

L'ORÉAL

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORTING
ACCORDING TO THE G4 GRI GUIDELINES

General standard disclosures

S/Strategy and analysis

L'ORÉAL

G4₁

*Jean-Paul Agon,
Chairman and Chief executive Officer*

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

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

WHY MAKE THESE NEW COMMITMENTS NOW?

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

WHY DO YOU SAY THESE COMMITMENTS ARE AMBITIOUS?

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

WHAT SUSTAINABLE DEVELOPMENT ADVANCES DID THE GROUP ACHIEVE IN 2013?

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

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

G4²

Description of key impacts, risks, and opportunities

THE L'ORÉAL GROUP'S SUSTAINABLE DEVELOPMENT COMMITMENTS FOR 2020: "SHARING BEAUTY WITH ALL"

On October 23rd, 2013, Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal, announced the commitments that L'Oréal has set itself by 2020 to reduce its impact while achieving its growth ambition.

SUSTAINABILITY AT THE SERVICE OF GROWTH

L'Oréal's ambition is to reach one billion new consumers through its universalisation strategy which aims to respond to the different beauty needs of men and women all over the world. The Group's growth strategy is partly based on its commitment to produce more, with less impact, and to involve consumers, who are at the heart of its business activities, by offering them products which are both sustainable and aspirational, thus inciting them to make sustainable choices. For this purpose, L'Oréal has undertaken to improve its practices throughout its value chain, from research to production, while sharing its growth with the surrounding communities.

These commitments are the fruit of two years of consultation with various stakeholders throughout the world. L'Oréal will regularly communicate on its progress with regard to each of the objectives with the assistance of a panel of independent international experts⁽¹⁾ chaired by José Maria Figueres, recognised throughout the world for his commitment to Sustainable Development.

"SHARING BEAUTY WITH ALL": A COMMITMENT WHICH COVERS FOUR AREAS

1. INNOVATING SUSTAINABLY - BY 2020, 100% OF OUR PRODUCTS WILL HAVE AN ENVIRONMENTAL OR SOCIAL BENEFIT

Whenever the Group's brands invent or renovate a product, they will improve its environmental or social profile in terms of at least one of the following criteria:

- The new formula reduces its environmental footprint (and in particular its Water Footprint).
- The new formula uses sustainably sourced renewable raw materials or raw materials derived from Green chemistry.
- The new packaging has an improved environmental profile.
- The new product has a positive social impact.

2. PRODUCING SUSTAINABLY – BY 2020, THE GROUP COMMITS TO REDUCING ITS ENVIRONMENTAL FOOTPRINT BY 60% WHILST BRINGING BEAUTY TO ONE BILLION NEW CONSUMERS

- A 60% reduction of CO₂ emissions at our plants and distribution centres in absolute terms, from a 2005 baseline.
- A 60% reduction in water consumption per finished product unit from a 2005 baseline.
- A 60% reduction in waste generation per finished product unit from a 2005 baseline.
- Sending zero industrial waste to landfill.
- Reducing the CO₂ emissions from transportation of products by 20% per finished product/Km from a 2011 baseline.

3. CONSUMING SUSTAINABLY – BY 2020, THE GROUP WANTS TO EMPOWER ALL L'ORÉAL CONSUMERS TO MAKE SUSTAINABLE CONSUMPTION CHOICES

- A product assessment tool will evaluate the environmental and social profile of all new products. All brands will make this information available to allow consumers to make sustainable lifestyle choices.
- All L'Oréal brands will have assessed their environmental and social footprint and will have made commitments to improve it. Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices. Consumers will be able to influence the Group's sustainability actions through a consumer consultative group on sustainability.

4. SHARING GROWTH

a) Employees: by 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world.

- Employees will benefit from health coverage which is aligned with the best practice of the country they are based in.
- Employees will receive financial protection in the event of unexpected life events, such as incapacity or permanent disability.
- Employees will have access to a training session per year, wherever they are in the world.

b) Suppliers: by 2020, 100% of the Group's strategic suppliers will be participating in the supplier sustainability programme.

- All strategic suppliers will be evaluated and selected on social and environmental performance.
- All suppliers will have completed a self-assessment of their sustainability policy with our support.
- All suppliers will have access to L'Oréal's training tools, in order to improve their sustainability policies.
- 20% of strategic suppliers will be associated with the Solidarity sourcing programme presented in 2012.

c) Communities: by 2020, through its actions, the Group will enable more than 100,000 people from socially or financially deprived communities to access work.

This goal can be achieved through the following programmes:

- "Solidarity sourcing";
- Inclusive distribution;
- Professionalization of beauty-related jobs;
- Mentoring and community education;
- Employment of disabled people and under-represented socio-ethnic groups.

(1) The panel of international experts:

Sze Ping, Chinese environmentalist, former Greenpeace activist, Executive Director of Greenovation Hub; Mehjabeen Abidli-Habib, Pakistani researcher in human ecology, specialist of natural resources management; HRH Celenhle Dlamini, South African, one of the Directors of Ubuntu Institute working on the achievement of the UN Millennium Development; Zera Joaquin, American, eco-luxury specialist and founder of the "Eco-fabulous" website, aiming to make sustainability desirable; Anaisa Balares, American, Founder and CEO of WomensphereTM, developing media tools, online communities, and an award to inspire and support women willing to make a difference in the world; Christian de Boisredon, French, promoting the concept of "Impact Journalism" through Sparknews, in order to give visibility to positive initiatives throughout the world.

O rganizational profile

L'ORÉAL

G4 3 *Name of the organization*

L'Oréal

G4 4 *Primary brands, products, and/or services*

L'Oréal has a portfolio of 28 international brands, each of which has a turnover in excess of fifty million euros.

List of group brands:

- | | |
|-------------------------|---------------------|
| ● L'Oréal Professionnel | ● Biotherm |
| ● Redken | ● Kiehl's |
| ● Kerastase | ● Ralph Lauren |
| ● Matrix | ● Shu Uemura |
| ● L'Oréal Paris | ● Diesel |
| ● Garnier | ● Cacharel |
| ● Maybeline New York | ● Helena Rubinstein |
| ● Softsheen Carson | ● Urban Decay |
| ● Essie | ● Clairisonic |
| ● Lancôme | ● Victor & Rolf |
| ● Giorgio Armani | ● Vichy |
| ● Yves Saint Laurent | ● La Roche Posay |
| ● Inneov | ● SkinCeuticals |
| ● The Body Shop | ● Roger & Gallet |

G4 5 *Location of organization's headquarters*

Head Office:

41, rue Martre - 92 117 Clichy - France
Tel. +33 1 47 56 70 00 - Fax +33 1 47 56 86 42

Registered Office:

14, rue Royale - 75 008 Paris - France
www.loreal.com

G4

6 *Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainable issues covered in the report*

L'Oréal has subsidiaries in 70 countries, with 64% of its sales being generated outside Western Europe. Global growth in the cosmetics markets has led L'Oréal to develop its activities in countries of the "New Markets" Zone, which represent over 39.8% of its cosmetic sales in 2013. The breakdown and changes in L'Oréal's sales are given in chapter 3 (Financial highlights) on pages 94 et seq. of the Registration Document 2013.

Besides the currency risks mentioned in chapter 4 in note 24.1. Hedging of currency risk on pages 150 to 152 and in the paragraph on currency risk page 26, political or economic disturbances in countries where the Group generates a significant portion of its sales could have an impact on its business activities.

However, its global presence helps to maintain a balance in sales and enables results to be offset between countries and geographic regions. In periods of major economic slowdown or in sovereign debt crisis situations in certain countries, growth in the Group's sales may however be affected.

G4

7 *Nature of ownership and legal form*

L'ORÉAL

Public company (S.A) with a capital of 121 180 377,40 euros

Registered in Paris under number : 632 012 100

Head office : 41 rue Martre - 92 117 Clichy Cedex

Registered office : 14 rue Royale - 75 008 Paris

ALLOCATION OF THE SHARE CAPITAL AT 31ST DECEMBER 2013

30,64 % Bettencourt Meyer family

29,44 % Nestlé S.A

38.21 % Public

1,01 % Acquired share Treasury stock ⁽¹⁾

0,70 % Company savings plan ⁽²⁾

⁽¹⁾ As required by law, acquired shares have no voting rights.

⁽²⁾ Company savings plan (Article L.225-102-1 of the French Commercial Code)

G4

8 *Market served (including geographic breakdown, sectors served, and types of customers/beneficiaries)*

For more than a century, L'Oréal has been pushing back the boundaries of science to invent beauty and to offer men and women all over the world the best of cosmetics in terms of quality, efficacy and safety. Giving everyone access to beauty by offering products in harmony with their needs, culture and expectations in their infinite diversity. This is the true meaning of L'Oréal's activity.

➤ A HISTORICAL PRESENCE IN DEVELOPED MARKETS

L'Oréal is present in 130 countries in all 5 continents. Founded in France in 1909, the Group developed rapidly in Western Europe. In 2013, it made 35.1% of its cosmetics sales in this territory in which the Group is long established.

In the first half of the 20th century, L'Oréal gained a foothold in North America. Initially, the Group entrusted distribution companies with commercializing its products, these companies being united in 1953 around an exclusive agent, Cosmair. Following the Company's takeover in 1994, it ensured the Group's development on the North American continent with the status of subsidiary. The acquisition of brands like Maybelline (1996), Matrix and Kiehl's (2000), or more recently Clarisonic (2011) and Urban Decay (2012) have firmly anchored the Group in North America. In 2013, its sales on that continent increased by 3.8% like-for-like to reach 25.1% of world cosmetic sales.

Present in Japan for nearly 50 years, L'Oréal has developed its presence in that country by choosing the brands to be given priority for this extremely specific market: Kérastase in hair salons, Lancôme in Luxury products and Maybelline and L'Oréal Paris in mass-market products.

Despite the importance of the developed markets, their relative share in the Group turnover decreases from year to year in favor of the new markets.

➤ RAPID DEVELOPMENT IN NEW MARKETS

Beginning in the 1970s, the Latin America Zone developed with a multi-divisional organisation that the Group has reproduced in the other major regions of the world.

The 1990s witnessed the opening up of New Markets with the fall of the Berlin wall which gave the brands access to the markets in Eastern European countries.

L'Oréal was among the first foreign groups to obtain an authorisation from the Indian government in 1994 for the creation of a wholly-owned subsidiary.

In 1997, the Group created a large multi-divisional zone in Asia and opened new subsidiaries, particularly in China where L'Oréal holds 100% of the capital of its entity.

Africa and the Middle East where the Group had a weak presence is a new frontier for development in the New Markets: the number of subsidiaries in that region has increased from 7 to 12 over the last four years.

The mid 2000s was the turning point: the strong acceleration of the development of New Markets is leading to a shift of the point of gravity in the economic world.

In all, the percentage of cosmetics sales generated by the Group in the New Markets was 15.5% in 1995, 27.1% in 2006 and 39.4% in 2012. This progress is expected to continue.

➤ A COMMITMENT TO SHARED AND SUSTAINABLE GROWTH

Anxious to protect the future and to lay the foundations for lasting growth, the Group is striving to develop its presence in the New Markets by applying the fundamental rules of a good corporate citizen:

- the products offered to consumers meet the highest quality standards;
- the Group's commitments in social matters are the same in all its subsidiaries;
- all production centres comply with the same rules aimed at a reduction in environmental footprint. Social audits are carried out at suppliers of factories;
- each subsidiary participates, as far as its resources permit, in the large corporate philanthropy programmes of the L'Oréal Foundation such as For Women In Science, Hairdressers against AIDS and Beauty for a Better Life.

This global approach is in line with the Group's ambition as the world leader in cosmetic products: helping to make the world more beautiful.

► IMMENSE DEVELOPMENT POTENTIAL

Besides the major countries known as the BRIMC countries (Brazil, Russia, India, Mexico and China), L'Oréal has notably identified among its "growth markets" the following countries: Poland, Ukraine, Argentina, Colombia, Indonesia, Thailand, Vietnam, Philippines, Turkey, Egypt, Saudi Arabia, Pakistan, Kazakhstan, South Africa and Nigeria.

In many of these countries, the consumption of cosmetics products per inhabitant is 10 to 20 times lower than in mature countries. Several tens of millions of inhabitants have access every year to levels of revenues which make them part of the "middle classes" and allow them to consume modern cosmetics products.

The marketing teams, in particular in large countries, pay heed to these new consumers. The laboratories on all continents study their specificities. The Group's innovation policy is based on the accessibility and adaptation of products to the beauty habits and rituals of all men and women in their infinite diversity. These form the basis for the universalisation of beauty.

► L'OREAL IS PRESENT IN 130 COUNTRIES THAT MAKE UP THREE MAJOR BUSINESS ZONES

North America

+ 3, 8% growth in 2013 ⁽¹⁾

Western Europe

+ 0, 6 % growth in 2013 ⁽¹⁾

New Markets

+ 9, 4% growth in 2013 ⁽¹⁾

⁽¹⁾ On a like-for-like basis

L'ORÉAL IN AFRICA

In December 2011, L'Oréal opened its new subsidiary in Kenya. Situated in Nairobi, this new location will be the base for developing Group business in East Africa in Uganda, Tanzania, Rwanda, Burundi and Ethiopia. With the opening of subsidiaries in Kenya and Nigeria, the Group confirms its belief in the potential for growth in Africa. In the end of 2012, the Group has opened a new subsidiary in Saudi Arabia.

Asia Pacific

+ 8,4 % growth in 2013 ⁽¹⁾

Eastern Europe

+ 8, 2 % growth in 2013 ⁽¹⁾

Latin America

+ 11, 5 % growth in 2013 ⁽¹⁾

Africa, Middle East

+ 14, 3 % growth in 2013 ⁽¹⁾

⁽¹⁾ On a like-for-like basis

G4 9 Scale of the reporting organization

- Number of employees: 77 451 ●
- Consolidated turnover : 22,98 billion euros (+2.3%)
- Net profit (other than non-recurring items, excluding minority interests): 3 117 million euros

Consolidated profit and loss account: from operating profit to net profit excluding non-recurring items.

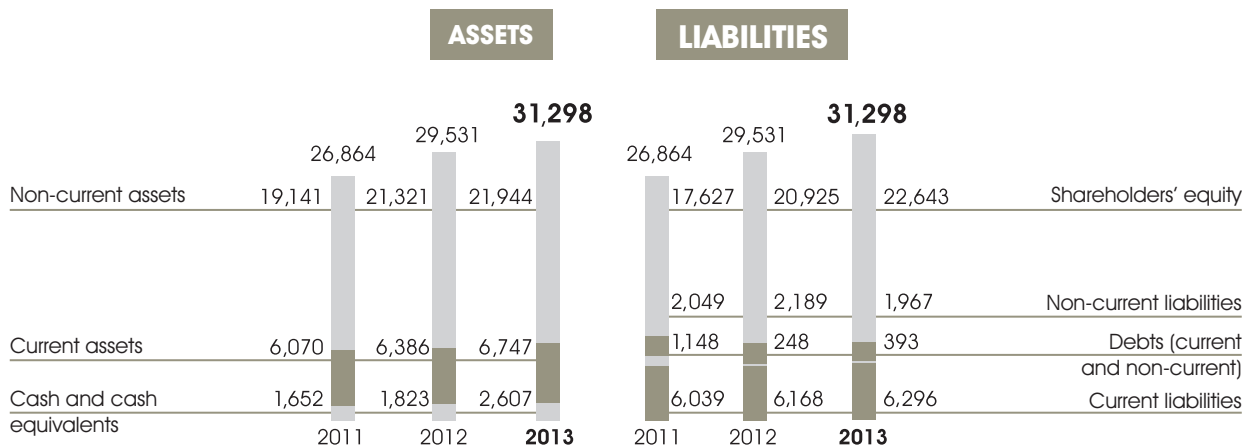
Allocation between debt and equity

The total funding is allocated to:

- Shareholders equality: 22 643 M€ on 31/12/13
- Debts: 393 M€
- Total balance sheet: 31 298 M€

A SOLID BALANCE SHEET

€ millions



FOR FURTHER INFORMATION CONCERNING THE 2013 BALANCE SHEET, SEE THE "KEY FIGURES AND COMMENTS ON THE 2013 FINANCIAL YEAR" CHAPTER ON PAGE 87 OF THE 2013 REGISTRATION DOCUMENT.

G4
10 *Workforce*

CHANGES IN GROUP WORKFORCE TRENDS AS PUBLISHED (DATA FOR PROPORTIONATELY CONSOLIDATED COMPANIES IS BASED ON THEIR PERCENTAGE OF CONSOLIDATION)

	<i>Cosmetics</i>			<i>The Body Shop</i>			<i>Dermatology</i>			<i>Group</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Western Europe	24,254	24,598	25,128	4,891	5,149	5,430	1,011	1,052	1,236	30,156	30,798	31,794 ✓
North America	11,762	12,814	12,318	2,948	2,878	2,718	485	488	461	15,195	16,180	15,497 ✓
Asia, Pacific	12,531	12,985	14,322	688	720	711	286	319	349	13,505	14,024	15,382 ✓
Latin America	4,760	5,758	7,869		5	7	233	282	304	4,993	6,045	8,180 ✓
Eastern Europe	3,902	4,328	4,787				22	45	60	3,924	4,373	4,846 ✓
Africa, Middle-East	1,101	1,203	1,732				15	16	21	1,116	1,218	1,753 ✓
Total	59,309	61,685	66,155	8,527	8,752	8,866	2,050	2,200	2,430	68,886	72,636	77,451 ✓

The workforce numbers indicated in the total workforce and breakdown of the workforce by geographic zone concern all Group employees on the payroll at December 31, 2013.

Workforce numbers for proportionately consolidated companies Galderma and Inneov at December 31, 2013 are recorded in proportion to L'Oréal's percentage interest in their capital.

