The General Director Social Relations Group is responsible and accountable for the integration of labor principles within the organization.</b></p>  |
| <p><b>Internal awareness-raising and training on the labor principles for management and employees</b></p>   | <p><b>The Ethics training for new employees covers the labor principles as set out in L'Oréal's Code of Business Ethics.</b><br/><b>There is also more detailed training for certain employees (HR, Purchasing).</b><br/><b>Diversity training has been rolled out to target 8,000 managers in Europe.</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• Diversity section on loreal.com</li> </ul> |
| <p><b>Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice</b></p> | <p><b>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</b><br/><b>In addition, employees can use the L'Oréal Ethics Open Talk website which provides a secure mechanism for raising concerns directly with the Group Director of Ethics.</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>   |

**CRITERION 11** Monitoring and evaluation mechanisms of labour principles integration

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION  |
|---|---|
| <p><b>System to track and measure performance based on standardized performance metrics</b></p>                   | <p><b>HR reporting system covers all aspects of L'Oréal's Human Resources policy</b><br/><b>L'Oréal's Ethics reporting system also covers certain items such as child labour and forced labour</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul> |
| <p><b>Audits or other steps to monitor and improve the labor performance of companies in the supply chain</b></p> | <p><b>In 2011, 793 supplier audits were carried out, bringing the total to more than 3300 since 2006.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> </ul>  |

|   |   |
|---|---|
| <p><b>Leadership review of monitoring and improvement results</b></p> | <p>The Board's Human Resources and Remuneration Committee role has been enlarged to include all the components of the Human Resources policy such as, for example, labor relations, recruitment, diversity, talent management and fostering employee loyalty.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 2.2.2.1.2.)</li> </ul> |
| <p><b>Process to deal with incidents</b></p>                          | <p>All concerns are thoroughly investigated and appropriate action is taken in case of non-compliance with L'Oréal's labour principles</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>   |

**CRITERION 12** Key outcomes of integration of the labour principles

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p><b>Outcome of due diligence and follow-up efforts to uphold the freedom of association right to collective bargaining</b></p> | <p>The quality of the social climate within L'Oréal is the fruit of continuous dialogue between the management, the employees and their representatives.</p> <p>In 2011, 2% of the nonconformities detected at our suppliers sites related to freedom of association.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, LA4 and HR5</li> </ul> |
| <p><b>Outcome of due diligence and follow-up efforts to eliminate forced labor</b></p>   | <p>In 2011, 1% of the 793 audits performed at our Suppliers' sites identified problems of forced labor.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR7</li> </ul>   |
| <p><b>Outcome of due diligence and follow-up efforts to abolish child labor</b></p>  | <p>6% of the nonconformities detected during the 2011 supplier audits related to "child labor" (contracts, employment situation of staff aged 16 to 18, medical visits that did not take place, etc.).</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR6</li> </ul>  |
| <p><b>Outcome of due diligence and follow-up efforts to eliminate discrimination</b></p>   | <p>In 2011, none of the 793 audits performed identified any problems of discrimination.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR6</li> </ul>   |

**ENVIRONMENTAL STEWARDSHIP IMPLEMENTATION**

**CRITERION 13** Commitments, strategies or policies in the area of environmental stewardship

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION  |
|--|---|
| <p>Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)</p> | <p>To protect and promote biodiversity, since 2005 L'Oréal's approach has been in accordance with the objectives of the Convention of Biological Diversity and the recommendations of the Convention on International Trade in Endangered Species of Wild Fauna and Floras (CITES)</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, 4.12, EN14, EC2</li> </ul>                                 |
| <p>Reflection on the relevance of environmental stewardship for the company</p>  | <p>"For Sustainable, responsible and inclusive growth"<br/>Statement of Jean-Paul Agon, Chairman and Chief Executive Officer</p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, page 2</li> </ul>  |
| <p>Written company policy on environmental stewardship</p>   | <p>L'Oréal's Code of Business Ethics<br/>L'Oréal's EHS policy</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 6.1.2.4)</li> </ul>  |
| <p>Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners</p>                             | <p>L'Oréal has been a member of the Carbon Disclosure Project (CDP) since 2003 and of the CDP supply chain leadership collaboration project since 2007, L'Oréal continues to encourage its suppliers to measure and manage their CO2 emissions.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, 4.12, EN14, EC2</li> </ul>  |
| <p>Specific commitments and goals for specified years</p>  | <p>As part of its 10-year environmental strategy (2005- 2015), L'Oréal has set three clear targets for its plants and distribution centres: to reduce by 50% greenhouse gas emissions (in absolute value), water consumption per finished product unit and waste production per finished product unit.</p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, page 19</li> </ul> |