COSMETICS + TBS WORKFORCE - HISTORICAL TREND

	<i>Total Cosmetics + TBS</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>
Western Europe	29,145	29,747	30,558 ✓
North America	14,710	15,692	15,036 ✓
Asia, Pacific	13,219	13,705	15,033 ✓
Latin America	4,760	5,763	7,876 ✓
Eastern Europe	3,902	4,328	4,787 ✓
Africa, Middle-East	1,101	1,203	1,732 ✓
Total	66,836	70,437	75,022 ✓

COSMETICS + TBS WORKFORCE: BREAKDOWN BY GENDER AND AVERAGE AGE - 2013

	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Average age</i>	<i>% of women</i>
Western Europe	30,558	10,000	20,558	38	67%
North America	15,036	4,242	10,794	38	72%
Asia, Pacific	15,033	4,523	10,510	33	70%
Latin America	7,876	2,929	4,947	36	63%
Eastern Europe	4,787	1,611	3,176	34	66%
Africa, Middle-East	1,732	926	806	35	47%
Total	75,022 ✓	24,231 ✓	50 791 ✓	37 ✓	68% ✓

COSMETICS + TBS WORKFORCE: BREAKDOWN BY PART-TIME/FULL-TIME CONTRACT - HISTORICAL TREND

	<i>Part-time</i>			<i>Full-time</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Western Europe	5,980	6,360	6,927	23,165	23,387	23,631
North America	2,938	3,233	3,110	11,772	12,459	11,926
Asia, Pacific	61	78	220	13,158	13,626	14,813
Latin America	2	0	2	4,758	5,763	7,874
Eastern Europe	13	15	23	3,173	3,215	4,764
Africa, Middle-East	1	2	2	1,816	2,299	1,730
Total	8,995 ✓	9,688 ✓	10,284 ✓	57,842 ✓	60,749 ✓	64,738 ✓

COSMETICS + TBS WORKFORCE: BREAKDOWN BY PART-TIME/FULL-TIME CONTRACT - 2013

	<i>Part-time</i>			<i>Full-time</i>			<i>Total</i>
	<i>Men</i>	<i>Women</i>	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Total</i>	
Western Europe	421	6,506	6,927	9,579	14,052	23,631	30,558
North America	240	2,870	3,110	4,002	7,924	11,926	15,036
Asia, Pacific	10	210	220	4,513	10,300	14,813	15,033
Latin America	0	2	2	2,929	4,945	7,874	7,876
Eastern Europe	3	20	23	1,608	3,156	4,764	4,787
Africa, Middle-East	0	2	2	926	804	1,730	1,732
Total	674 ✓	9,610 ✓	10,284 ✓	23,557 ✓	41,181 ✓	64,738 ✓	75,022 ✓

COSMETICS + TBS WORKFORCE: BREAKDOWN BY TEMPORARY/PERMANENT CONTRACT - HISTORICAL TREND

	<i>Temporary contract</i>			<i>Permanent contract</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Western Europe	1,569	2,116	2,181	27,576	27,631	28,377
North America	139	199	198	14,571	15,493	14,838
Asia, Pacific	3,647	3,608	4,195	9,572	10,097	10,838
Latin America	6	698	343	4,754	5,065	7,533
Eastern Europe	195	185	191	2,991	3,045	4,596
Africa, Middle-East	26	31	127	1,791	2,270	1,605
Total	5,582	6,837	7,235	61,255	63,601	67,787

COSMETICS + TBS WORKFORCE: BREAKDOWN BY TEMPORARY/PERMANENT CONTRACT - 2013

	<i>Temporary contract</i>			<i>Permanent contract</i>			<i>Total</i>
	<i>Men</i>	<i>Women</i>	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Total</i>	
Western Europe	1,569	2,116	2,181	9,496	18,881	28,377	30,558
North America	139	199	198	4,140	10,698	14,838	15,036
Asia, Pacific	3,647	3,608	4,195	3,250	7,588	10,838	15,033
Latin America	6	698	343	2,865	4,668	7,533	7,876
Eastern Europe	195	185	191	1,516	3,080	4,596	4,787
Africa, Middle-East	26	31	127	867	738	1,605	1,732
Total	5,582	6,837	7,235	22,134	45,653	67,787	75,022

COSMETICS + TBS WORKFORCE: % OF EXECUTIVES (CADRES)

	<i>% of executives</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>
Western Europe	33%	33%	34%
North America	26%	26%	28%
Asia, Pacific	33%	34%	35%
Latin America	36%	33%	29%
Eastern Europe	52%	54%	51%
Africa, Middle-East	45%	43%	47%
Total	33%	33%	34%



FOR FURTHER INFORMATION CONCERNING THE GROUP'S WORKFORCE, SEE SECTION 6.2.2.1 "EMPLOYMENT" ON PAGE 201 OF THE 2013 REGISTRATION DOCUMENT.

G4 11 *Percentage of total employees covered by collective bargaining agreements*

In all, 43% of the Group's employees are officially covered by collective bargaining agreements (national and/or industry-specific and/or company-specific). 90% of these are covered by company-specific collective bargaining agreements.

Worldwide, 73% of L'Oréal's employees work in subsidiaries where representative bodies are officially in place, even though not all of these employees are officially covered by collective bargaining agreements (in some countries, collective bargaining agreements only cover employees belonging to a trade union, while in other countries, they automatically cover all employees in accordance with the *erga omnes* principle).

Situation with regard to collective bargaining agreements

The social policy at L'Oréal permits the signature of a certain number of collective agreements each year within its subsidiaries. In 2013, 39 agreements were signed in France and 57 agreements were signed in the rest of the world.

In total, the number of agreements in force worldwide at December 31, 2013 was 426.

FOR MORE INFORMATION CONCERNING COLLECTIVE BARGAINING AGREEMENTS, SEE THE PARAGRAPH ON "SITUATION WITH REGARD TO COLLECTIVE AGREEMENTS" ON PAGE 207 OF THE 2013 REGISTRATION DOCUMENT. SEE ALSO THE LABOUR PRACTICES FACT SHEET, MANAGEMENT APPROACH, IN THIS REPORT.

G4 12 *Organization's supply chain*

L'Oréal produces 86.8% of its products in its own factories. For its production processes, L'Oréal purchases:

- **raw materials** (various raw materials used in its products): polymers, oils/fats, natural products, fragrances, etc.;
- **packaging** (plastic and glass bottles and jars, injection-moulded parts, plastic and aluminium tubes, aerosol cans, diffusers, labels, inserts, corrugated cardboard, cases, etc.);
- **and production equipment:** manufacturing equipment (manufacturing skids, weighing equipment, washing equipment), packaging machines (filling, labelling, dispensing, and bundling machines, etc.) and industrial facilities (compressors, boilers etc.) needed to manufacture the finished products.

In parallel to its own in-house production, the Group calls on a selection of subcontractors for packaging or finishing operations on finished products, for the manufacture of specific finished products (soaps, pencils, wipes, etc.) and for logistics services.

As well as these direct production-related purchases, L'Oréal also buys:

- **promotional and advertising items** (various materials for POS advertising, cardboard used in POS displays (display stands), gift boxes, printed material (inserts, books, etc.), gift accessories for consumers (bags, textiles, accessories, etc.), and **marketing services** (creative and post-production agencies, advertising slots, upstream market surveys and of course digital media);
- products and services not related to production, generally known as indirect supplies (intellectual services, travel expenses, facility management, energy, temporary staff, training, IT and telecommunications).

To cover all of its needs, L'Oréal uses several thousand suppliers around the world.

The bulk of the Group's purchases are made in the same area in which its factories are located: on average, 80% of the amount spent on packaging, raw materials and subcontracting is paid to suppliers based in the geographic zone of the factory concerned (Europe, USA, Asia, Latin America, Africa/Middle East).

The worldwide volume of direct production-related purchases (packaging, raw materials and subcontracting) represented €3.69 billion euros in 2013 (Cosmetics scope, excluding TBS).

G4
13

Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain

➤ SHARE CAPITAL

The share capital amounted to €121,180,377.40 as of December 31st, 2013. It was divided into 605,901,887 shares with a par value of €0.20 each, all of the same class and ranking *pari passu*.

➤ SIGNIFICANT EVENTS OF 2013

- On January 10th, 2013 L'Oréal inaugurated its new R&I Centre in India, in Mumbai and Bangalore.
- On January 31st, 2013 L'Oréal finalised the acquisition of the Vogue group in Colombia.
- On February 11th, 2013 the Board of Directors decided on the implementation of a share buyback programme for 500 million euros during the 1st half of 2013.
- On February 27th, 2013 Galderma finalised the acquisition of Spirig Pharma A.G. in Switzerland.
- On April 15th, 2013, L'Oréal announced the acquisition of the Health & Beauty business of Interconsumer Products Limited (ICP) in Kenya.
- On April 26th, 2013, the Annual General Meeting of L'Oréal shareholders approved the appointment as Director of Ms. Virginie Morgon and renewed the tenures as Director of Ms. Françoise Bettencourt Meyers, Mr. Peter Brabeck-Letmathe and Mr. Louis Schweitzer.
- On May 17th, 2013, L'Oréal announced several appointments within its Executive Committee: Marc Menesguen was appointed as President of the Consumer Products Division, Nicolas Hieronimus was appointed as President of the Selective Divisions (Luxe, Professional Products, Active Cosmetics, The Body Shop). Frédéric Rozé was appointed Executive Vice-President for the Americas Zone, which includes North and Latin America. Alexandre Popoff was appointed as Executive Vice-President for the Eastern Europe Zone. Jochen Zaumseil was appointed as Executive Vice-President for the Western Europe Zone. Finally, Alexis Perakis-Valat was appointed as Executive Vice-President for the Asia, Pacific Zone. These appointments were effective as of June 1st, 2013.
- On August 15th, 2013, L'Oréal announced its intention to acquire all the shares of Magic Holdings International Limited, a Chinese company, listed on the Hong Kong Stock Exchange, specialised in cosmetic facial masks.
- On September 20th, 2013, L'Oréal India announced the acquisition of Chery's Cosmeceuticals, a company based in Mumbai, specialising in professional skin care products and treatments in beauty salons.
- On October 15th, 2013 L'Oréal announced the acquisition by The Body Shop of a majority stake in Emporio Body Store in Brazil, with the option of increasing its shareholding to 80% by 2019. Following approval by the Brazilian anti-trust authority CADE, the acquisition was completed on December 12th.
- On October 17th, 2013, L'Oréal announced that it had been granted exclusive negotiation rights by Shiseido for the acquisition of the Decléor and Carita brands.
- On November 19th, 2013, Beauté Créateurs, a subsidiary that distributes brands specific to the mail order business, announced its intention to cease its mail order activity during the first half of 2014.
- On November 21st, 2013, L'Oréal announced that it was creating a Group Travel Retail Division encompassing all the brands sold in the Travel Retail channel, which posts particularly dynamic growth.
- On November 29th, 2013, the Board of Directors meeting chaired by Mr Jean-Paul Agon decided to buy back L'Oréal shares for a maximum amount of 500 million euros between November 30th and the end of the first quarter of 2014.

FOR FURTHER INFORMATION CONCERNING 2013 HIGHLIGHTS, SEE SECTION 3.3.1, "SIGNIFICANT EVENTS OF 2013" ON PAGES 102 AND 103 OF THE 2013 REGISTRATION DOCUMENT.

G4
14

Commitments to external initiatives

At the request of the Chairman and Chief Executive Officer, the Administration and Finance Division compiled the information contained in this report based on the different types of work carried out by departments working on Internal Control and management of the Group's risks and which aims at covering the main operational, legal, industrial, environmental, economic and financial risks described in section 1.8. on pages 20 to 27 of the Registration Document.

These considerations are contained, it should be noted:

STRONG COMMITMENTS WITH REGARD TO SOCIAL RESPONSIBILITY AND SAFETY

The Operations Division, like the Group as a whole, plays a predominant role in the field of social responsibility and safety. L'Oréal incites its suppliers to be more responsible and carries out rigorous monitoring of their commitments through a large number of social audits carried out on suppliers throughout the world; 5,295 social audits have been carried out since 2006. The objective is not to impose sanctions on suppliers but to help them to improve their safety standards and their environmental and social performances. The Group received a prize from VIGEO⁽¹⁾ in 2012 for the prevention of social dumping in the supply chain.

By creating the "Solidarity Sourcing" programme in 2010, the Group took the initiative of using local suppliers who make commitments in favour of minorities: disabled workers or workers from deprived communities. It may also involve very small suppliers or fair trade players that L'Oréal calls on to contribute with the help of its suppliers. This programme was officially launched in 2012 to the Group's suppliers in order to encourage them to develop the same approach with their own suppliers. In 2013, the "Solidarity Sourcing" programme provided access to employment to over 22,000 people.

With regard to safety, the Operations Division pays particular attention to employees who work on production sites. They are trained in compliance with safety rules and observe "a safety minute" every day in order to prevent and avoid accidents.



FOR FURTHER INFORMATION REGARDING THE SOLIDARITY SOURCING, SEE THE SECTION "SOLIDARITY SOURCING", PAGE 41 OF THE SUSTAINABLE REPORT 2013

ENVIRONMENTAL PROTECTION AT THE HEART OF PRODUCTION

Throughout the whole of the production chain, innovative measures with regard to Sustainable Development are implemented all over the world, from projects with regard to efficient everyday use of resources to breakthrough projects. Many initiatives that are most suited to the local ecosystem are being introduced at the Group's sites (geothermal energy in Vichy, photovoltaic panels in Mexico, biomethanation in Belgium, phytoremediation in Mournon (France), and so on).

Through "Commitments for 2020", the Group carries on with the approach initiated in 2009 aiming at reducing the environmental footprint of its factories and logistics centres. The pledge to reduce by 50% carbon emissions in absolute terms (both direct and indirect) water consumption and waste generation per finished product unit, by 2015 from a 2005 baseline, is now a pledge to reduce by 60% by 2020 from a 2005 baseline (see chapter 6, paragraph 6.3.1, page 213 of the Registration Document). Furthermore, the environmental impacts related to packaging, transport and buildings are also taken into consideration.

(1) European extra-financial ratings agency.

MEASURES ADOPTED WITH REGARD TO CONSUMER HEALTH AND SAFETY

Protection of consumer safety is one of L'Oréal's absolute priorities: Safety assessment is at the centre of development of new products and a prerequisite before any product is launched on the market.

The evaluations by L'Oréal's International Safety Assessment Department, based on a multidisciplinary scientific approach, are carried out at all stages of the product life cycle.

The product safety evaluation is based on the evaluation of each ingredient and finished product on the basis of existing safety data and the latest medical and scientific knowledge. If necessary, L'Oréal conducts additional safety studies in qualified laboratories all over the world. The results of these studies are interpreted by experienced scientists who are specially trained in safety assessments with regard to cosmetic ingredients and products.

A safety certificate signed by a safety assessment expert was issued for each product launched on the market. Furthermore, L'Oréal's ethics principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances that are the subject of concern.

L'Oréal's added value, in terms of the safety assessment of its ingredients and finished products, lies in its investment for over twenty years in the development of predictive methods and tissue engineering. For many years, L'Oréal has thus been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to progress the development of alternative multidisciplinary solutions in the field of safety assessment.

In fact, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

FOR FURTHER INFORMATION CONCERNING PRODUCT QUALITY AND SAFETY, SEE:

- SECTION 6.4.4 "FAIR BUSINESS PRACTICES", PARAGRAPH ON "MEASURES ADOPTED WITH REGARD TO CONSUMER HEALTH" ON PAGE 227 OF THE 2013 REGISTRATION DOCUMENT;
- SECTION 1.8.1.2 "PRODUCT QUALITY AND SAFETY" ON PAGE 21 OF THE 2013 REGISTRATION DOCUMENT.

ANIMAL TESTING: BALANCING ETHICS AND INNOVATION

The harmlessness and efficacy of L'Oréal's technological innovations are essential. To meet these requirements, the research team embarked in the 1980s on developing alternative methods to animal testing for the evaluation of the safety of its products and active principles.

Much progress has been made thanks to tissue engineering, which made it possible to reconstruct the first human epidermis in 1979 and then the first complete skin (epidermis and dermis) in 1996. In three decades, thanks to its investment in research and scientific partnerships, the Group has created genuine expertise in this area.

In 2011, L'Oréal inaugurated in Gerland (Lyon, France) its global predictive evaluation centre dedicated to evaluation of the safety and efficacy of ingredients and products, the first cosmetics industry site to produce reconstructed biological tissues (around 130,000 units per year).

12 reconstructed skin and corneal tissue models have been developed to date. These models are fabulous tools to predict the safety and efficacy of products and make it possible to reduce the time-to-market. Thanks to these models, L'Oréal was able to stop testing finished products on animals in 1989 (14 years before it became a legal obligation in Europe) and develop predictive evaluation strategies to satisfy the recent European regulations which prohibit the offering for sale of products containing any ingredient that has been tested on animals after March 11th, 2013.

This law has not had any impact on the Group's innovation efforts.

Outside Europe, in all the countries which continue to require or conduct animal testing to evaluate product and cosmetic ingredient safety, L'Oréal shares its breakthroughs and makes available both its models and its substitute methods. L'Oréal has no longer conducted animal testing anywhere in the world since March 2013 and does not delegate responsibility for doing so to anyone else.



FOR FURTHER INFORMATION REGARDING THE HARMLESSNESS AND EFFICACY OF PRODUCTS, SEE:

- SECTION 1.5.3 « ANIMAL TESTING: BALANCING ETHICS AND INNOVATION » PAGE 14 OF THE REGISTRATION DOCUMENT 2013
- THE ARTICLE «PRODUCT SAFETY AND ANIMAL TESTING» PAGE 11 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT

G4
15

Economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses

L'Oréal signed up to the United Nations Global Compact in 2003. Since then, it has supported and implemented the ten fundamental principles of the Global Compact regarding Human Rights, labour practices, the environment and anti-corruption within its sphere of influence.

This commitment is supported at the highest level of the Company by L'Oréal's Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

L'Oréal is a member of Global Compact France.



FOR FURTHER INFORMATION CONCERNING THE UNITED NATIONS GLOBAL COMPACT, SEE THE ANNUAL REPORT ON THE GLOBAL COMPACT:
[HTTP://WWW.LOREAL.COM/ARTICLE.ASPX?TOPCODE=CORPTOPIC_GROUP_GOUV_ETHICS_GLOBALPACT&](http://www.loreal.com/article.aspx?topcode=corptopic_group_gouv_ethics_globalpact&)

G4
16

Memberships of associations and national or international advocacy organizations

As the leading player in the cosmetics industry, L'Oréal believes it has a duty to be proactive and to participate in the process of drafting local regulations in the countries in which the Group is located.

The Group therefore participates in Cosmetics Europe (formerly Colipa), the industry's European trade association. Cosmetics Europe is the organisation almost always cited, named or active as the spokesperson with regard to stakeholders, but plays a part in various European professional associations such as the MEDEF employers' federation, the AFEP association of private companies in France and the European Brands Association (AIM). In South America, L'Oréal partners CASIC and CONARS on issues of self-regulation and responsible advertising.



LEADERSHIP, COOPERATION AND ASSISTANCE

L'Oréal continues to act as a leader and shares its progress in the field of sustainable development by taking part in and cooperating in particular with:

- the Observatoire sur la Responsabilité Sociétale des Entreprises (Observatory on Corporate Social Responsibility – ORSE), a European network of companies studying and promoting CSR;
- CSR Europe, a European business network promoting corporate social responsibility, bringing together almost 75 multi-national companies;
- Carbon Disclosure Project, an international NGO which provides the only global system allowing companies and cities to measure, report on, manage and share environmental information.
- WBCSD (World Business Council for Sustainable Development), an international association bringing together member company CEOs and dealing exclusively with corporate sustainable development issues;
- UN Global Compact: L'Oréal signed up to the ten fundamental principles of the Global Compact in 2003;
- CDP Forest, which partners companies in helping them to determine their "forest footprint". In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing system by the Carbon Disclosure Project Forest.
- EUROPEN (European Organisation for Packaging and the Environment), which brings together companies wishing to contribute to the debate with government authorities on packaging and the environment;
- International Chamber of Commerce Anti-Corruption Committee;
- Member of Transparency International France.