**CRITERION 14** Management systems to integrate the environmental principles

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p><b>Environmental risk and impact assessments</b></p>  | <p>L'Oréal's worldwide EHS audit program assesses progress and compliance with our policies and standards, and audits are also carried out at supplier sites.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 1.8.3.4, 6.2)</li> </ul>  |
| <p><b>Assessments of lifecycle impact of products, ensuring environmentally sound end-of-life management policies</b></p>  | <p>A Packaging and Environment Guide has been distributed to all the Marketing, Packaging, Development and Purchasing teams, setting out the 10 commandments of eco-design according to L'Oréal and recommending good environmental communication practices with a view to avoiding greenwashing.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EN26</li> </ul>  |
| <p><b>Allocation of responsibilities and accountability within the organization</b></p>  | <p>The International Environment, Health and Safety Director is responsible and accountable within the organization for integrating environmental principles. The teams are committed daily to the reduction of L'Oréal's environmental footprint.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.2)</li> <li>• Carbon Disclosure Project</li> </ul>   |
| <p><b>Internal awareness-raising and training on environmental stewardship for management and employees</b></p>  | <p>In order to increase awareness on eco design principles, a 3 days seminar has been developed for pack and development, marketing and purchasing.</p> <p>A specific training course has also been designed for team leaders and members of plant management committees, distribution centers and laboratories, as well EHS managers.</p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, page 21 and 33</li> </ul>           |
| <p><b>Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts</b></p> | <p>The first point of contact for employees is their Environment, Health and Safety manager.</p> <p>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</p> <p>In addition, employees can use the L'Oréal Ethics Open Talk website which provides a secure mechanism for raising concerns directly with the Group Director of Ethics.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul> |

**CRITERION 15** Monitoring and evaluation mechanisms for environmental stewardship

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>System to track and measure performance based on standardized performance metrics</p>                           | <p>L'Oréal uses internationally recognized systems: <b>90%</b> of the L'Oréal's plants have the ISO 14000 environment certification. <b>88%</b> of the L'Oréal's plants have the ISO 9001 (2000 version) or FDA quality certification, <b>85%</b> have the OHSAS 18000 or VPP safety certification and <b>90%</b> have the ISO 14000 environment certification.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 2.5.2.4)</li> </ul> |
| <p>Process to deal with incidents</p>  | <p>All concerns are thoroughly investigated and appropriate action is taken in case of non-compliance with L'Oréal's environmental principles.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> </ul>  |
| <p>Audits or other steps to monitor and improve the environmental performance of companies in the supply chain</p> | <p>L'Oréal considers that its suppliers' CO2 emissions form part of its extended environmental footprint and that they must work together, to succeed in reducing them.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EC2</li> </ul>   |
| <p>Leadership review of monitoring and improvement results</p>   | <p>Environmental results are presented to the Sustainable Strategy Committee of the Board</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document)</li> </ul>   |

**CRITERION 16** Key outcomes of integration of the environmental principles

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>Indicators on uses of materials and energy</p>  | <p>Increase of <b>15.8%</b> in manufacturing units (2005-2011).<br/>Reduction in water consumption of <b>22.6%</b> (liters per finished product, 2005-11).</p> <p>L'Oréal has undertaken to reduce its impact on the environment and its use of natural resources through absolute reductions. When this is not possible, L'Oréal strives to improve its ecoefficiency and to adopt a more ecological approach.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EN 3 and EN8</li> <li>• 2011 Annual Report (Registration Document 6.2.1).</li> </ul> |
| <p>Indicators on emissions, effluents, and waste</p>   | <p>Emissions of greenhouse gases: absolute reduction of <b>29.8%</b> (tones of CO<sub>2</sub>, direct and indirect 2005-11).<br/>Reduction of <b>24.2%</b> in production of transportable waste (grams per finished product, excluding returnable packaging, in the factories and distribution centers, 2005-11)</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EN 16, EN 19 and EN20</li> </ul>  |
| <p>Indicators on the company's initiatives to promote greater environmental responsibility</p> | <p>Overall efficiency increased by <b>8.1%</b>.<br/>Various initiatives by Kiehls, Garnier, The Body Shop and Pureology on packaging recycling.</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EN 2, EN 5, EN10, EN13, EN18, EN27</li> </ul>  |
| <p>Indicators on the development and diffusion of environmentally friendly technologies</p>    | <p>Environmentally friendly technology projects include: Solar Energy, Wind Turbines, Biogas, Electricity partnership, BUS Project, Green Chemistry, Test Miniatures, Formula Biodegradability, Packaging Eco-Design</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EN 6, EN 26</li> </ul>  |

**ANTI-CORRUPTION**

**CRITERION 17** Commitments, strategies or policies in the area of anti-corruption

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION  |
|--|---|
| <p>Publicly stated formal policy of zero-tolerance of corruption</p>   | <p>L'Oréal's Code of Business Ethics publicly states a zero-tolerance approach to corruption. The anti-corruption policy contained in the Code of Business Ethics applies to all employees, officers and directors of the Group and its subsidiaries worldwide.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO2</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>  |
| <p>Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes</p> | <p>L'Oréal's Code of Business Ethics publicly states a commitment to respect the laws of the countries in which it operates.</p> <p>The Group Legal Department and local internal or external legal advisors helps L'Oréal's business units to keep abreast of changes in the local law.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 1.8.2.3)</li> </ul>   |
| <p>Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption</p>                                    | <p>L'Oréal abides by the United Nations Convention against Corruption and is a member of the Anti-Corruption Commission of the International Chamber of Commerce.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO2</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>  |
| <p>Carrying out risk assessment of potential areas of corruption</p>   | <p>The Group finalized its global risk assessment (which included corruption risks via the risk of fraud and non ethical behavior) in 2011 and the results were presented to the Board's Audit Committee in November 2011.</p> <p>At a local level, a practical self-assessment tool enables Country Managers to evaluate and analyze their possible ethical risks, including corruption risks.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO4</li> <li>• 2011 Annual Report (Registration Document 2.5.2.3, 6.3.4)</li> </ul> |

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| <p>Detailed policies for high-risk areas of corruption</p>   | <p>L'Oréal's Code of Business Ethics covers issues such as bribery and facilitation payments, conflicts of interests as well as gifts and entertainment. Other policies also address these issues. For example a practical guide to ethics when dealing with suppliers, "The Way We Buy" is given to all employees in contact with suppliers.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO2</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul> |
| <p>Policy on anti-corruption regarding business partners</p> | <p>L'Oréal reserves the right to cease working with business partners who have violated anti-corruption laws. Any potential supplier who attempts to bribe the external auditors retained by L'Oréal to carry out social audits will be excluded from any selection process.</p>   |

**CRITERION 18** Management systems to integrate the anti-corruption principle

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION  |
|--|---|
| <p>Support by the organization's leadership for anti-corruption</p>  | <p>L'Oréal's anti-corruption policy is supported at the highest level by L'Oréal's Chairman and CEO. For example, employees were able to ask L'Oréal's Chairman and CEO questions on these subjects during the live webchat on L'Oréal's values which took place during the Company's Ethical Day in 2011.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>   |
| <p>Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees</p> | <p>Human Resources procedures support L'Oréal's anti-corruption commitment via the ethical competency "Obtain results with integrity", which is included in the annual appraisal system for all staff.</p> <p>There is regular communication on Ethics at L'Oréal which covers anti-corruption commitments. Bribery and facilitation payments, gifts and entertainment and conflicts of interests are addressed in ethics training courses.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO2, SO4</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul> |