The Group has placed ethics at the heart of its practices. As part of an ongoing improvement drive, L'Oréal also works with many associations and institutions recognised for their expertise in this field:

- Global Council on Business Conduct
- The Conference Board
- Ethics and Compliance Officers
- The Ethics Resource Center
- International Business Ethics
- European Institute for Business Ethics
- Business Ethics Network
- Institut Français des Administrateurs (French directors' association)
- Cercle Ethique des Affaires

L'Oréal also:

- supports academic research, by sponsoring the chair of bioplastics at the prestigious engineering school, École des Mines de Paris, which studies alternative packaging materials;
- takes part in the main industry forums and networks;
- maintains an active, open-ended dialogue on sustainable development issues with the stakeholders concerned, particularly environmental defence groups, and the Group's partner charities and suppliers.

➤ DIVERSITY

For over 10 years, L'Oréal has been engaged in an innovative, ambitious policy in favour of Diversity. The Group has set itself three priorities: gender, disability and socio-cultural and ethnic origin and its actions are more particularly focussed on the areas of human resources, solidarity sourcing and marketing.

Today, with a network of more than 86 Diversity coordinators all over the world, the initiatives conducted by all the Group's subsidiaries make L'Oréal a pioneer and one of the recognised major players in the area of diversity at worldwide level.

- In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.
- In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland).
- In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality. L'Oréal France also received the Professional Equality label. Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.
- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, we jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany.

France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

L'Oréal has moreover developed a diversity assessment in France with a hundred or so indicators that together cover the 6 dimensions of Diversity policy.

For the same purpose, an automatic Diversity Reporting tool with 30 indicators (recruitment, training, remuneration...) has been made available to all the subsidiaries. In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.



FOR MORE INFORMATION CONCERNING THE GEES, VISIT:

[HTTP://WWW.BUREAUVERITAS.FR/WPS/WCM/CONNECT/BV_FR/LOCAL/HOME/NEWS/PRESSRELEASES/NEWS+CERTIFICATION+GEES+CP?PRESENTATIONTEMPLATE=BV_MASTER_V2/NEWS_FULL_STORY_PRESENTATION_V2](http://www.bureauveritas.fr/WPS/WCM/CONNECT/BV_FR/LOCAL/HOME/NEWS/PRESSRELEASES/NEWS+CERTIFICATION+GEES+CP?PRESENTATIONTEMPLATE=BV_MASTER_V2/NEWS_FULL_STORY_PRESENTATION_V2)

FOR FURTHER INFORMATION CONCERNING THE EVE PROGRAMME, VISIT: [HTTP://WWW.EVEPROGRAMME.COM/](http://www.eveprogramme.com/)

I/identified material aspects and boundaries

G4
17

Entities included in the organization's consolidated financial statements or equivalent documents

Present in 130 countries, the Group has shown its ability over the first 100 years of its existence to attract nearly 1 billion consumers, representing around 15% of the population of the planet. With accelerating globalisation, L'Oréal's mission is being enlarged: based on its international positions and its power of innovation, the Group's ambition is to conquer a billion new consumers by 2020 to 2025.

L'Oréal parent company is a French company with its registered office in France, which performs a sales activity specific to that country. At the same time, L'Oréal parent company has firstly a role of holding company and strategic coordination and secondly that of scientific, industrial and marketing coordination of the L'Oréal Group on a worldwide basis. Most of the subsidiaries have a role of marketing of the products manufactured by the Group's factories in the countries or zones in which it is established. The L'Oréal Group wholly owns the vast majority of its subsidiaries.

The Cosmetics Branch, which represents most of the Group's activities (nearly 93% of its consolidated sales in 2013), is made up of 4 Operational Divisions which each correspond to a specific marketing channel:

The Professional Products Division markets products used but also sold in hair salons. Privileged partner of hairdressers all around the world, it supports them in every facet of their development and offers them high-level training. Its portfolio of differentiated brands meets the needs of all types of salon. Professional Products Division brands: L'Oréal Professionnel, Redken, Kérastase and Matrix.

The Consumer Products Division offers the best in cosmetic innovations at accessible prices in all mass-market retail channels (hypermarkets, supermarkets, drugstores and traditional stores) on every continent. Consumer Products Division brands: L'Oréal Paris, Garnier, Maybelline, Softsheen Carson and Essie;

L'Oréal Luxe brings together a unique set of prestigious brands. These brands are sold through selective distribution, broken down between department stores, perfumeries, travel retail outlets, but also its own stores and through e-commerce websites. L'Oréal Luxe Division brands: Lancôme, Giorgio Armani, Yves Saint Laurent, Biotherm, Kiehl's, Ralph Lauren, Shu Uemura, Cacharel, Helena Rubinstein, Diesel, Clarisonic, Viktor & Rolf, and Urban Decay;

The Active Cosmetics Division distributes its products worldwide in healthcare products distribution channels, primarily through pharmacies, drugstores, medispas and, in some countries, dermatologists. Its unique portfolio of brands, which meets all the needs of consumers in terms of health-beauty, and its privileged partnership with healthcare professionals have made this Division the world's No. 1 in dermocosmetics. Active Cosmetics Division brands: Vichy, La Roche-Posay, SkinCeuticals, Innéov and Roger & Gallet.

The Body Shop Branch represents nearly 4% of consolidated sales in 2013. Founded in 1976 in the United Kingdom by Dame Anita Roddick, The Body Shop is known for its ethical commitment and its products with natural ingredients. More than 87% of its products contain ingredients from its Community Fair Trade programme. With a presence in 66 countries, the brand distributes its products and expresses its values through a network of exclusive stores but also complementary distribution channels: Internet sales and airport shops.

The Dermatology Branch which represents approximately 3% of consolidated Group sales (share attributable to L'Oréal), consists of Galderma, a joint venture set up by L'Oréal and Nestlé over 30 years ago. After posting regular growth for many years, the Galderma laboratory is pursuing its development and has made its mark as one of the leaders in dermatology.

Several specialist Divisions provide their expertise and support to the Branches and Operational Divisions:

- the Research and Innovation Division, in charge of fundamental and applied research;
- the Operations Division, in charge of coordination of production and the supply chain;
- the Human Relations Division, in charge of recruitment, training and talent development policies and co-ordination of social policy;
- the Administration and Finance Division, in charge of the Group's financial policy, controlling and consolidation, information systems, legal and tax co-ordination as well as financial communications and relations with shareholders and investors;
- the Communication, Sustainability and Public Affairs Division, in charge of co-ordination of corporate communication, co-ordination of communication by the Operational Divisions and brands and Sustainable Development.

G4
18 *Process for defining the report content and the Aspect Boundaries*

G4
19 *Material Aspects identified in the process for defining report content*

G4
20 *Aspect Boundary within the organization*

G4
21 *Aspect Boundary outside the organization*

► **GLOBAL RESPONSE**

L'Oréal's constant, constructive stakeholder engagement (see Stakeholder Engagement fact sheet G4-24 to 27 for identification of stakeholders and the type of engagement adopted) enables L'Oréal to identify their expectations each year. The first materiality matrix was prepared in 2010. In 2012, L'Oréal identified 29 subjects of particular importance both for stakeholders and the Group through a materiality analysis, which enables L'Oréal to revise its strategy and its indicators, update its materiality matrix and adapt its reporting.

L'Oréal's materiality analysis takes place in 4 phases:

- Phase 1 - identification and prioritization of stakeholder expectations
- Phase 2 - identification and prioritization of sustainable development issues for L'Oréal
- Phase 3 - determination of materiality
- Phase 4 - revision of L'Oréal's CSR strategy and indicators

► **PHASE 1 - IDENTIFICATION AND PRIORITIZATION OF STAKEHOLDER EXPECTATIONS**

L'Oréal identified the thirty most important topics for stakeholders, through a rigorous analysis of their occurrence and their intensity in the information resulting from the dialogue with stakeholders, such as the minutes of Stakeholder Forums or reports drawn up by sustainability rating agencies

These thirty topics have been classified in four categories corresponding to L'Oréal's four fields of action in the area of sustainable development: innovating sustainably, producing sustainably, consuming sustainably and sharing growth.

Each topic is assigned a level of concern which can be low, medium, high, or very high.

Stakeholders in particular have very high expectations concerning safety and quality of products and their ingredients, as this subject appears in all analysed sources. This topic has therefore been identified as being of "very great interest" for L'Oréal's stakeholders.

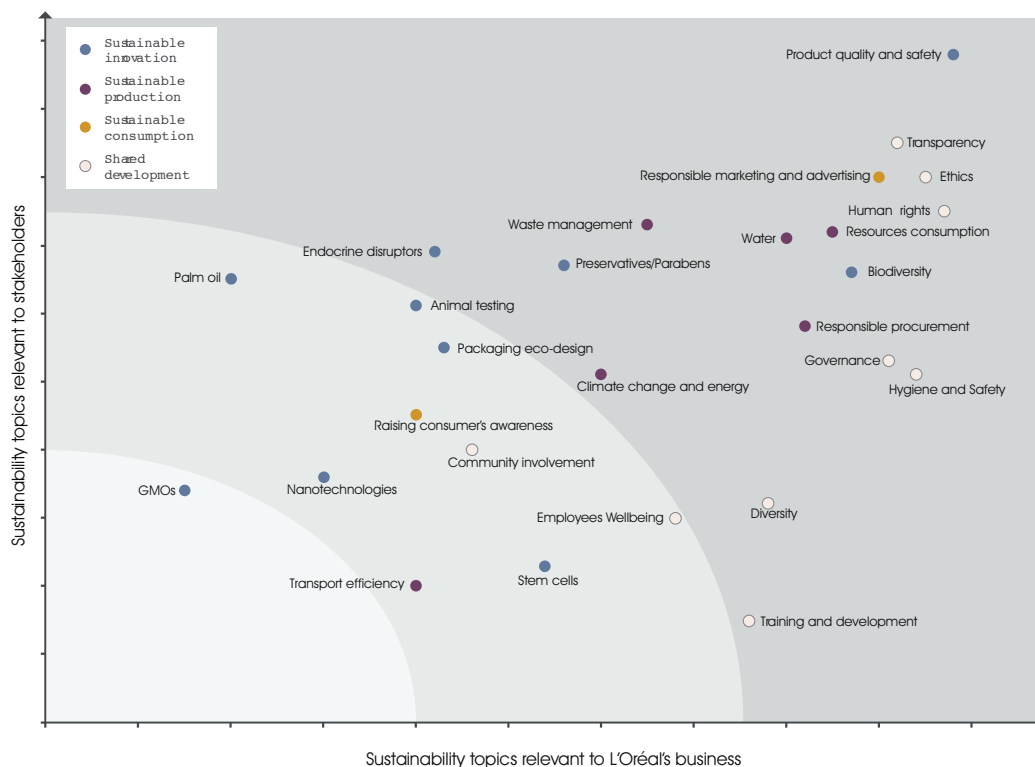
► **PHASE 2 - IDENTIFICATION AND PRIORITIZATION OF SUSTAINABLE DEVELOPMENT ISSUES FOR L'ORÉAL**

L'Oréal then identified the subjects of strategic importance for the Group in the environmental and social fields, in the light of its challenges and ambitions.

In order to do so, internal CSR experts identified thirty particularly important subjects from a medium to long-term perspective and with the aim of excellence in sustainable development: each subject was thus assigned a level of importance from low, medium, high, to very high.

PHASE 3 - DETERMINATION OF MATERIALITY

A comparison of the subjects identified as important for stakeholders and for L'Oréal makes it possible to update a list of thirty or so common subjects. These subjects are therefore characterised by their materiality, i.e. the importance they have both for L'Oréal and for its stakeholders. This analysis made it possible to prepare the materiality matrix for the L'Oréal Group.



PHASE 4 - REVISION OF L'ORÉAL'S CSR STRATEGY AND INDICATORS

The materiality analysis allows L'Oréal to understand stakeholder expectations better and to look at them together with its CSR strategy. It will thus enable L'Oréal to revise the priorities of its CSR strategy and assess the relevance of its indicators.

The materiality matrix also makes it possible to structure L'Oréal's annual reporting, by communicating in priority on the most material subjects.

In 2013, the Group continued to organise Stakeholder Forums (in Copenhagen, thematic forums in Paris) in order to continue to learn the expectations of its stakeholders.

In parallel, a certain number of thematic workshops were organised internally with experts in the various fields covered by the reporting in order to identify the Aspects and the material indicators within the framework of the GRI *inter alia*.

The CSR team, in an ongoing dialogue with the stakeholders, had positioned the level of expectation of the stakeholders with regard to all aspects on an analysis grid. The groups of experts had to discuss and position these various issues along an axis of "importance of the issue for L'Oréal's business" according to 4 criteria:

- consequence on sales
- consequence on net profit
- consequence on share price
- consequence on reputation

The departments involved in the network of experts consulted were represented by the people in charge of ethical issues, product communications, legal, finance, EHS, Research & Innovation, packaging, purchasing, labour relations, HR, internal control or diversity issues...

I

identified material aspects and boundaries

L'ORÉAL

This importance has been classified as follow for each of the aspects:


	<i>Environmental</i>	<i>Human Rights</i>	<i>Labour practices and decent work</i>	<i>Society</i>	<i>Economic</i>	<i>Product Responsibility</i>
High	Climate change Water Effluents and waste Materials Biodiversity Compliance	Supplier Human Rights Assessment Non-discrimination Responsible purchasing Child Labor Forced or Compulsory Labor Assessment	Employment Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labor Practices	Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance	Economic Performance Market Presence Procurement Practices	Customer Health and Safety Product and Service Labeling
Medium	Energy Emissions Transport Products and Services Supplier Environmental Assessment Environmental Grievance Mechanisms	Human Rights Grievance Mechanisms Investment Freedom of Association and Collective Bargaining Indigenous Rights Security Practices	Labor Practices Grievance Mechanisms Employer/employee relations	Grievance Mechanisms for Impacts on Society Supplier Assessment for Impacts on Society	Indirect Economic Impacts	Marketing Communications Customer Privacy Compliance

REPORTING METHODOLOGY

The Group strives to ensure the consistency and relevance of its publications (Chapter 6 of the Registration Document). In this connection, the publication of these fact sheets is part of a global process also involving the publication of the CSR section included in chapter 6 of the Registration Document. It was verified by the Statutory Auditors.

In addition to the Registration Document, L'Oréal also publishes a Sustainable Development Report every year.

The position adopted in the Sustainable Development Report is to illustrate, through reports, highlights and interviews, L'Oréal's strategy with regard to innovating, producing and consuming sustainably and sharing growth. It also includes a summary of the key indicators included in the CSR chapter of the Registration Document and in the GRI fact sheets. A certain number of these indicators are audited by the Statutory Auditors.

On page 232 of the Registration Document, L'Oréal's Statutory Auditors present their report on the consolidated environmental, social and societal information in the CSR chapter of the Registration Document, pursuant to the provisions of Article L.225-102-1 of the French Commercial Code and their reasonable assurance with regard to a selection of information identified by the sign . This selection is furthermore supplemented by an additional review of the information relating to Scope 3 (Carbon Assessment data).

In 2013, the Statutory Auditors stressed the relevance of the reporting, its indicators and its main impacts.

Extract from the Statutory Auditors' Report (page 232 of the 2013 Registration Document):

"We conducted around sixty interviews (...) in order to assess the suitability of the Reporting Criteria with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;"

The information that was the subject of a reasonable assurance audit by the Statutory Auditors in Chapter 6 of the Registration Document is indicated by a .

The choice of aspects and indicators used reflect the environmental, social and societal policy of L'Oréal and incorporates the material issues described in the matrix of materiality.

Choice of indicators

Concerned to enrich information regularly brought to the attention of all stakeholders, the Group decided to compile the 2013 report indicators reflecting its activity.

Social/societal indicators

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

L'Oréal has built its human and social project around two priorities: individual performance and social performance, two key factors in the success of the world leader in beauty. While accelerating the recruitment and development of talents all over the world, in order to ensure sustainable growth, L'Oréal is keen to offer all its employees an environment in which everyone can reveal their talents, improve and thrive and where they all feel that their contributions are recognised and that they receive support.

Thus, L'Oréal's Human Resources policy is founded on:

- A vision focusing on performance and individual talent.

L'Oréal has always put the human dimension at the centre of the Company by projecting a long-term vision for its talents. The mission of the Human Resources Department is currently to develop the talent of every employee and prepare tomorrow's leaders, by favouring, in particular, the emergence of local talents, to support the Group's ambition to win a billion new consumers.

- Ongoing recruitment of talented individuals.

The Group constantly strives to enhance its pool of talents, in all countries. Recognised as one of the most attractive companies in the world for young graduates and one of the companies that provide the most training with regard to leadership, the Group conducts a diversified recruitment policy, which is based both on partnerships with the best educational institutions in the world and the use of corporate gaming attracting tens of thousands of students from all over the world and a proactive strategy of looking for candidates via digital technologies. L'Oréal also develops its own selection methods to recruit the best talents and those which best represent the diversity of its consumers from among the million spontaneous applications received every year.

- The ambition of putting each employee in a position to develop their career.

Individual performance monitoring and a large number of career development opportunities and training programmes that are accessible to everyone are aimed at allowing each and every employee to develop. The programmes may be rolled out throughout the world, thanks to the international locations of training structures and the use of digital technologies with the "My learning" portal which offers all employees opportunities for online training. The large-scale mobility between jobs and between countries and the many individual promotions made each year attest to the vitality of career management. This management is based on a network of human resources professionals, who are both in tune with employee expectations and aware of the requirements of our business. The close cooperation between these human resources professionals and the operational managers makes it possible to have a two-way perspective with regard to talents and to define the most suitable development opportunities for each of them.

Offering a protective and fulfilling working environment.

L'Oréal pays particular attention to the level of its social performance.

The Group has set itself the target of promoting its values by creating a pleasant and conducive working environment, marked by solidarity and respect, and where all employees can fulfil personal development with:

- The desire to recognise the effective contribution made by everyone through a dynamic remuneration policy and short-, medium- and long-term global incentive systems.
- A regular evaluation of the expectations of employees throughout the world through large-scale opinion polls leading to the implementation of action plans.
- The search for a work environment and working conditions that will help everyone to achieve personal satisfaction.
- An active dialogue between management and employees and their representatives at worldwide level.
- An active policy with regard to diversity as a factor of progress, innovation and creation of a social relationship with three global priorities of gender, social origin and disabilities.

In 2013, the Group chose to go one step further with regard to social performance with the launch of the "L'Oréal Share & Care" program, an ambitious programme aimed at offering all the Group's employees, in all the countries in which it is located, a set of guaranteed global social measures in four areas: social protection, healthcare, parenthood and quality of life at work.