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| <p><b>Internal checks and balances to ensure consistency with the anti-corruption commitment</b></p>                      | <p>The Company's Internal Control system provides for internal checks and balances over our operational activities. A management standard with regard to segregation of duties and control mechanisms was distributed to all entities in 2010.</p> <p>Country Reporting Ethics, L'Oréal's annual ethics reporting system, helps monitor the group's ethical performance on this subject. Each Country receives a report which allows them to see how they compare to other entities with regards the implementation and monitoring of ethical issues, including anti-corruption.</p> <p>The Group Legal Department includes corruption risks in all pre-acquisition due diligence.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO4</li> <li>• 2011 Annual Report (Registration Document 2.5.2.1, 6.3.4)</li> </ul> |
| <p><b>Actions taken to encourage business partners to implement anti-corruption commitments</b></p>                       | <p>L'ORÉAL seeks to share these principles with its business partners and to ensure, as far as possible, that such partners also respect anti-corruption laws. An undertaking to respect local law is included in L'Oréal Standard Terms of Purchase and Payment. A more specific anti-corruption clause is currently being reviewed.</p>  |
| <p><b>Management responsibility and accountability for implementation of the anti-corruption commitment or policy</b></p> | <p>Country Managers are accountable for the implementation of the anti-corruption Group commitment in their country. The Executive Vice President of Administration and Finance is in charge of the policy at Group level. This Policy is currently being updated.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>  |
| <p><b>Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice</b></p>  | <p>Concerns and questions can be reported without fear of retaliation in line with L'Oréal's Open Talk policy and namely through the L'Oréal Ethics Open Talk website which provides a secure mechanism for raising concerns directly with the Group Director of Ethics.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>  |
| <p><b>Internal accounting and auditing procedures related to anticorruption</b></p>                                       | <p>The Company's Internal Audit teams are particularly vigilant on this subject and corruption risks are systematically covered during internal audit missions.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO4</li> <li>• 2011 Annual Report (Registration Document 6.3.4)</li> </ul>   |

**CRITERION 19** Monitoring and evaluation mechanisms for the integration of anti-corruption

| UN GLOBAL COMPACT BEST PRACTICES                               | OUR IMPLEMENTATION   |
|--|--|
| <p>Leadership review of monitoring and improvement results</p> | <p>The recent Group's global risk assessment (which includes corruption risks) was presented to the Board's Audit Committee at the end of 2011.</p> <p>The Group Director of Ethics provides periodic reports to the Chairman and CEO, to the Board and to the Group's Executive Committee.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 Annual Report (Registration Document 2.5.2.3)</li> </ul> |
| <p>Process to deal with incidents</p>                          | <p>All concerns are thoroughly investigated and appropriate action is taken in case of non-compliance with L'Oréal's anti-corruption principles.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal</li> </ul>  |

**CRITERION 20** Key outcomes of integration of the anti-corruption principle

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| <p>Outcomes of assessments of potential areas of corruption, where appropriate</p>               | <p>The Group finalized its global risk assessment (which included corruption risks) in 2011 and the results were presented to the Board's Audit Committee in November 2011. The Committee noted that the risks are taken into consideration at operational level and that there is a process for regular review by the Executive Committee.</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 2.5.2.3)</li> </ul> |
| <p>Indicators Human Resources procedures supporting the anti-corruption commitment or policy</p> | <p>L'ORÉAL employees are appraised not only on their results but also on the way in which such results are obtained. Two ethical competencies are now part of L'ORÉAL's appraisal system worldwide - 'Act/Lead with human sensitivity' and 'Obtain results with integrity'.</p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• 2011 GRI Report, SO2, SO4</li> </ul>  |