This programme, which will make it possible to address the essential needs of each and every one of our employees and encourage their commitment, will make L'Oréal one of the companies with the best practices in terms of social performance and well-being at work.

The L'Oréal Share & Care program falls within the scope of the commitments made by the Group by 2020 in the area of Sustainable Development and social responsibility, under its "Sharing beauty with all" programme.

The launch of this programme and its implementation show the strong conviction that social performance and economic performance are not only intimately linked but also provide each other with mutual strength.

Particular attention to the level of L'Oréal's social performance

The Group has set itself the target of promoting its values by creating a pleasant and conducive working environment, marked by solidarity and respect, and where all employees can fulfil personal development with:

- The desire to recognise the effective contribution made by everyone through a dynamic remuneration policy and short-, medium- and long-term global incentive systems.
- A regular evaluation of the expectations of employees throughout the world through large-scale opinion polls leading to the implementation of action plans.
- The search for a work environment and working conditions that will help everyone to achieve personal satisfaction.
- An active dialogue between management and employees and their representatives at worldwide level.
- An active policy with regard to diversity as a factor of progress, innovation and creation of a social relationship with three global priorities of gender, social origin and disabilities.



FOR FURTHER INFORMATION REGARDING THE HUMAN RESOURCES POLICY, SEE :

- LABOR SHEET OF THE GRI
- L'ORÉAL HUMAN RESOURCES POLICY ON PAGE 198 OF THE REGISTRATION DOCUMENT

Environmental indicators

Through the Commitments for 2020, the Group is continuing with the approach initiated in 2009 aimed at reducing the environmental footprint of its factories and logistics centres. The pledge to reduce by 50% carbon emissions in absolute terms (both direct and indirect), water consumption and waste generation per finished product unit by 2015 from a 2005 baseline, has now become a pledge to reduce by 60% by 2020 from a 2005 baseline:

- A 60% reduction of greenhouse gas emissions in absolute terms (scope I and II);
- A 60% reduction in waste generation per finished product unit;
- A 60% reduction in water consumption per finished product unit.

Finally, by 2020, the Group undertakes to send zero industrial waste to landfill and to reduce the CO2 emissions from transportation of finished products by 20% per FP/KM from a 2011 baseline.

Global industrial policy also demands all sites to:

- ensure compliance with the regulations;
- apply best practices in energy efficiency or efficient consumption of resources and waste reduction;
- roll out breakthrough projects in a permanent search for operational performance allied with environmental performance.

Furthermore, all L'Oréal's factories must be ISO-14001 certified. At the end of 2013, 3 plants are still in the process of being certified [Kaluga (Russia), Egypt, San Luis Potosi (Mexico)] because they have recently started operations.

Every year, the relevance of the indicators is re-examined in light of the developments in the Group's businesses and the expectations of its stakeholders (see Governance fact sheet - paragraph: Stakeholder Engagement).

Within the framework of a process aimed at making continual progress, L'Oréal arranges for a certain number of relevant data to be audited.

In 2013, risk audits were carried out at 17 factories, 12 logistics centres, 13 administrative sites and 4 Research centres.



FOR FURTHER INFORMATION CONCERNING THE EHS AUDITS, SEE SECTION 6.3, PARAGRAPH ON "WORLDWIDE AUDIT PROGRAMME" ON PAGE 213 OF THE 2013 REGISTRATION DOCUMENT.



G4
22 *Effect of any restatements of information provided in previous reports, and the reasons for such restatements*

G4
23 *Significant changes from previous reporting periods in the Scope and Aspect Boundaries*

➤ **GLOBAL RESPONSE: SOCIAL, HEALTH AND SAFETY DATA SCOPE, INDICATORS, REPORTING METHOD AND SYSTEMS**

➤ **SOCIAL DATA**

Scope of consolidation

The workforce indicated in the "Total Workforce" and "Geographic distribution of workforce" charts is the total workforce present at December 31st of the year concerned ⁽¹⁾.

For proportionally consolidated companies, the workforce at December 31st is recorded on a prorata basis according to the stake held by L'Oréal.

All the other social indicators set out in the Social information section relate to the "Cosmetics" and "The Body Shop" branches ⁽²⁾.

If an indicator relates to a scope different from that of the "Cosmetics" and "The Body Shop" branches, the scope of consolidation is indicated in a note.

⁽¹⁾ Including employees with a permanent or fixed-term contract of employment.

⁽²⁾ Innéov is included, Galderma (dermatology) is excluded.

Data

Four methods are used to collect data for the defined scope:

- Most of the data are collected using the dedicated "Country Reporting" intranet system, available in all countries in which there is a L'Oréal subsidiary.
- The system covers several topics: workforce, ethics, Worldwide Profit Sharing, labour relations, remuneration, Human Resources expenses, recruitment and training, and absenteeism.
- At the beginning of each year, the local Human Resources Directors provide the required data for the previous year.
- When the data are compiled, each country must validate a charter committing to the accuracy of all the data provided.
- Other data are collected by each corporate department concerned (i.e. Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach.
- If information is not consolidated for the entire Cosmetics branch scope, it is recognised that it can be extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative ⁽³⁾.
- Lastly, the specific data relating to "executives" are gathered from the "CAROL" online career monitoring system, deployed in all "Cosmetics" subsidiaries.

⁽³⁾ In France, the gender distribution of the Cosmetics workforce was extrapolated from the gender distribution of the entities connected to the France HRIS. The extrapolation method concerns 5% of the French workforce, which is not yet connected to the local HRIS.

The improvement of the information collection process at consolidated level has made it possible to identify agreements that are in force that have not been taken into account up to the present. The approach to progress in this field is continuing in all the companies of the L'Oréal Group.

A process of continuous improvement of these systems is in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.



FOR FURTHER INFORMATION REGARDING THE REPORTING METHODOLOGY, SEE SECTION « METHODOLOGICAL NOTE » PAGE 211 OF THE REGISTRATION DOCUMENT 2013.

► ENVIRONMENTAL DATA SCOPE, INDICATORS, REPORTING METHOD AND SYSTEMS

Scope of consolidation

The environmental indicators set out relate to the factories and the distribution centres of the "Cosmetics", "Dermatology" and "The Body Shop" branches.

The Safety reporting scope is defined in the methodological note at the end of the Human Resources information.

The environmental indicators of the factories and distribution centres sold or closed during the financial year are reported in full up to the date of their exit from the scope. The factories or distribution centres that join the Group have a maximum period of 2 years to connect to the environmental reporting systems. However, for the 2013 financial year, 93% of the factories and distribution centres participated in the reporting system.

Data

The following method is used to collect data for the defined scope:

- The data are collected using the dedicated intranet-based site quality information reporting system, available in all countries in which there is a L'Oréal subsidiary. This system covers several topics: quality, process performance, EHS data.
- The required data are reported every month by the local managers.
- When the data are compiled, each site must validate the accuracy of all the data provided.
- A process of continuous improvement of these systems is in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definitions, and improving the communication, monitoring and control process.



FOR FURTHER INFORMATION REGARDING THE REPORTING METHODOLOGY, SEE SECTION « METHODOLOGICAL NOTE » PAGE 220 OF THE REGISTRATION DOCUMENT 2013.

➤ HEALTH AND SAFETY DATA

Scope of consolidation

The safety indicators set out relate to the sites of the "Cosmetics", "Dermatology" and "The Body Shop" branches: factories and distribution centres but also the administrative sites and research centres.

Safety reporting covers 93% of factories and distribution centres; the data from 8 sites that have recently joined the Group are not included. In 2013, it covers over 80% of the workforce of the administrative sites and research centres.

The safety indicators of the factories and distribution centres sold or closed during the financial year are reported in full up to the date of their exit from the scope. The factories or distribution centres that join the Group have a maximum period of 2 years to connect to the environmental and safety reporting systems.

Data

The following method is used to collect data for the defined scope:

- The health and safety data are collected using the dedicated site reporting "QIS" intranet system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers.
- When the data are compiled, each site must validate the accuracy of all the data provided
- A process of continuous improvement of these systems is in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.



FOR FURTHER INFORMATION REGARDING THE REPORTING METHODOLOGY, SEE SECTION « METHODOLOGICAL NOTE »
PAGE 211, 212 OF THE REGISTRATION DOCUMENT 2013.

➤ SOCIETAL COMMITMENT DATA SCOPE, INDICATORS, REPORTING METHOD AND SYSTEMS

Scope of consolidation

The scope covers, depending on the indicators, L'Oréal parent company, France or the Group. The specific scope is specified for each indicator.

Data

The following methods are used to collect data for the defined scope:

- A certain amount of data particularly concerning Ethics is collected by the Ethics Department using the "Country reporting" intranet system, also used to collect Human Resources data (see, in this respect, the Human Resources data reporting methodology described on page 211);
- The other data are collected from the departments concerned (Communications and Sustainable Development Department, Human Resources Department, Purchasing Department, International Product Safety Assessment Department and the Risk Management and Compliance Department).



FOR FURTHER INFORMATION REGARDING THE REPORTING METHODOLOGY, SEE SECTION « METHODOLOGICAL NOTE »
PAGE 229 OF THE REGISTRATION DOCUMENT 2013.

S Stakeholder engagement

L'ORÉAL

**G4
24** *Provide a list of stakeholder groups engaged by the organization*

**G4
25** *Report the basis for identification and selection of stakeholders with whom to engage*

**G4
26** *Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process*

GLOBAL RESPONSE

Over the past few years, L'Oréal has engaged a dialogue with its stakeholders, listening to their concerns in order to better understand their needs. Stakeholders are parties that have an impact on or are impacted by L'Oréal's activities.

IDENTIFICATION OF STAKEHOLDERS

The L'Oréal Group has identified 11 categories of stakeholder, with which it is engaged in a permanent dialogue.

FIVE STAKEHOLDERS PARTICIPATE IN L'ORÉAL'S BUSINESS AFFAIRS:

- Employees
- Suppliers
- Consumers
- Shareholders
- Customers (retailers)

THREE STAKEHOLDERS OBSERVE OR ADVISE L'ORÉAL IN TERMS OF ITS PROGRESS IN SUSTAINABLE DEVELOPMENT:

- NGOs and associations
- Sustainability rating agencies and investors
- Academia and the scientific community involved in research

FINALLY, THREE STAKEHOLDERS INTERACT WITH THE GROUP WITH THE AIM OF MUTUAL, SHARED DEVELOPMENT:

- Government and local authorities
- Students and young graduates
- Civil society

TYPES OF ENGAGEMENT ADAPTED TO EACH STAKEHOLDER

L'Oréal has set up the means of engagement best suited to each of its stakeholders. The table below sets out the types of engagement that exist for each stakeholder together with concrete examples of achievements in 2013.

Stakeholder	Type of engagement	Examples of achievements in 2013
Employees	"Pulse" questionnaire covering all of the Group's employees on permanent employment contracts. Findings of questionnaires, followed by thematic working groups.	Conducted in 2011-2012, 80% response rate. Issues covered in the working groups set up following the questionnaire included: "company value", "professional development", and "efficiency at work".
	Platforms for dialogue between HR and employees.	"L'Oréal & Me" platform launched in 2008, accessible to all Group employees and available in 15 languages.
	Webchats allowing real-time dialogue between employees and the Chairman & CEO and/or Country Managers.	"Ethics Day" webchats with the Chairman and Chief Executive Officer and Country Managers: over 50% of employees took part from 67 countries and more than 3,200 questions were asked.
	Secure reporting system for ethical issues.	Further communication on the existence of the system during Ethics Day.
	Training and professional development.	Including all fields, just over 1,326,608 hours of training were given in 2013, plus another 1,474 hours of training on ethical issues.
	Social dialogue in accordance with applicable legislation. In France: Central Works Council ("CCE"), Works Councils for each establishment ("CE"), Health, Safety and Working Conditions Committees ("CHSCT"), employee representatives ("DP"), and a Group Committee.	For example for L'Oréal SA in 2013, the representative bodies are: 1 CCE, 3 Works Councils, 11 CHSCTs and 10 DPs. In 2013, there were: 42 CE meetings, 10 CCE meetings (more than the 2 meetings required by law), 120 DP meetings, 97 CHSCT meetings, as well as annual bargaining meetings discussing wages and employment.
	L'Oréal has set up informal information and social dialogue meetings ("RIEDS") which go beyond regulatory requirements, aimed at upstream discussion of collective bargaining agreements, as well as certain mandatory or optional thematic committees.	For L'Oréal SA: 7 RIEDS meetings and 6 inter-company committee meetings were held on issues such as incentive and mandatory profit-sharing, benefit schemes and healthcare costs.
	Participation in L'Oréal's European Works Council ("EWC") created in 1996.	Participation in the European Works Council covering 30,000 employees from 26 countries in the EEA.
	Collective agreements.	39 new collective agreements signed in 2013.

<i>Stakeholder</i>	<i>Type of engagement</i>	<i>Examples of achievements in 2013</i>
Suppliers	"Business Reviews": annual meetings between L'Oréal and its strategic suppliers.	In 2013, 121 Business Reviews were carried out at Group level. They covered: strategy and performance of both suppliers and L'Oréal, by reference to 5 criteria: quality, innovation, competitiveness, delivery/supply chain, and CSR.
	"Suppliers' Days" bringing together the Group's biggest suppliers worldwide.	3 Suppliers' Days were held in 2013: one in Singapore, one in Shanghai, and one organized by The Body Shop in the UK, involving 100 or so suppliers in total.
	Fairs allowing L'Oréal's different teams (Purchasing, Marketing, Packaging, etc.) to meet with suppliers.	Biannual "Cherry Pack" fair. At the most recent fair held on November 10, 2013 in St Ouen, 10 suppliers from Asia, Europe and the USA unveiled their packaging innovations to more than 800 L'Oréal employees.
	Involvement of suppliers in the Carbon Disclosure Project (CDP) Supply Chain alongside L'Oréal.	In 2013, out of 173 suppliers invited by L'Oréal, 132 joined the CDP Supply Chain.
	Social audits.	800 social audits were carried out at L'Oréal's suppliers in 2013.
	Assessment of L'Oréal's relationship with suppliers.	A 360-degree survey was carried out of 165 suppliers covering CSR among other issues.
Consumers	Telephone and written contacts through consumer services departments.	1,209 million customer contacts were recorded in 60 countries.
	Interaction via social networks.	L'Oréal's Twitter page has 46,000 followers.
Shareholders	Meetings with shareholders and the Shareholder Consultation Committee.	6,000 contacts in 2013 including 10 shareholder meetings and 4 Shareholder Consultation Committee meetings. Participation in the Actionaria trade fair for the 10 th year running.
	Organisation of company-focused events.	In 2013, the Individual Shareholder Relations Department organised a series of site visits (to factories) as well as shareholder meetings in the Group's hairdressing academies which were a great success.
	Annual General Meeting.	1,765 shareholders attended the AGM on April 26, 2013.
	Telephone platform and dedicated web pages.	A freephone number for France (0 800 66 66 66) and for outside France (+33 1 40 14 80 50) was set up for L'Oréal shareholders. An interactive voicemail service allows shareholders to access round-the-clock information, for example about the share price, the shareholders' calendar or a summary of the latest press statement.
	Online communication: mobile applications, newsletter, e-magazine.	5 newsletters in 2013.

<i>Stakeholder</i>	<i>Type of engagement</i>	<i>Examples of achievements in 2013</i>
Customers	Bilateral dialogue to prepare sustainable development projects.	Carrefour/Garnier Ultra-Doux eco-labelling initiative since July 1, 2011.
NGOs and associations	Meetings with NGOs and other associations of a given region at the Stakeholders Forum.	Since 2011, 14 forums held, 754 organisations contacted and 232 organisations in attendance.
	Bilateral exchanges between international NGOs and the Group's relevant departments.	In 2013, L'Oréal was in contact with 18 international NGOs in relation to biodiversity issues.
	Meetings with local NGOs and other associations in connection with raw material supply projects.	Each renewable raw materials responsible sourcing programme set up with suppliers involves at least 1 local or international NGO (e.g. "Sustainable Argan Oil", "Better Karité" (shea), "Sustainable Palm Oil" programmes, etc.).
Sustainability rating agencies and investors	Conferences held for investors in the main financial markets.	In 2013, 3 investor conferences were held, in Florida, London and Paris.
	Numerous SRI roadshows.	SRI analysts take part in "traditional" roadshows with analysts and investors. Several traditional roadshows were organised.
	Financial information meetings (earnings presentations); analyst-investor trip.	2 financial information meetings at L'Oréal's head office and 1 analyst-investor trip (70 participants).
	Telephone conferences for investors.	3 telephone conferences.
	Meetings with sustainability rating agencies regarding year-end ratings.	In 2013, 6 sustainable ratings questionnaires were completed.
Academia and the scientific community	Joint scientific projects, seminars, congresses and publications.	<p><u>Participation of L'Oréal's R&I Division in various toxicology and dermatology congresses:</u> SOT congress in San Antonio, Texas, ESPCR (European Society for Pigment Cell Research) congress in Lisbon, CSOT (Chinese Society of Toxicology) congress in Guangzhou, ICD (International Congress of Dermatology) congress in New Delhi, etc.</p> <p><u>Participation in 3 seminars on protecting biodiversity:</u> Seminar organised by the Nicolas Hulot Foundation at the French Economic, Social and Environmental Council on protecting biodiversity and CSR (in December 2013). Seminar organised by the Orée association on Economy and Biodiversity (in October 2013). "Private Sector and Biodiversity-based Innovation: Forward Looking" - Washington DC November 2013; The Global Environment Facility (GEF - December 2013).</p>

Stakeholder	Type of engagement	Examples of achievements in 2013
Academia and the scientific community	Scientific research projects encouraged by the L'Oréal Foundation and scholarships awarded to young researchers.	"For Women in Science" ⁽¹⁾ programme: 5 winners of the L'Oréal-UNESCO award. 15 scholarships granted to young women researchers to enable them to pursue their research within prestigious universities in 2013.
	Discussions within scientific organisations in charge of biodiversity issues.	L'Oréal is a member of the Strategic Advisory Board of the FRB Foundation for Research and Biodiversity.
	Exchanges in relation with academic research and/or teaching.	Talks on business ethics at the Lille EDHEC business school, Cergy-Pontoise university and Xavier University (Ohio).
	⁽¹⁾ For more information, visit: http://www.loreal.com/_en/_ww/for-women-in-science.aspx	
Government and local authorities	Meetings between government authorities and L'Oréal's lobbying organisations.	As part of the EU's REACH regulation, L'Oréal is involved in the not-for-profit sector in France and Europe by contributing to the analysis and preparation of REACH practical implementation guides.
	Dialogue between local authorities and managers of L'Oréal sites regarding projects linked to local communities.	At the Mourenx site in France (Pyrénées Atlantiques department), L'Oréal is involved in professional associations and competitive clusters, and is a local partner to the CCI, local schools (Cité Solaire, ENSCGTI), an ESAT assisted employment centre, and the local association "Vivre Ensemble", a pallet supplier
	Bilateral discussions with international standard-setters: ISO, ADEME/AFNOR, etc.	Participation in the ADEME/AFNOR working group on eco-labelling since 2008.
	Participation in working groups and technical committees with multi-stakeholder associations (Orée, MEDEF employers' federation, etc.)	Participation in committees and working groups at FEBEA (trade association for the beauty industry in France) regarding eco-labelling, at Cosmetics Europe regarding the overhaul of the EU eco-labelling for shampoos, at EUROPEN, and at the Sustainability Consortium in the USA.
	Participation in summits organised by intergovernmental organisations.	L'Oréal's commitment to understanding and protecting biodiversity was illustrated in 2013 when it took part in three seminars on the protection of biodiversity: <ul style="list-style-type: none"> • Seminar held by the Nicolas Hulot Foundation at the French Economic, Social and Environmental Council on protecting biodiversity and CSR in December. • Seminar held by the Orée association on Economy and Biodiversity in Oct. 2013. • "Private Sector and Biodiversity-based Innovation: Forward Looking" - Washington DC in November 2013; The Global Environment Facility (GEF) in December 2013
	Participation in summits organised by intergovernmental organisations.	Participation in the Leaders Summit of the UN Global Pact.