**VALUE CHAIN IMPLEMENTATION**

**CRITERION 21** Implementation of the global compact principles in the value chain

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION  |
|--|---|
| <p>Analysis of sustainability risk, opportunity and impact in the value chain, both upstream and downstream</p>    | <p><b>"For Sustainable, responsible and inclusive growth"</b><br/> <b>Statement of Jean-Paul Agon, Chairman and Chief Executive Officer</b><br/>                     For an upstream example, see <b>Solidarity Sourcing</b><br/>                     For a downstream example, see <b>Product Responsibility</b></p> <ul style="list-style-type: none"> <li>• Sustainable Development Report 2011 pages 2, 40</li> <li>• 2011 GRI Report, PR1</li> </ul> |
| <p>Policy on value chain, including a policy for suppliers and subcontractors</p>                                  | <p><b>L'Oréal actively seeks out and favors business partners who share its values and ethical commitments</b></p> <p><b>The L'Oréal Spirit</b><br/> <b>L'Oréal Buy and Care</b><br/> <b>Solidarity Sourcing</b></p> <ul style="list-style-type: none"> <li>• Ethics section on loreal.com</li> <li>• Sustainable Development Report 2011 page 40</li> </ul>  |
| <p>Communication of policies and expectations to suppliers and other business partners</p>                         | <p><b>All suppliers and subcontractors are required to comply with the Group's General Terms of Purchase and Payment, which include respect for the core Conventions of the International Labor Organization and for local legislation, particularly in terms of the minimum wage, working time, health and security.</b></p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 6.3.3.)</li> </ul>                       |
| <p>Monitoring and assurance mechanisms (e.g. audits/screenings) for compliance in the value chain</p>              | <p><b>Since 2002, L'Oréal Buy &amp; Care program ensures through external audits that its suppliers comply with applicable laws, Human Rights and labor law.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, HR2</li> </ul>   |
| <p>Awareness-raising, training and other types of capacity building with suppliers and other business partners</p> | <p><b>In 2011, 48 suppliers responded positively to an invitation from L'Oréal to also join the Carbon Disclosure Project.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, EC2</li> </ul>   |

**TRANSPARENCY AND VERIFICATION**

**CRITERION 22** Information on the company's profile and context of operation

| UN GLOBAL COMPACT BEST PRACTICES   | OUR IMPLEMENTATION   |
|--|--|
| Legal structure, including any group structure and ownership   | <ul style="list-style-type: none"> <li>• 2011 GRI Report, Profile of the Organization</li> </ul>   |
| Countries where the organization operates, with either major operations or operations that are specifically relevant to sustainability / Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | <p><b>L'Oréal has subsidiaries in 68 countries.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, Profile of the Organization</li> </ul>   |
| Primary brands, products, and/or services  | <p><b>L'Oréal sells 27 global brands in 130 countries.</b></p> <ul style="list-style-type: none"> <li>• 2011 GRI Report, Profile of the Organization</li> </ul>  |
| Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.)   | <p><b>"For Sustainable, responsible and inclusive growth"</b></p> <ul style="list-style-type: none"> <li>• 2011 Sustainable Development Report, page 2</li> <li>• 2011 GRI Report, EC3, EC5, EC6, EC8</li> </ul> |

**CRITERION 23** Standards of transparency and disclosure

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION  |
|---|---|
| The L'OREAL's COP uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines              | <p><b>Data from the 2011 GRI Report included in the L'Oréal COP has been certified GRI Application B+</b></p> |
| The L'OREAL's COP qualifies for Level B or higher of the GRI application levels                               | <ul style="list-style-type: none"> <li>• 2011 GRI Report</li> </ul>   |
| Relevant sustainability information from the L'OREAL's COP is included in annual financial report and filings | <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 2 and 6)</li> </ul>        |

**CRITERION 24** Independent verification by a credible third-party

| UN GLOBAL COMPACT BEST PRACTICES  | OUR IMPLEMENTATION  |
|---|---|
| <p>Accuracy of information in the L'OREAL's COP is verified by independent auditors (e.g. accounting firm)</p>    | <p>Data on social affairs, environment, health and safety, internal control and risk management procedures have been verified by Deloitte &amp; Associés and PricewaterhouseCoopers Audit</p> <ul style="list-style-type: none"> <li>• 2011 Annual Report (Registration Document 2.6)</li> <li>• 2011 Sustainable Development Report, pages 46 &amp; 47</li> <li>• 2011 GRI Report, 3.13</li> </ul> |
| <p>Content of the L'OREAL's COP is independently verified against content standards (e.g. GRI Check)</p>          | <p>Data from the 2011 GRI Report included in the L'Oréal COP has been certified GRI Application B+</p> <ul style="list-style-type: none"> <li>• 2011 GRI Report</li> </ul>  |
| <p>The L'OREAL's COP is reviewed by a multi-stakeholder panel or by peers (e.g. Global Compact Local Network)</p> | <p>The COP has been reviewed by the office of the French network of the Global Compact (Forum des Amis du Pacte Mondial).</p>   |