<i>Stakeholder</i>	<i>Type of engagement</i>	<i>Examples of achievements in 2013</i>
Students and young graduates	Present through competitions and campus managers.	In 2013, 10,000 students worldwide took part in the Brandstorm ⁽²⁾ competition and 27,000 in the Reveal ⁽³⁾ competition.
	⁽²⁾ For more information, visit: http://www.brandstorm.loreal.com ⁽³⁾ For more information, visit: http://www.reveal-thegame.com/france/	
Civil society	Dialogue with vulnerable persons ⁽⁶⁾ .	5,175 people benefited from the actions of the L'Oréal Foundation's "Reaching out through Beauty" initiative.
	Training centres for deprived populations ⁽⁴⁾ .	Beauty training centres (part of the Beauty for a Better Life programme) in 20 countries, with 1,000 trainees. For example the Apprentis d'Auteuil initiative in France, which welcomed 25 students.
	Involvement of Group employees in the community.	"Citizen Day", held each year and involving over 20,000 employees from more than 60 countries in 2013.
	Promoting jobs in the community through Solidarity Sourcing.	Access to jobs for 22,000 people as part of the Solidarity Sourcing programme (excluding The Body Shop).
	⁽⁴⁾ For more information, visit http://www.loreal.com/Foundation/Article.aspx?topcode=Foundation_GenerousBeauty_ForSelfEsteem ⁽⁷⁾ For more information, see the "Economic" fact sheet, indicator ECS.	

L'Oréal has other means of engagement and communication with all of its stakeholders, including the "Contact us" tabs on the websites www.loreal.com and <http://www.sustainabledevelopment.loreal.com>.

**G4
27**

Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.

L'Oréal attaches crucial importance to the dialogue with its stakeholders. Since 2011, forums have been organised in this respect across the globe, enabling representatives of civil society, NGOs and associations to talk and discuss their expectations with the Group's internal experts. These forums give L'Oréal the opportunity to consider its sustainable development strategy in light of the main CSR issues defended by stakeholders and are an effective means of jointly building ambitious commitments within the "Sharing Beauty with All" programme.

The importance and handling of the challenges related to corporate social responsibility differ from one country to the next; this is why L'Oréal has set up stakeholder forums all over the world in order to promote dialogue at a local level with regard to both local and global issues.

Since 2011, 754 organisations have been contacted, and 232 have taken part in 14 forums across 8 countries (UK, China, US, Brazil, India, South Africa, Scandinavia, France).

This ongoing dialogue allows L'Oréal and its stakeholders to think together about the challenges posed by sustainable development. By analysing the information resulting from this dialogue, as well as the minutes of Stakeholder Forums and reports drawn up by sustainability rating agencies, L'Oréal can gauge its stakeholder expectations and benchmark its own strategy accordingly.

In various countries, these forums have provided the opportunity to cover subjects as varied as environmental challenges, diversity, animal testing, product safety and women's rights. Beyond the forums, an online platform for dialogue has been set up for stakeholders, covering the different aspects of the Group's materiality analysis and allowing those organisations who so wish to pursue these exchanges online and to put questions to Group experts and get answers in real time. This offers a way of keeping in touch with expectations and is part of an ongoing initiative of listening and learning. In France in 2013, the Group consulted over 100 organisations through five thematic forums – on responsible purchasing, biodiversity, diversity and non-discrimination, responsible communication, energy and climate change, allowing it to better formalise its commitments through to 2020, taking into account the issues raised during these discussions.

Presented briefly at the beginning of each forum, L'Oréal's policy, which seeks to embed sustainable development concerns at the heart of its business strategy throughout the value chain, was welcomed by stakeholders. Most stakeholders considered that L'Oréal covered many of civil society's expectations, and many pointed out the coherence of its policy. However, the discussions revealed a gap between the Group's activities as a business and the perception of the company held by consumers. Stakeholders thought that the Group's sustainable development reporting should better cover the Group's brands and products, which embody the company in the eyes of consumers and affect them more directly. Participants also commented on L'Oréal's efforts to promote more responsible consumption, but thought that L'Oréal needed to do more than just propose better, safer, more effective, more socially responsible and more environmentally friendly products.

For example, participants at the Johannesburg and Mumbai forums asked how L'Oréal intended to capture one billion new consumers while at the same time reducing its environmental footprint. Other questions raised by stakeholders at the forums concerned a wide variety of topics such as social business, diversity, the fight against poverty, waste management, diversity in beauty and advertising honesty, supplier audits and animal protection. Consumer associations for example asked L'Oréal how the Group planned to bring consumers on board but also help them understand what is meant by a sustainable way of life and how responsible consumption can contribute to sustainable development. L'Oréal plans to respond to the issues raised through its "Sharing Beauty with All" programme.

In 2013, L'Oréal identified some 30 key issues for its stakeholders and for the Group, allowing it to update its materiality analysis and indicators (for more information, see the "Identified Material Aspects & Boundaries" fact sheet in this Report for the materiality analysis, materiality analysis grid, and materiality indicators).

G4 28 *Reporting period*

L'Oréal publishes a Sustainable Development Report each year. The report is prepared based on an analysis of current practices and a review of the recommendations published by international institutions and specialist organisations such as the United Nations, the OECD, the European Commission and the WBCSD. Regarding its expert report (expert fact sheets can be downloaded from www.sustainabledevelopment.loreal.com), the Group followed the guidelines published by the Global Reporting Initiative for the analysis of its sustainable development performance.

This year, L'Oréal has decided to follow the GRI 4 guidelines. This latest version of GRI represents a real challenge for L'Oréal and shows that the Group listens to its stakeholders. Adopting GRI 4 is proof of L'Oréal's ongoing improvement drive and desire to be a pioneer in sustainable development reporting.

➤ SCOPE, LIMITS AND BASIS FOR THE REPORT

This report covers all of L'Oréal's activities for the financial year from January to December 2013.

➤ SCOPE OF APPLICATION OF DATA RELATING TO:

- environment, health and safety;
- social matters.

There has been no material change in business significantly impacting the comparability of data in this report with previous reports or with peer reports.



FOR MORE INFORMATION CONCERNING THE SCOPE OF THE REPORT, SEE THE G4-18 INDICATOR IN THE "IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES" FACT SHEET IN THIS REPORT.

G4 29 *Date of most recent previous report*

L'Oréal's previous Sustainable Development Report was published in April 2013.

G4 30 *Reporting cycle*

This report covers all of L'Oréal's activities for the financial year from January to December 2013.

G4 31 *The contact point for questions regarding the report or its contents*

L'Oréal welcomes your opinion on its sustainable development performance and reports. Please send your comments, questions or suggestions to: sustainabledevelopment@loreal.com



The GRI Content Index for the chosen option

The Group has chosen the Core "in accordance" option.

The GRI content index will be included within this section in the final version of the Report.

Custom Content Index - 'in accordance' Core (print version)

This Content Index provides an overview of the G4 Standard Disclosures based on the selections made. The print area is already set and is based on size A4 (landscape). If you have A3 paper available, it may be easier to print on this size (change orientation to 'portrait').

GRI's Standard Disclosures are comprised of one or more disclosure requirements. On the following sheet, 'Overview - Standard Disclosures', the requirements are listed from "a" to "z" under the column "Disclosure Requirements". In order to report 'in accordance', an organization must answer each of the disclosure requirements for all the required Standard Disclosures.

In exceptional cases, if it is not possible to disclose certain required information, reasons for omission may apply for those Standard Disclosures marked with () in tables 3 and 4 on page 12 of Guidelines – Reporting Principles and Standard Disclosures. Consult the "Reasons for omission" on page 13 of the Guidelines – Reporting Principles and Standard Disclosures. There are also macros embedded in this sheet to assist you in disclosing accepted reasons for omission; click on the cell in the Reason(s) for Omission(s) column that you want to provide such a reason for and a selection form will open.*

The GRI Guidelines contain the authoritative text. In case of any discrepancies between this Content Index template and the GRI Guidelines, the GRI Guidelines' text shall prevail.

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.	
STRATEGY AND ANALYSIS			
G4-1	Strategy and Analysis G4-1 p2 - p3		
G4-2	Strategy and Analysis G4-2 p3 - p4		
ORGANIZATIONAL PROFILE			
G4-3	Organizational Profile G4-3 p5		
G4-4	Organizational Profile G4-4 p5		
G4-5	Organizational Profile G4-5 p5		
G4-6	Organizational Profile G4-6 p6		
G4-7	Organizational Profile G4-7 p7		
G4-8	Organizational Profile G4-8 p7 - p8		
G4-9	Organizational Profile G4-9 p9 and 2013 Registration Document, section «Key figures and comments on the 2013 financial year» p87	Report Profile G4-33 p3-p6	
G4-10	Organizational Profile G4-10 p10 - p12 and 2013 Registration Document section 6.2.2.1 «employment» page 200	Report Profile G4-33 p3-p6	
G4-11	Organizational Profile G4-11 p13 and 2013 Registration Document, section «Situation with regard to collective agreements» p207 et Labor practices sheet, Management approach	Report Profile G4-33 p3-p6	
G4-12	Organizational Profile G4-12 p13		
G4-13	Organizational Profile G4-13 p14 and 2013 Registration Document 3.3.1 «significant events of 2013» p 102 and 103		
G4-14	Organizational Profile G4-14 p15 - p17 and 2013 Registration Document 6.4.4 «Fair Business practices» p227 et 1.8.1.2. «product quality and safety» p21 1.5.3 «Animal testing : balancing ethics and innovation» p 14 and sustainable development report 2013 «Product safety and animal testing» p11		
G4-15	Organizational Profile G4-15 p18 and http://www.loreal.fr/DD/loreal/Article.aspx?topcode=CorpTopic_Group_Gouv_Ethics_GlobalPact		
G4-16	Organizational Profile G4-16 p18 - p20 and http://www.bureauveritas.fr/wps/wcm/connect/bv_fr/local/home/news/pressreleases/news+certification+gees+cp?presentationtemplate=bv_master_v2/news_full_story_presentation_v2 et http://www.eveprogramme.com/		

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	Identified material aspects and boundaries G4-17 p21	Not externally assured
G4-18	Identified material aspects and boundaries G4-18 G4-19 G4-20 G4-21 p22-p27	Not externally assured
G4-19	Identified material aspects and boundaries G4-18 G4-19 G4-20 G4-21 p22-p27	Not externally assured
G4-20	Identified material aspects and boundaries G4-18 G4-19 G4-20 G4-21 p22-p27	Not externally assured
G4-21	Identified material aspects and boundaries G4-18 G4-19 G4-20 G4-21 p22-p27	Not externally assured
G4-22	Identified material aspects and boundaries G4-22 G4-23 p28 - p30 and «Methodological note» page 211 /212/220/229 of 2013 Registration Document	Not externally assured
G4-23	Identified material aspects and boundaries G4-22 G4-23 p28 - p30 and «Methodological note» page 211 /212/220/229 of 2013 Registration Document	Not externally assured

STAKEHOLDER ENGAGEMENT

G4-24	Stakeholder Engagement G4-24 G4-25 G4-26 p21-p37	Not externally assured
G4-25	Stakeholder Engagement G4-24 G4-25 G4- 26p21-p37	Not externally assured
G4-26	Stakeholder Engagement G4-24 G4-25 G4- 26p21-p37	Not externally assured
G4-27	Stakeholder Engagement G4-27 p37	Not externally assured

REPORT PROFILE

G4-28	Report Profile G4-28 p38	
G4-29	Report Profile G4-29 p38	
G4-30	Report Profile G4-30 p38	
G4-31	Report Profile G4-31 p38	
G4-32	Report Profile G4-32 p39-p60	
G4-33	Report Profile G4-33 p61-p63	

GOVERNANCE		
G4-34	Governance G4-34 G4-35 G4-36 G4-37 G4-38 p85 - p90	
G4-35	Governance G4-34 G4-35 G4-36 G4-37 G4-38 p85 - p90	
G4-36	Governance G4-34 G4-35 G4-36 G4-37 G4-38 p85 - p90	
G4-37	Governance G4-34 G4-35 G4-36 G4-37 G4-38 p85 - p90	
G4-38	Governance G4-34 G4-35 G4-36 G4-37 G4-38 p85 - p90	
G4-39	Governance G4-39 p90	
G4-40	Governance G4-40 p90 - p91 and 2013 Registration Document Section «Directors» page 32	
G4-41	Fiche Gouvernance G4-41 p91 and 2013 Registration Document section 2.2.1. «Composition of the Board of Directors» page 49 and next	
G4-42	Governance G4-42 p92	
G4-43	Governance G4-43 p93	
G4-44	Governance G4-44 p94 and 2013 Registration Document section 2.2.2.2. «Self-evaluation by the board of directors» page 53	
G4-45	Governance G4-45 G4-46 G4-47 p94 - p98 and 2013 Registration Document section 2.2.2.2. «the activities of the board of directors» page 53	
G4-46	Governance G4-45 G4-46 G4-47 p94 - p98 and 2013 Registration Document section 2.2.2.2. «l'activité des comités du conseil d'administration» page 53	
G4-47	Governance G4-45 G4-46 G4-47 p94 - p98 and 2013 Registration Document section 2.2.2.2. «the activities of the board of directors» page 53	
G4-48	Governance G4-48 et p99 and Identified material aspects and boundaries sheet	
G4-49	Governance G4-49 p100	
G4-51	Governance G4-51 p101	
G4-53	Governance G4-53 p102 and 2013 Registration Document page 267 - 268	
ETHICS AND INTEGRITY		
G4-56	Ethics and Integrity G4-56 G4-57 G4-58 p103 - p104	
G4-57	Ethics and Integrity G4-56 G4-57 G4-58 p103 - p104	
G4-58	Ethics and Integrity G4-56 G4-57 G4-58 p103 - p104	

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
CATEGORY: ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Economic Performance sheet p2				
G4-EC1	Economic EC 1 p5-p9				
G4-EC2	Economic EC 2 p9 and 2013 Sustainable Development Report p38 and https://www.cdp.net/EN-US/WHATWEDO/Pages/France.aspx				
G4-EC3	Economic EC 3 p10-p13 and 2013 Registration Document chapter 6.2.2.1 «Employee Benefit and pension schemes and other benefits» page 203				
G4-EC4	Economic EC 4 p13				
MATERIAL ASPECT: MARKET PRESENCE					
G4-DMA	Economic Sheet - Market Presence p2				
G4-EC5	Economic EC 5 p14				
G4-EC6	Economic EC 6 p15 and section Inclusive Business p40 of 2013 Sustainable Development Report				
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Economic Indirect Economic Impacts p2-p3				
G4-EC7	Economic EC 7 p16 - p17 and Society sheet - SO1				
G4-EC8	Economic EC 8 p18-p19 and Society sheet - SO1				
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Economic Procurement practices p3 -p4				
G4-EC9	Economic EC 9 p20 and Society sheet - SO1 and «solidarity sourcing» article page 41 of 2013 Sustainable Development Report				

CATEGORY: ENVIRONMENTAL					
MATERIAL ASPECT: MATERIALS					
G4-DMA	Environnement Materials p5-p6				
G4-EN1	Environnement EN1 p14	Packaging	The information is subject to specific confidentiality constraints	For reasons of confidentiality, L'Oréal does not communicate the tonnage of its packaging	
G4-EN2	Fiche Environnement EN2 p14				
MATERIAL ASPECT: ENERGY					
G4-DMA	Environnement Energy p6				
G4-EN3	Environnement EN3 p15				Report Profile G4-33 p81-p83
G4-EN4	Environnement EN4 p15				
G4-EN5	Environnement EN5 p16				
G4-EN6	Environnement EN6 p17-p18				Report Profile G4-33 p81-p83
G4-EN7	Environnement EN7 p18				
MATERIAL ASPECT: WATER					
G4-DMA	Environnement Water p6				
G4-EN8	Environnement EN8 p19 and Registration Document section 6.3.3 "sustainable use of resources" p216				Report Profile G4-33 p81-p83
G4-EN9	Environnement EN9 p19				
G4-EN10	Environnement EN10 p20		The information is currently unavailable	The indicator to raise the rate of recycling or the reuse of water for each plant will be built in the first half of 2014.	

MATERIAL ASPECT: BIODIVERSITY

G4-DMA	Environment Biodiversity p7-p8				
G4-EN11	Environment EN11 p21				
G4-EN12	Environment EN12 p22				
G4-EN13	Environment EN13 p23 and http://www.loreal.com/sharing-beauty-with-all/living-sustainably/biotherm-making-waves-in-responsible-consumption.aspx				
G4-EN14	Environment EN14 p23 2013 Registration Document section 6.3.5. «protection of biodiversity» p219				

MATERIAL ASPECT: EMISSIONS

G4-DMA	Environment Emission p9				
G4-EN15	Environment EN15 p24				Report Profile G4-33 p81-p83
G4-EN16	Environment EN16 p24				Report Profile G4-33 p81-p83
G4-EN17	Environment EN17 p25 and Product Responsibility PR3				Report Profile G4-33 p81-p83
G4-EN18	Environment EN 18 p25				
G4-EN19	Environment EN 19 p26				Report Profile G4-33 p81-p83
G4-EN20	Environment EN 20 p27				
G4-EN21	Environment EN 21 p27 and 2013 Registration Document section 6.3.2 «pollution and waste management» p214				Report Profile G4-33 p81-p83

MATERIAL ASPECT: EFFLUENTS AND WASTE

G4-DMA	Environment Effluents and waste p9-p10				
G4-EN22	Environment EN22 p28 and 2013 Registration Document p216 «Sustainable use of resources»				Report Profile G4-33 p81-p83
G4-EN23	Environment EN23 p29-30 and 2013 Registration Document «pollution and waste management» p 214 and p 216				Report Profile G4-33 p81-p83
G4-EN24	Environment EN24 p30				
G4-EN25	Environment EN25 p30				Report Profile G4-33 p81-p83
G4-EN26	Environment EN26 p31				

MATERIAL ASPECT: PRODUCTS AND SERVICES					
G4-DMA	Environment Products and services p10-p11				
G4-EN27	Environment EN27 p32-33				
G4-EN28	Environment EN28 p34 Registration Document section «Territorial, economics and social impact of activities» 6.4.1. page 221 and http://www.kiehls.fr/services/service.aspx?topcode=AboutKiehls http://www.garnier.fr/_fr/_fr/programmes/astuces/astucesvertes-liste-categories.aspx?tpcode=GARNIER^GARNIER_ASTUCES_VERTES http://www.thebodyshop.fr/valeurs/ProtectPlanet.aspx				
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	Environment Compliance p11-p12				
G4-EN29	Environment EN29 p35				
MATERIAL ASPECT: TRANSPORT					
G4-DMA	Environment Transport p12				
G4-EN30	Environment EN30 p35				Report Profile G4-33 p81-p83
MATERIAL ASPECT: OVERALL					
G4-DMA	Environment Overall p12-p13				
G4-EN31	Environment EN31 p36				
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	Environment Suppliers Environmental assesement p13				
G4-EN32	Environment EN 32 p37				Report Profile G4-33 p81-p83
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DMA	Environment Environmental Grievance Mechanisms p13				
G4-EN34	Environment EN34 p38				

CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	Labor Practices Employment p 3				
G4-LA1	Labor Practices LA1 p 10 + Section 6.2.2.1. Employment of the Registration Document				Report Profile G4-33 p81-p83
G4-LA2	Labor Practices LA2 p10 - p16 and 2013 Registration Document section «Company savings plan and frozen current account» page 202				Report Profile G4-33 p81-p83
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONSG4-LA4					
G4-DMA	Labor Practices Labor/Management relations p4				
G4-LA4	Labor Practices LA4 p 17				
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Labor Practices sheet - health and safety p5				
G4-LA5	Labor Practices sheet LA5 p 18 p 19 and 2013 Registration Document, section 6.2.2.4. «Health and safety» pages 207 à 209	Total workforce represented in formal joint health and safety committees	The information is currently unavailable	The indicator is not required in the consolidated reporting system of the Group. However, health and safety issues are part of the social dialogue bodies dedicated to this subject or with staff representative bodies, where such dedicated bodies are not in place.	
G4-LA6	Labor Practices LA6 p 19 p 22				Report Profile G4-33 p81-p83
G4-LA7	Labor Practices LA7 p 23				
G4-LA8	Labor Practices LA8 p 23				

MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-DMA	Labor Practices Training and Education p5				
G4-LA9	Labor Practices LA9 p24 and 2013 Registration Document section 6.2.2.5 «TRaining» page 209				
G4-LA10	Labor Practices LA10 p25 p26 and 2013 Registration Document section 6.2.2.5 «Training» page 209				Report Profile G4-33 p81-p83
G4-LA11	Labor Practices LA11 p 27				
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	Labor Practices Diversity and Equal Opportunity p 6				
G4-LA12	Labor Practices LA12 p28 - p29 and 2013 Registration Document page31 or Governance sheet				
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Labor Practices Equal Remnueration for men and women p7				
G4-LA13	Labor Practices LA13 p 30	Information on a group level	The information is currently unavailable	information on the perimeter France only	
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	Labor Practices Suppliers assesement for labor practices p7 - p8				
G4-LA14	Labor practices LA14 p31				
G4-LA15	Labor Practices LA15 p32 and Governance - Human Rights				
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Labor practices Labor Practices Grievance Mechanisms p8				
G4-LA16	Labor Practices LA16 p33				

SUB-CATEGORY: HUMAN RIGHTS					
MATERIAL ASPECT: INVESTMENT					
G4-DMA	Human rights Investment p 3				
G4-HR1	Human Rights HR 1 p 9				
G4-HR2	Human Rights HR2 p9				
MATERIAL ASPECT: NON-DISCRIMINATION					
G4-DMA	Human Rights Non discrimination p 3 - p 4				
G4-HR3	Human Rights HR3 p10 -p11 and 2013 Registration Document section 6.2.2.7 «Promotion and Compliance with the provisions of the fundamental conventions of the international labour organization»page 210				
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Human Rights Freedom of Association and Collective Bargaining p 5				
G4-HR4	Human Rights HR4 p12 and 2013 Registration Document p210 section 6.2.2.7 «Promotion and compliance with the provisions of the fundamental conventions of the international labour organization»				
MATERIAL ASPECT: CHILD LABOR					
G4-DMA	Human Rights Child Labor p5				
G4-HR5	Human Rights HR5 p13 and 2013 Registration Document p210 section «Promotion and compliance with the provisions of the fundamental conventions of the international labour organisation»				
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR					
G4-DMA	Human Rights Forced or compulsory labor p6				
G4-HR6	Human Rights HR6 p13				
MATERIAL ASPECT: SECURITY PRACTICES					
G4-DMA	Human Rights Security practices p6				
G4-HR7	Human Rights HR7 p 14				
MATERIAL ASPECT: INDIGENOUS RIGHTS					
G4-DMA	Human Rights Indigenous Rights p6 p7 and Environnement sheet EN14				
G4-HR8	Human Rights HR8 p 14				
MATERIAL ASPECT: ASSESSMENT					
G4-DMA	Human rights Assessment p7				
G4-HR9	Human Rights HR9 p15				
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	Human Rights Supplier HR Assessment p7 p8				
G4-HR10	Human Rights HR10 p16				Report Profile G4-33 p81-p83
G4-HR11	Human Rights HR11 p17				
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-DMA	Human Rights - Supplier HR Assessment and HR Grievance Mechanisms p8				
G4-HR12	Human Rights HR12 p18				

SUB-CATEGORY: SOCIETY

MATERIAL ASPECT: LOCAL COMMUNITIES

G4-DMA	Society Local Communities p2 and 2013 Registration Document section 6.4.1 «territorial, economic and social impact of activities» p221				
G4-SO1	Society SO1 p6-p7 and 2013 Sustainable Development Report p36 et p41				

MATERIAL ASPECT: ANTI-CORRUPTION

G4-DMA	Society anti - corruption p2-p3				
G4-SO3	Society SO3 p8				
G4-SO4	Society SO4 p9				
G4-SO5	Society SO5 p9				

MATERIAL ASPECT: PUBLIC POLICY

G4-DMA	Society Public Policy p3-p4				
G4-SO6	Society SO6 p9				

MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR

G4-DMA	Society anti - competitive behavior p. 5				
G4-SO7	Society SO7 p 10 and 2013 Registration Document «Provisions liabilities and charges» p147				

MATERIAL ASPECT: COMPLIANCE

G4-DMA	Society Compliance p5 and 2013 Registration Document section 2.5.2. «actors» section «the risk management and compliance department» p79				
G4-SO8	Society SO8 p 11 and SO7 p11				

MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-DMA	Society Supplier assessment for impacts on society p5				
G4-SO9	Society SO9 SO10 p11 and SO1 p6 - p7		The information is currently unavailable		
G4-SO10	Society SO9 SO10 p11 and SO1 p6 - p7		The information is currently unavailable		

MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

G4-DMA	Society Grievance mechanisms for impacts on society p5				
G4-SO11	Society SO11 p12				

SUB-CATEGORY: PRODUCT RESPONSIBILITY

MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY

G4-DMA	Product Responsibility - Customer Health and safety p2				
G4-PR1	Product Responsibility PR1 p5 - p7 and PR2 http://www.loreal.fr/dd/loreal/article.aspx?topcode=corptopic_ri_security_predictiveassessment				
G4-PR2	Product Responsibility PR2 p8				

MATERIAL ASPECT: PRODUCT AND SERVICE LABELING

G4-DMA	Product Responsibility Product and service labeling p3				
G4-PR3	Product Responsibility PR3 p9 et http://www.garnier.fr/_fr/_fr/engagements-garnier/				
G4-PR4	Fiche Responsabilité des produits PR4 p10				

MATERIAL ASPECT: MARKETING COMMUNICATIONS

G4-DMA	Product Responsibility - Marketing communications p3				
G4-PR6	Product Responsibility PR6 p10				
G4-PR7	Product Responsibility PR7 p10				

MATERIAL ASPECT: CUSTOMER PRIVACY

G4-DMA	Product Responsibility- Customer Privacy p3				
G4-PR8	Product Responsibility PR8 p11				

MATERIAL ASPECT: COMPLIANCE

G4-DMA	Product Responsibility Compliance p4				
G4-PR9	Product Responsibility PR9 p11				

Overview of Standard Disclosure requirements

This page provides an overview of the Standard Disclosures included in your Custom Content Index. The print area is already set and is based on size A4 (landscape). If you have A3 paper available, it may be easier to print on this size (change orientation to 'portrait').

GRI's Standard Disclosures are comprised of one or more disclosure requirements (these are listed from "a" to "z" under the column "Disclosure Requirements"). In order to report 'in accordance', an organization must answer each of the disclosure requirements for all the required Standard Disclosures.

In exceptional cases, if it is not possible to disclose certain required information, reasons for omission may apply for those Standard Disclosures marked with () in tables 3 and 4 on page 12 of Guidelines - Reporting Principles and Standard Disclosures. Consult the "Reasons for omission" on page 13 of the Guidelines - Reporting Principles and Standard Disclosures.*

The GRI Guidelines contain the authoritative text. In case of any discrepancies between this Content Index template and the GRI Guidelines, the GRI Guidelines' text shall prevail.

GENERAL STANDARD DISCLOSURES

General Standard Disclosures

Disclosure Requirements

The disclosure requirements for the selected Standard Disclosures are provided below. The G4 Implementation Manual contains explanations of how to prepare the information to be disclosed and how to interpret the various concepts in the Guidelines. Organizations should consult the G4 Implementation Manual when preparing a sustainability report.

STRATEGY AND ANALYSIS

G4-1

a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.

The statement should present the overall vision and strategy for the short term, medium term, and long term, particularly with regard to managing the significant economic, environmental and social impacts that the organization causes and contributes to, or the impacts that can be linked to its activities as a result of relationships with others (such as suppliers, people or organizations in local communities). The statement should include:

- Strategic priorities and key topics for the short and medium term with regard to sustainability, including respect for internationally recognized standards and how such standards relate to long term organizational strategy and success
- Broader trends (such as macroeconomic or political) affecting the organization and influencing sustainability priorities
- Key events, achievements, and failures during the reporting period
- Views on performance with respect to targets
- Outlook on the organization's main challenges and targets for the next year and goals for the coming 3–5 years
- Other items pertaining to the organization's strategic approach

G4-2

a. Provide a description of key impacts, risks, and opportunities.

The organization should provide two concise narrative sections on key impacts, risks, and opportunities.

Section One should focus on the organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognized standards. This should take into account the range of reasonable expectations and interests of the organization's stakeholders. This section should include:

- A description of the significant economic, environmental and social impacts of the organization, and associated challenges and opportunities. This includes the effect on stakeholders' rights as defined by national laws and the expectations in internationally recognized standards and norms
- An explanation of the approach to prioritizing these challenges and opportunities
- Key conclusions about progress in addressing these topics and related performance in the reporting period. This includes an assessment of reasons for underperformance or over-performance

- A description of the main processes in place to address performance and relevant changes

Section Two should focus on the impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future. Section Two should include the following:

- A description of the most important risks and opportunities for the organization arising from sustainability trends
- Prioritization of key sustainability topics as risks and opportunities according to their relevance for long-term organizational strategy, competitive position, qualitative, and (if possible) quantitative financial value drivers
- Table(s) summarizing:

- Targets, performance against targets, and lessons learned for the current reporting period
- Targets for the next reporting period and medium term objectives and goals (that is, 3–5 years) related to key risks and opportunities

- Concise description of governance mechanisms in place specifically to manage these risks and opportunities, and identification of other related risks and opportunities

ORGANIZATIONAL PROFILE

G4-3

a. Report the name of the organization.

G4-4

a. Report the primary brands, products, and services.

G4-5

a. Report the location of the organization's headquarters.

G4-6

a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.

G4-7

a. Report the nature of ownership and legal form.

G4-8

a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).

G4-9

a. Report the scale of the organization, including:

- Total number of employees
- Total number of operations
- Net sales (for private sector organizations) or net revenues (for public sector organizations)
- Total capitalization broken down in terms of debt and equity (for private sector organizations)
- Quantity of products or services provided

G4-10	<p>a. Report the total number of employees by employment contract and gender.</p> <p>b. Report the total number of permanent employees by employment type and gender.</p> <p>c. Report the total workforce by employees and supervised workers and by gender.</p> <p>d. Report the total workforce by region and gender.</p> <p>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.
G4-12	a. Describe the organization's supply chain.
G4-13	<p>a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:</p> <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.
G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.
G4-16	<p>a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic <p>This refers primarily to memberships maintained at the organizational level.</p>
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
G4-17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p> <p>The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.</p>
G4-18	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>
G4-19	a. List all the material Aspects identified in the process for defining report content.
G4-20	<p>a. For each material Aspect, report the Aspect Boundary within the organization, as follows:</p> <ul style="list-style-type: none"> • Report whether the Aspect is material within the organization • If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material • Report any specific limitation regarding the Aspect Boundary within the organization
G4-21	<p>a. For each material Aspect, report the Aspect Boundary outside the organization, as follows:</p> <ul style="list-style-type: none"> • Report whether the Aspect is material outside of the organization • If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the Aspect Boundary outside the organization
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.

STAKEHOLDER ENGAGEMENT	
G4-24	a. Provide a list of stakeholder groups engaged by the organization.
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.
REPORT PROFILE	
G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.
G4-29	a. Date of most recent previous report (if any).
G4-30	a. Reporting cycle (such as annual, biennial).
G4-31	a. Provide the contact point for questions regarding the report or its contents.
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.
GOVERNANCE	
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.
G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.
G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.
G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.
G4-38	a. Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation

G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).
G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.
G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.
G4-49	a. Report the process for communicating critical concerns to the highest governance body.
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> • Fixed pay and variable pay: <ul style="list-style-type: none"> - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.

G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.
ETHICS AND INTEGRITY	
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.

SPECIFIC STANDARD DISCLOSURES	
DMA and Indicators Specific Standard Disclosure Title	Disclosure Requirements The disclosure requirements for the selected Standard Disclosures are provided below. The G4 Implementation Manual contains explanations of how to prepare the information to be disclosed and how to interpret the various concepts in the Guidelines. Organizations should consult the G4 Implementation Manual when preparing a sustainability report.
CATEGORY: ECONOMIC	
ASPECT: ECONOMIC PERFORMANCE	
G4-DMA Generic Disclosures on Management Approach	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: <ul style="list-style-type: none"> The mechanisms for evaluating the effectiveness of the management approach The results of the evaluation of the management approach Any related adjustments to the management approach
G4-EC1 Direct economic value generated and distributed	a. Report the direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organization's global operations as listed below. If data is presented on a cash basis, report the justification for this decision and report the basic components as listed below: <ul style="list-style-type: none"> Direct economic value generated: <ul style="list-style-type: none"> Revenues Economic value distributed: <ul style="list-style-type: none"> Operating costs Employee wages and benefits Payments to providers of capital Payments to government (by country) Community investments Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed') b. To better assess local economic impacts, report EVG&D separately at country, regional, or market levels, where significant. Report the criteria used for defining significance.
G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	a. Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure, including: <ul style="list-style-type: none"> A description of the risk or opportunity and its classification as either physical, regulatory, or other A description of the impact associated with the risk or opportunity The financial implications of the risk or opportunity before action is taken The methods used to manage the risk or opportunity The costs of actions taken to manage the risk or opportunity
G4-EC3 Coverage of the organization's defined benefit plan obligations	a. Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities. b. Where a separate fund exists to pay the plan's pension liabilities, report: <ul style="list-style-type: none"> The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them The basis on which that estimate has been arrived at When that estimate was made c. Where a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Report the percentage of salary contributed by employee or employer. e. Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).
G4-EC4 Financial assistance received from government	a. Report the total monetary value of financial assistance received by the organization from governments during the reporting period, including, as a minimum: <ul style="list-style-type: none"> Tax relief and tax credits Subsidies Investment grants, research and development grants, and other relevant types of grants Awards Royalty holidays Financial assistance from Export Credit Agencies (ECAs) Financial incentives Other financial benefits received or receivable from any government for any operation b. Report the information above by country. c. Report whether, and the extent to which, the government is present in the shareholding structure.

ASPECT: MARKET PRESENCE

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EC5</p> <p>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation</p>	<p>a. When a significant proportion of the workforce is compensated based on wages subject to minimum wage rules, report the ratio of the entry level wage by gender at significant locations of operation to the minimum wage.</p> <p>b. Report whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums could be used as a reference, report which minimum wage is being used.</p> <p>c. Report the definition used for 'significant locations of operation'.</p>
<p>G4-EC6</p> <p>Proportion of senior management hired from the local community at significant locations of operation</p>	<p>a. Report the percentage of senior management at significant locations of operation that are hired from the local community.</p> <p>b. Report the definition of 'senior management' used.</p> <p>c. Report the organization's geographical definition of 'local'.</p> <p>d. Report the definition used for 'significant locations of operation'.</p>

ASPECT: INDIRECT ECONOMIC IMPACTS

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EC7</p> <p>Development and impact of infrastructure investments and services supported</p>	<p>a. Report the extent of development of significant infrastructure investments and services supported.</p> <p>b. Report the current or expected impacts on communities and local economies. Report positive and negative impacts where relevant.</p> <p>c. Report whether these investments and services are commercial, in-kind, or pro bono engagements.</p>
<p>G4-EC8</p> <p>Significant indirect economic impacts, including the extent of impacts</p>	<p>a. Report examples of the significant identified positive and negative indirect economic impacts the organization has. These may include:</p> <ul style="list-style-type: none"> • Changing the productivity of organizations, sectors, or the whole economy • Economic development in areas of high poverty • Economic impact of improving or deteriorating social or environmental conditions • Availability of products and services for those on low incomes • Enhancing skills and knowledge amongst a professional community or in a geographical region • Jobs supported in the supply chain or distribution chain • Stimulating, enabling, or limiting foreign direct investment • Economic impact of change in location of operations or activities • Economic impact of the use of products and services <p>b. Report the significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.</p>

ASPECT: PROCUREMENT PRACTICES

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EC9 Proportion of spending on local suppliers at significant locations of operation</p>	<p>a. Report the percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally).</p> <p>b. Report the organization's geographical definition of 'local'.</p> <p>c. Report the definition used for 'significant locations of operation'.</p>

CATEGORY: ENVIRONMENTAL
ASPECT: MATERIALS

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN1 Materials used by weight or volume</p>	<p>a. Report the total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by:</p> <ul style="list-style-type: none"> • Non-renewable materials used • Renewable materials used
<p>G4-EN2 Percentage of materials used that are recycled input materials</p>	<p>a. Report the percentage of recycled input materials used to manufacture the organization's primary products and services.</p>

ASPECT: ENERGY

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN3 Energy consumption within the organization</p>	<p>a. Report total fuel consumption from non-renewable sources in joules or multiples, including fuel types used.</p> <p>b. Report total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used.</p> <p>c. Report in joules, watt-hours or multiples, the total:</p> <ul style="list-style-type: none"> • Electricity consumption • Heating consumption • Cooling consumption • Steam consumption <p>d. Report in joules, watt-hours or multiples, the total:</p> <ul style="list-style-type: none"> • Electricity sold • Heating sold • Cooling sold • Steam sold <p>e. Report total energy consumption in joules or multiples.</p> <p>f. Report standards, methodologies, and assumptions used.</p> <p>g. Report the source of the conversion factors used.</p>
<p>G4-EN4 Energy consumption outside of the organization</p>	<p>a. Report energy consumed outside of the organization, in joules or multiples.</p> <p>b. Report standards, methodologies, and assumptions used.</p> <p>c. Report the source of the conversion factors used.</p>

G4-EN5 Energy intensity	<p>a. Report the energy intensity ratio.</p> <p>b. Report the organization-specific metric (the ratio denominator) chosen to calculate the ratio.</p> <p>c. Report the types of energy included in the intensity ratio: fuel, electricity, heating, cooling, steam, or all.</p> <p>d. Report whether the ratio uses energy consumed within the organization, outside of it or both.</p>
G4-EN6 Reduction of energy consumption	<p>a. Report the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.</p> <p>b. Report the types of energy included in the reductions: fuel, electricity, heating, cooling, and steam.</p> <p>c. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it.</p> <p>d. Report standards, methodologies, and assumptions used.</p>
G4-EN7 Reductions in energy requirements of products and services	<p>a. Report the reductions in the energy requirements of sold products and services achieved during the reporting period, in joules or multiples.</p> <p>b. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it.</p> <p>c. Report standards, methodologies, and assumptions used.</p>
ASPECT: WATER	
G4-DMA Generic Disclosures on Management Approach	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
G4-EN8 Total water withdrawal by source	<p>a. Report the total volume of water withdrawn from the following sources:</p> <ul style="list-style-type: none"> • Surface water, including water from wetlands, rivers, lakes, and oceans • Ground water • Rainwater collected directly and stored by the organization • Waste water from another organization • Municipal water supplies or other water utilities <p>b. Report standards, methodologies, and assumptions used.</p>
G4-EN9 Water sources significantly affected by withdrawal of water	<p>a. Report the total number of water sources significantly affected by withdrawal by type:</p> <ul style="list-style-type: none"> • Size of water source • Whether or not the source is designated as a protected area (nationally or internationally) • Biodiversity value (such as species diversity and endemism, total number of protected species) • Value or importance of water source to local communities and indigenous peoples <p>b. Report standards, methodologies, and assumptions used.</p>
G4-EN10 Percentage and total volume of water recycled and reused	<p>a. Report the total volume of water recycled and reused by the organization.</p> <p>b. Report the total volume of water recycled and reused as a percentage of the total water withdrawal reported under Indicator G4-EN8.</p> <p>c. Report standards, methodologies, and assumptions used.</p>

ASPECT: BIODIVERSITY

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN11</p> <p>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</p>	<p>a. Report the following information for each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas:</p> <ul style="list-style-type: none"> • Geographic location • Subsurface and underground land that may be owned, leased, or managed by the organization • Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas • Type of operation (office, manufacturing or production, or extractive) • Size of operational site in km² • Biodiversity value characterized by: <ul style="list-style-type: none"> - The attribute of the protected area or high biodiversity value area outside the protected area (terrestrial, freshwater, or maritime ecosystem) - Listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation)
<p>G4-EN12</p> <p>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</p>	<p>a. Report the nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> • Construction or use of manufacturing plants, mines, and transport infrastructure • Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources) • Introduction of invasive species, pests, and pathogens • Reduction of species • Habitat conversion • Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level) <p>b. Report significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> • Species affected • Extent of areas impacted • Duration of impacts • Reversibility or irreversibility of the impacts
<p>G4-EN13</p> <p>Habitats protected or restored</p>	<p>a. Report the size and location of all habitat protected areas or restored areas, and whether the success of the restoration measure was or is approved by independent external professionals.</p> <p>b. Report whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures.</p> <p>c. Report on the status of each area based on its condition at the close of the reporting period.</p> <p>d. Report standards, methodologies, and assumptions used.</p>
<p>G4-EN14</p> <p>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk</p>	<p>a. Report the total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> • Critically endangered • Endangered • Vulnerable • Near threatened • Least concern

ASPECT: EMISSIONS

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)</p>	<p>a. Report gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.</p> <p>b. Report gases included in the calculation (whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all).</p> <p>c. Report biogenic CO₂ emissions in metric tons of CO₂ equivalent separately from the gross direct (Scope 1) GHG emissions.</p> <p>d. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>e. Report standards, methodologies, and assumptions used.</p> <p>f. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source.</p> <p>g. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).</p>
<p>G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)</p>	<p>a. Report gross energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.</p> <p>b. Report gases included in the calculation, if available.</p> <p>c. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>d. Report standards, methodologies, and assumptions used.</p> <p>e. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source, if available.</p> <p>f. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).</p>
<p>G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)</p>	<p>a. Report gross other indirect (Scope 3) GHG emissions in metric tons of CO₂ equivalent, excluding indirect emissions from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization (these indirect emissions are reported in Indicator G4-EN16). Exclude any GHG trades, such as purchases, sales, or transfers of offsets or allowances.</p> <p>b. Report gases included in the calculation, if available.</p> <p>c. Report biogenic CO₂ emissions in metric tons of CO₂ equivalent separately from the gross other indirect (Scope 3) GHG emissions.</p> <p>d. Report other indirect (Scope 3) emissions categories and activities included in the calculation.</p> <p>e. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>f. Report standards, methodologies, and assumptions used.</p> <p>g. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source, if available.</p>
<p>G4-EN18 Greenhouse gas (GHG) emissions intensity</p>	<p>a. Report the GHG emissions intensity ratio.</p> <p>b. Report the organization-specific metric (the ratio denominator) chosen to calculate the ratio.</p> <p>c. Report the types of GHG emissions included in the intensity ratio: direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3).</p> <p>d. Report gases included in the calculation.</p>

<p>G4-EN19 Reduction of greenhouse gas (GHG) emissions</p>	<p>a. Report the amount of GHG emissions reductions achieved as a direct result of initiatives to reduce emissions, in metric tons of CO₂ equivalent.</p> <p>b. Report gases included in the calculation (whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all).</p> <p>c. Report the chosen base year or baseline and the rationale for choosing it.</p> <p>d. Report standards, methodologies, and assumptions used.</p> <p>e. Report whether the reductions in GHG emissions occurred in direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3) emissions.</p>
<p>G4-EN20 Emissions of ozone-depleting substances (ODS)</p>	<p>a. Report production, imports, and exports of ODS in metric tons of CFC-11 equivalent.</p> <p>b. Report substances included in the calculation.</p> <p>c. Report standards, methodologies, and assumptions used.</p> <p>d. Report the source of the emission factors used.</p>
<p>G4-EN21 NO_x, SO_x, and other significant air emissions</p>	<p>a. Report the amount of significant air emissions, in kilograms or multiples for each of the following:</p> <ul style="list-style-type: none"> • NO_x • SO_x • Persistent organic pollutants (POP) • Volatile organic compounds (VOC) • Hazardous air pollutants (HAP) • Particulate matter (PM) • Other standard categories of air emissions identified in relevant regulations <p>b. Report standards, methodologies, and assumptions used.</p> <p>c. Report the source of the emission factors used.</p>
<p>ASPECT: EFFLUENTS AND WASTE</p>	
<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN22 Total water discharge by quality and destination</p>	<p>a. Report the total volume of planned and unplanned water discharges by:</p> <ul style="list-style-type: none"> • Destination • Quality of the water including treatment method • Whether it was reused by another organization <p>b. Report standards, methodologies, and assumptions used.</p>
<p>G4-EN23 Total weight of waste by type and disposal method</p>	<p>a. Report the total weight of hazardous and non-hazardous waste, by the following disposal methods:</p> <ul style="list-style-type: none"> • Reuse • Recycling • Composting • Recovery, including energy recovery • Incineration (mass burn) • Deep well injection • Landfill • On-site storage • Other (to be specified by the organization) <p>b. Report how the waste disposal method has been determined:</p> <ul style="list-style-type: none"> • Disposed of directly by the organization or otherwise directly confirmed • Information provided by the waste disposal contractor • Organizational defaults of the waste disposal contractor

<p>G4-EN24</p> <p>Total number and volume of significant spills</p>	<p>a. Report the total number and total volume of recorded significant spills.</p> <p>b. For spills that were reported in the organization's financial statements, report the additional following information for each such spill:</p> <ul style="list-style-type: none"> • Location of spill • Volume of spill • Material of spill, categorized by: <ul style="list-style-type: none"> - Oil spills (soil or water surfaces) - Fuel spills (soil or water surfaces) - Spills of wastes (soil or water surfaces) - Spills of chemicals (mostly soil or water surfaces) - Other (to be specified by the organization) <p>c. Report the impacts of significant spills.</p>
<p>G4-EN25</p> <p>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally</p>	<p>a. Report the total weight for each of the following:</p> <ul style="list-style-type: none"> • Hazardous waste transported • Hazardous waste imported • Hazardous waste exported • Hazardous waste treated <p>b. Report the percentage of hazardous waste shipped internationally.</p>
<p>G4-EN26</p> <p>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff</p>	<p>a. Report water bodies and related habitats that are significantly affected by water discharges based on the criteria described in the Compilation section below, adding information on:</p> <ul style="list-style-type: none"> • Size of water body and related habitat • Whether the water body and related habitat is designated as a protected area (nationally or internationally) • Biodiversity value (such as total number of protected species)
<p>ASPECT: PRODUCTS AND SERVICES</p>	
<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN27</p> <p>Extent of impact mitigation of environmental impacts of products and services</p>	<p>a. Report quantitatively the extent to which environmental impacts of products and services have been mitigated during the reporting period.</p> <p>b. If use-oriented figures are employed, report the underlying assumptions regarding consumption patterns or normalization factors.</p>
<p>G4-EN28</p> <p>Percentage of products sold and their packaging materials that are reclaimed by category</p>	<p>a. Report the percentage of reclaimed products and their packaging materials for each product category.</p> <p>b. Report how the data for this Indicator has been collected.</p>

ASPECT: COMPLIANCE

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</p>	<p>a. Report significant fines and non-monetary sanctions in terms of:</p> <ul style="list-style-type: none"> • Total monetary value of significant fines • Total number of non-monetary sanctions • Cases brought through dispute resolution mechanisms <p>b. Where organizations have not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.</p>

ASPECT: TRANSPORT

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce</p>	<p>a. Report the significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce. Where quantitative data is not provided, report the reason.</p> <p>b. Report how the environmental impacts of transporting products, members of the organization's workforce, and other goods and materials are mitigated.</p> <p>c. Report the criteria and methodology used to determine which environmental impacts are significant.</p>

ASPECT: OVERALL

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN31 Total environmental protection expenditures and investments by type</p>	<p>a. Report total environmental protection expenditures by:</p> <ul style="list-style-type: none"> • Waste disposal, emissions treatment, and remediation costs • Prevention and environmental management costs

ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN32</p> <p>Percentage of new suppliers that were screened using environmental criteria</p>	<p>a. Report the percentage of new suppliers that were screened using environmental criteria</p>
<p>G4-EN33</p> <p>Significant actual and potential negative environmental impacts in the supply chain and actions taken</p>	<p>a. Report the number of suppliers subject to environmental impact assessments.</p> <p>b. Report the number of suppliers identified as having significant actual and potential negative environmental impacts.</p> <p>c. Report the significant actual and potential negative environmental impacts identified in the supply chain.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.</p>

ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-EN34</p> <p>Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms</p>	<p>a. Report the total number of grievances about environmental impacts filed through formal grievance mechanisms during the reporting period.</p> <p>b. Of the identified grievances, report how many were:</p> <ul style="list-style-type: none"> • Addressed during the reporting period • Resolved during the reporting period <p>c. Report the total number of grievances about environmental impacts filed prior to the reporting period that were resolved during the reporting period.</p>

CATEGORY: SOCIAL	
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK	
ASPECT: EMPLOYMENT	
G4-DMA Generic Disclosures on Management Approach	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	<p>a. Report the total number and rate of new employee hires during the reporting period, by age group, gender and region.</p> <p>b. Report the total number and rate of employee turnover during the reporting period, by age group, gender and region.</p>
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<p>a. Report the benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum:</p> <ul style="list-style-type: none"> • Life insurance • Health care • Disability and invalidity coverage • Parental leave • Retirement provision • Stock ownership • Others <p>b. Report the definition used for 'significant locations of operation'.</p>
G4-LA3 Return to work and retention rates after parental leave, by gender	<p>a. Report the total number of employees that were entitled to parental leave, by gender.</p> <p>b. Report the total number of employees that took parental leave, by gender.</p> <p>c. Report the total number of employees who returned to work after parental leave ended, by gender.</p> <p>d. Report the total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender.</p> <p>e. Report the return to work and retention rates of employees who took parental leave, by gender.</p>
ASPECT: LABOR/MANAGEMENT RELATIONS	
G4-DMA Generic Disclosures on Management Approach	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<p>a. Report the minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them.</p> <p>b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.</p>

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs</p>	<p>a. Report the level at which each formal joint management-worker health and safety committee typically operates within the organization.</p> <p>b. Report the percentage of the total workforce represented in formal joint management-worker health and safety committees.</p>
<p>G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender</p>	<p>a. Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities, for the total workforce (that is, total employees plus supervised workers), by:</p> <ul style="list-style-type: none"> • Region • Gender <p>b. Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities for independent contractors working on-site to whom the organization is liable for the general safety of the working environment, by:</p> <ul style="list-style-type: none"> • Region • Gender <p>c. Report the system of rules applied in recording and reporting accident statistics.</p>
<p>G4-LA7 Workers with high incidence or high risk of diseases related to their occupation</p>	<p>a. Report whether there are workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.</p>
<p>G4-LA8 Health and safety topics covered in formal agreements with trade unions</p>	<p>a. Report whether formal agreements (either local or global) with trade unions cover health and safety.</p> <p>b. If yes, report the extent, as a percentage, to which various health and safety topics are covered by these agreements.</p>

ASPECT: TRAINING AND EDUCATION

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA9 Average hours of training per year per employee by gender, and by employee category</p>	<p>a. Report the average hours of training that the organization's employees have undertaken during the reporting period, by:</p> <ul style="list-style-type: none"> • Gender • Employee category
<p>G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</p>	<p>a. Report on the type and scope of programs implemented and assistance provided to upgrade employee skills.</p> <p>b. Report on the transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.</p>
<p>G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category</p>	<p>a. Report the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.</p>

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity</p>	<p>a. Report the percentage of individuals within the organization's governance bodies in each of the following diversity categories:</p> <ul style="list-style-type: none"> • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant <p>b. Report the percentage of employees per employee category in each of the following diversity categories:</p> <ul style="list-style-type: none"> • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant

ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation</p>	<p>a. Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.</p> <p>b. Report the definition used for 'significant locations of operation'.</p>

ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA14 Percentage of new suppliers that were screened using labor practices criteria</p>	<p>a. Report the percentage of new suppliers that were screened using labor practices criteria.</p>
<p>G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken</p>	<p>a. Report the number of suppliers subject to impact assessments for labor practices.</p> <p>b. Report the number of suppliers identified as having significant actual and potential negative impacts for labor practices.</p> <p>c. Report the significant actual and potential negative impacts for labor practices identified in the supply chain.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative impacts for labor practices with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative impacts for labor practices with which relationships were terminated as a result of assessment, and why.</p>

ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms</p>	<p>a. Report the total number of grievances about labor practices filed through formal grievance mechanisms during the reporting period.</p> <p>b. Of the identified grievances, report how many were:</p> <ul style="list-style-type: none"> • Addressed during the reporting period • Resolved during the reporting period <p>c. Report the total number of grievances about labor practices filed prior to the reporting period that were resolved during the reporting period.</p>

SUB-CATEGORY: HUMAN RIGHTS
ASPECT: INVESTMENT

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR1</p> <p>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</p>	<p>a. Report the total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>b. Report the definition of 'significant investment agreements' used by the organization.</p>
<p>G4-HR2</p> <p>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</p>	<p>a. Report the total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.</p> <p>b. Report the percentage of employees in the reporting period trained in human rights policies or procedures concerning aspects of human rights that are relevant to operations.</p>

ASPECT: NON-DISCRIMINATION

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR3</p> <p>Total number of incidents of discrimination and corrective actions taken</p>	<p>a. Report the total number of incidents of discrimination during the reporting period.</p> <p>b. Report the status of the incidents and the actions taken with reference to the following:</p> <ul style="list-style-type: none"> • Incident reviewed by the organization • Remediation plans being implemented • Remediation plans have been implemented and results reviewed through routine internal management review processes • Incident no longer subject to action

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR4</p> <p>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights</p>	<p>a. Report operations and suppliers in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:</p> <ul style="list-style-type: none"> • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk <p>b. Report measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</p>

ASPECT: CHILD LABOR

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR5</p> <p>Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor</p>	<p>a. Report operations and suppliers considered to have significant risk for incidents of:</p> <ul style="list-style-type: none"> • Child labor • Young workers exposed to hazardous work <p>b. Report operations and suppliers considered to have significant risk for incidents of child labor either in terms of:</p> <ul style="list-style-type: none"> • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk <p>c. Report measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.</p>

ASPECT: FORCED OR COMPULSORY LABOR

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR6</p> <p>Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor</p>	<p>a. Report operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:</p> <ul style="list-style-type: none"> • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk <p>b. Report measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.</p>

ASPECT: SECURITY PRACTICES

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR7</p> <p>Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations</p>	<p>a. Report the percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.</p> <p>b. Report whether training requirements also apply to third party organizations providing security personnel.</p>

ASPECT: INDIGENOUS RIGHTS

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR8</p> <p>Total number of incidents of violations involving rights of indigenous peoples and actions taken</p>	<p>a. Report the total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.</p> <p>b. Report the status of the incidents and actions taken with reference to:</p> <ul style="list-style-type: none"> • Incident reviewed by the organization • Remediation plans being implemented • Remediation plans have been implemented and results reviewed through routine internal management review processes • Incident no longer subject to action

ASPECT: ASSESSMENT

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR9</p> <p>Total number and percentage of operations that have been subject to human rights reviews or impact assessments</p>	<p>a. Report the total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.</p>

ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR10</p> <p>Percentage of new suppliers that were screened using human rights criteria</p>	<p>a. Report the percentage of new suppliers that were screened using human rights criteria.</p>
<p>G4-HR11</p> <p>Significant actual and potential negative human rights impacts in the supply chain and actions taken</p>	<p>a. Report the number of suppliers subject to human rights impact assessments.</p> <p>b. Report the number of suppliers identified as having significant actual and potential negative human rights impacts.</p> <p>c. Report the significant actual and potential negative human rights impacts identified in the supply chain.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which relationships were terminated as a result of assessment, and why.</p>

ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms</p>	<p>a. Report the total number of grievances about human rights impacts filed through formal grievance mechanisms during the reporting period.</p> <p>b. Of the identified grievances, report how many were:</p> <ul style="list-style-type: none"> • Addressed during the reporting period • Resolved during the reporting period <p>c. Report the total number of grievances about human rights impacts filed prior to the reporting period that were resolved during the reporting period</p>

SUB-CATEGORY: SOCIETY
ASPECT: LOCAL COMMUNITIES

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs</p>	<p>a. Report the percentage of operations with implemented local community engagement, impact assessments, and development programs, including the use of:</p> <ul style="list-style-type: none"> • Social impact assessments, including gender impact assessments, based on participatory processes • Environmental impact assessments and ongoing monitoring • Public disclosure of results of environmental and social impact assessments • Local community development programs based on local communities' needs • Stakeholder engagement plans based on stakeholder mapping • Broad based local community consultation committees and processes that include vulnerable groups • Works councils, occupational health and safety committees and other employee representation bodies to deal with impacts • Formal local community grievance processes
<p>G4-SO2 Operations with significant actual and potential negative impacts on local communities</p>	<p>a. Report operations with significant actual and potential negative impacts on local communities, including:</p> <ul style="list-style-type: none"> • The location of the operations • The significant actual and potential negative impacts of operations

ASPECT: ANTI-CORRUPTION

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO3</p> <p>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified</p>	<p>a. Report the total number and percentage of operations assessed for risks related to corruption.</p> <p>b. Report the significant risks related to corruption identified through the risk assessment.</p>
<p>G4-SO4</p> <p>Communication and training on anti-corruption policies and procedures</p>	<p>a. Report the total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.</p> <p>b. Report the total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.</p> <p>c. Report the total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region.</p> <p>d. Report the total number and percentage of governance body members that have received training on anti-corruption, broken down by region.</p> <p>e. Report the total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.</p>
<p>G4-SO5</p> <p>Confirmed incidents of corruption and actions taken</p>	<p>a. Report the total number and nature of confirmed incidents of corruption.</p> <p>b. Report the total number of confirmed incidents in which employees were dismissed or disciplined for corruption.</p> <p>c. Report the total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.</p> <p>d. Report public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.</p>

ASPECT: PUBLIC POLICY

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO6</p> <p>Total value of political contributions by country and recipient/beneficiary</p>	<p>a. Report the total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary.</p> <p>b. Report how the monetary value of in-kind contributions was estimated, if applicable.</p>

ASPECT: ANTI-COMPETITIVE BEHAVIOR

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes</p>	<p>a. Report the total number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.</p> <p>b. Report the main outcomes of completed legal actions, including any decisions or judgments.</p>

ASPECT: COMPLIANCE

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</p>	<p>a. Report significant fines and non-monetary sanctions in terms of:</p> <ul style="list-style-type: none"> • Total monetary value of significant fines • Total number of non-monetary sanctions • Cases brought through dispute resolution mechanisms <p>b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.</p> <p>c. Report the context against which significant fines and non-monetary sanctions were incurred.</p>

ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society</p>	<p>a. Report the percentage of new suppliers that were screened using criteria for impacts on society.</p>
<p>G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken</p>	<p>a. Report the number of suppliers subject to assessments for impacts on society.</p> <p>b. Report the number of suppliers identified as having significant actual and potential negative impacts on society.</p> <p>c. Report the significant actual and potential negative impacts on society identified in the supply chain.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative impacts on society with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative impacts on society with which relationships were terminated as a result of assessment, and why.</p>

ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-SO11</p> <p>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms</p>	<p>a. Report the total number of grievances about impacts on society filed through formal grievance mechanisms during the reporting period.</p> <p>b. Of the identified grievances, report how many were:</p> <ul style="list-style-type: none"> • Addressed during the reporting period • Resolved during the reporting period <p>c. Report the total number of grievances about impacts on society filed prior to the reporting period that were resolved during the reporting period.</p>

SUB-CATEGORY: PRODUCT RESPONSIBILITY
ASPECT: CUSTOMER HEALTH AND SAFETY

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-PR1</p> <p>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement</p>	<p>a. Report the percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</p>
<p>G4-PR2</p> <p>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes</p>	<p>a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:</p> <ul style="list-style-type: none"> • Incidents of non-compliance with regulations resulting in a fine or penalty • Incidents of non-compliance with regulations resulting in a warning • Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>

ASPECT: PRODUCT AND SERVICE LABELING

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-PR3</p> <p>Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements</p>	<p>a. Report whether the following product and service information is required by the organization's procedures for product and service information and labeling:</p> <ul style="list-style-type: none"> • The sourcing of components of the product or service • Content, particularly with regard to substances that might produce an environmental or social impact • Safe use of the product or service • Disposal of the product and environmental/social impacts • Other (explain) <p>b. Report the percentage of significant product or service categories covered by and assessed for compliance with such procedures.</p>
<p>G4-PR4</p> <p>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes</p>	<p>a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by:</p> <ul style="list-style-type: none"> • Incidents of non-compliance with regulations resulting in a fine or penalty • Incidents of non-compliance with regulations resulting in a warning • Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>
<p>G4-PR5</p> <p>Results of surveys measuring customer satisfaction</p>	<p>a. Report the results or key conclusions of customer satisfaction surveys (based on statistically relevant sample sizes) conducted in the reporting period relating to information about:</p> <ul style="list-style-type: none"> • The organization as a whole • A major product or service category • Significant locations of operation

ASPECT: MARKETING COMMUNICATIONS

<p>G4-DMA</p> <p>Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-PR6</p> <p>Sale of banned or disputed products</p>	<p>a. Report whether the organization sells products that are:</p> <ul style="list-style-type: none"> • Banned in certain markets • The subject of stakeholder questions or public debate <p>b. Report how the organization has responded to questions or concerns regarding these products.</p>
<p>G4-PR7</p> <p>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes</p>	<p>a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <ul style="list-style-type: none"> • Incidents of non-compliance with regulations resulting in a fine or penalty • Incidents of non-compliance with regulations resulting in a warning • Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>

ASPECT: CUSTOMER PRIVACY

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</p>	<p>a. Report the total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> • Complaints received from outside parties and substantiated by the organization • Complaints from regulatory bodies <p>b. Report the total number of identified leaks, thefts, or losses of customer data.</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p>

ASPECT: COMPLIANCE

<p>G4-DMA Generic Disclosures on Management Approach</p>	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach
<p>G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</p>	<p>a. Report the total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</p> <p>b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.</p>

G4
33

Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)

L'OREAL

Société Anonyme
14, rue Royale
75008 Paris

**LIMITED ASSURANCE REPORT OF THE STATUTORY AUDITORS ON SELECTED SOCIAL,
ENVIRONMENTAL AND OTHER SUSTAINABLE DEVELOPMENT INFORMATION**

YEAR ENDED DECEMBER 31, 2013

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex


PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

L'OREAL
Société Anonyme
14, rue Royale
75008 Paris

LIMITED ASSURANCE REPORT OF THE STATUTORY AUDITORS ON SELECTED SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION

YEAR ENDED DECEMBER 31, 2013

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Pursuant to your request and in our capacity as Statutory Auditors of L'Oréal, we hereby present you with our limited assurance report on a selection of social, environmental, and societal information, presented in the "GRI data sheets" and on pages 46 and 47 of the group's sustainable development report prepared for the year ended December 31, 2013, and identified by the sign .

➤ RESPONSIBILITY OF THE COMPANY


This information was established under the responsibility of the Human Relations and Environment Executive Management teams and prepared in accordance with the reporting criteria used by the L'Oréal Group (the "Reporting Criteria") and available from the departments aforementioned.

The methodological note, which is included in the "GRI data sheets" available in the "CSR commitments - expert section" of the group's website, describes the methods used for collecting and calculating the published indicators, as well as the inherent limitations to measure some of them.

➤ INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

➤ RESPONSIBILITY OF THE STATUTORY AUDITORS


Based on our work, it is our responsibility to express limited assurance on the fact that certain information⁽¹⁾ selected by the L'Oréal Group and identified by the sign  are presented, in all material aspects, in accordance with the Reporting Criteria.

To assist us in conducting our work, we referred to our corporate responsibility experts.

⁽¹⁾ The Information is the following: [The contribution to Group data of the entities selected for our procedures represents 22% of the Finished Goods units produced by the Group and 18% of total employees.]; Millions of finished goods, Energy consumption within the organization, Total water consumption per source, Direct and indirect GHG emissions (scope 1 and 2), Sulfur Dioxide emissions (SO₂), VOC emissions, Chemical Oxygen Demand (COD) in the water before and after treatment, Transportable waste including returnable packaging and pallets, Hazardous waste generated in 2013, Waste treatment, "Bilan Carbone" (carbon footprint) 2013, CO₂ emissions related to business travel (2012 and 2013), number of work accidents with lost days (L'Oréal employees and temporary staff), Conventional frequency rate, Gravity rate, Total headcount, Number of employees on open-ended and fixed-term employment contracts, Breakdown of employees by gender and by geographical area, Age pyramid, Breakdown of personnel costs, 2012 World Profit-Sharing (paid in 2013), Number of new hires, Overall rate of absenteeism, Rate of absenteeism for sickness, Number of agreements signed in France, Number of agreements signed in the rest of the world, Number of agreements in force as of 12/31, Number of training hours, Number of social audits in 2013, Number of suppliers invited and who positively responded to the invitation to the CDP in 2013.

➤ NATURE AND SCOPE OF PROCEDURES

We conducted our procedures in accordance with ISAE 3000 (International Standard on Assurance Engagements) and the professional standard applicable in France, NEP 9090 .

We have carried out the following work to obtain limited assurance on the fact that the information selected by the L'Oréal Group and identified by the sign  does not contain any material anomalies that would call into question its fairness, in all material aspects, in accordance with the Reporting Criteria. A higher-level assurance would have required more extensive work.

We conducted interviews with the people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Reporting Criteria with respect to its relevance completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the selected information with regard to its completeness and consistency.
- familiarize ourselves with the internal control and risk management procedures relating to the compilation of the selected information.
- Concerning the selected quantitative information:
 - for the consolidating entity, we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation;
 - for a representative sample of entities and sites that we have selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we have:
 - held interviews to verify the correct application of the procedures,
 - implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence.

➤ CONCLUSION

Based on our work, we did not identify any material anomaly likely to call into question the fact that the information selected by the L'Oréal Group and identified by the sign  has been presented, in all material aspects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine, April 15th, 2014

The Statutory Auditors,

Deloitte & Associés
David Dupont Noel Florence Didier-Noaro

Pricewaterhouse Coopers Audit
Gérard Morin Sylvain Lambert

(2) ISAE 3000 « Assurance Engagements other than audits or reviews of historical financial information »

(3) NEP 9090 - « Prestations relatives aux informations sociales et environnementales entrant dans le cadre des diligences directement liées à la mission du commissaire aux comptes »

Governance

Governance structure and composition

L'ORÉAL



Governance structure and composition

"The quality of governance relies on an extremely strong commitment by all Company directors. The Board provides the General Management with valuable support and assistance in making strategic decisions. The balance of powers is ensured by a very precise sharing of the tasks to be carried out by everyone".

Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal

THE BALANCE OF POWERS AT L'ORÉAL IN A BOARD OF DIRECTORS THAT IS INDEPENDENT, STRONGLY COMMITTED AND VIGILANT

The organisation of L'Oréal's Board of Directors is adapted to the Company's specificities and constant progress is always sought.

In 2006, the duties of Chairman of the Board of Directors were separated from those of Chief Executive Officer, at the time when Sir Lindsay Owen-Jones had announced that he wanted to hand over some of his responsibilities to devote some time to the position of Chairman of the Board of Directors. This separation of the duties, which lasted for five years, made it possible to completely ensure a smooth transition with Jean-Paul Agon, appointed as Chief Executive Officer.

In 2011, L'Oréal's Board of Directors decided that the duties of Chairman of the Board of Directors would be reunified with those of Chief Executive Officer and appointed Mr. Jean-Paul Agon to this office.

The Board of Directors considers that the combination of these roles is particularly adapted to the specificities of L'Oréal: a stable and loyal shareholder base, clear identification of its businesses, gradual, steady development of its international activities, the extreme loyalty that has always existed among its senior managers and corporate officers, who have precise knowledge of the business, and top-quality financial and economic performances.

Furthermore, the Company has to be responsive, firstly in a business sector in which decisions have to be taken quickly in a highly competitive international environment, and secondly in the beauty sector which requires strong, coherent communication at all times (see section 2.2.1.1. on page 32 of the Registration Document).

Within this general framework, the *modus operandi* of the Board of Directors has been subject to particular attention so that the Board is in a position to fully carry out its role and the balance of powers on the Board is ensured.

At the end of 2013, like in 2012, at the time of the evaluation of their work and their relations with the general management, the Directors noted that the organisation that has been put in place works well. Decision-making processes are clear, as is the division of powers.

THE BOARD OF DIRECTORS HAS A WIDE ARRAY OF MEANS

The Board has the means to enable it to handle the questions that concern it with complete freedom and particularly when this involves determining the Company's strategic orientations, ensuring and monitoring their implementation and overseeing the good management thereof.

The General Management communicates transparently and has the support of the Board of Directors in the strategic choices that it proposes and which are finally decided by the Board. The Chairman conducts the Board's work to build this cohesion without which General Management and its Executive Committee would not be able to commit themselves completely and ensure the Company's development with complete confidence and tranquillity. It is naturally in the interest of all the shareholders but also of all the stakeholders for the Chairman to lead the debates and encourage discussions on the Board of Directors. It can hold meetings at any time depending on topical issues that may arise (see section 2.2.2.1. on page 48 of the Registration Document).

➤ THE BOARD OF DIRECTORS' ACTION IS FULLY ORGANISED

The Board acts in all circumstances in the Company's corporate interests. This mission is reinforced in as much as the Board has adopted a code of operation defining rules with regard to conduct and formally providing for the conditions in which it will be given the means it needs to fully perform its role, for example, by deciding to handle any issue with regard to the good running of the Company, within the framework of the law.

Thus, L'Oréal's Board of Directors has adopted Internal Rules which it updates from time to time, both with regard to the formal aspects of its missions and with regard to the rights and obligations of the Directors (knowledge of, and compliance with, the regulatory provisions, recommendations and obligations, respect for the Company's interests, a duty of diligence and provision of information, confidentiality and secrecy, responsibility in the field of insider trading, etc.), in the light of the findings of the evaluation of its work and within the scope of good corporate governance practices that it has put in place. The complete text of the Internal Rules, which were last updated on February 10th, 2014, is published in full in this Registration Document, on pages 54 et seq. It may be amended by the Board in light of the changes in the laws and regulations, but also in its own *modus operandi*.

Finally, a Director formally reports potential conflicts of interest which might concern him/her and, in any event, in this case he/she does not take part in the voting in this respect (see section 2.2.1.2. on page 33 and page 46 of the Registration Document).

➤ WELL-STRUCTURED, SPECIALISED BOARD COMMITTEES, WHOSE REMITS HAVE BEEN ADDED TO

Council meetings are prepared by four very active committees: the Strategy and Sustainable Development Committee, the Audit Committee, the Human Resources Committee and the Remuneration and Nomination Committee and the Governance.

In 2011, additions were made to the remits of the Board's committees, with a greater number of Directors serving on these committees and more opportunities to meet with high-level managers. Only the Strategy and Sustainable Development Committee is chaired by the Chairman and CEO, who does not serve on any other committee.

They include independent Directors, who represent half of the members of the Audit Committee and the Remuneration Committee and include the Chairman of each Committee. These committees are completely free to define their respective agendas. They report regularly on their work to the Board of Directors, prepare for its meetings and make proposals to it. Within the scope of the review of its own work at the end of 2013, the Board once again appreciated the quality of the contribution made by its committees in relation with the decisions that it takes, in an increasingly detailed manner (see section 2.2.2.1. on page 48 of the Registration Document).

➤ THE BOARD'S WORK FOCUSED ON BUSINESS ACTIVITIES, STRATEGY AND THE COMPANY'S ENVIRONMENTAL, SOCIAL AND SOCIETAL RESPONSIBILITY COMMITMENTS

In 2013, besides the regular monitoring of business activities, the Board of Directors continued its work, as it had chosen to do, on the components of strategy in the presence of several senior managers, particularly with regard to proposed acquisitions. Each presentation by a senior manager gives the Directors the opportunity to take stock, in an ever more detailed manner, of an aspect that characterises its business and its organisation, enabling them to forge an opinion and to make their decisions in full knowledge of the facts.

For example, in 2013, at the request of the Directors, a Board meeting was held at L'Oréal's Global Hair Research Centre. Another meeting was organised at the Professional Products Division for a concrete analysis of the assets of the haircare market throughout the world and related market developments. In addition, the Board had the occasion to review the Human Relations policy and its challenges with regard to identifying and developing talents on all continents.

As attested to by the preparatory work of its Committees (see the Registration Document page 49), the Board also analyses other aspects of strategy, the Group's economic and financial management and the Company's commitments in the environmental, social and societal fields.

➤ PROVISION OF INFORMATION TO THE BOARD ON THE FINANCIAL SITUATION, THE CASH POSITION AND THE COMPANY'S COMMITMENTS

The financial situation and the cash position are reviewed at least twice a year at a Board meeting, at the time of closing of the annual financial statements and the review of the interim financial statements or at any other time if necessary. The balance sheet structure remains solid and the Group is not in debt.

The Company's commitments are reviewed within the framework of the annual renewal of the authorisations given to the Chairman and Chief Executive Officer and the delegations of authority he grants.

COMPOSITION OF THE BOARD OF DIRECTORS

At December 31st, 2013, the Board of Directors comprises 14 members: the Chairman and Chief Executive Officer, six Directors appointed by the majority shareholders, three of whom are appointed by the Bettencourt Meyers family and three by Nestlé (the two Vice-Chairmen of the Board being chosen from among these members) and seven independent Directors: Ms. Annette Roux, Ms. Virginie Morgon (since April 26th, 2013), Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Marc Ladreit de Lacharrière and Mr. Louis Schweitzer.

Four elected employee representatives also attended Board meetings in 2013; they have an advisory vote.

The 14 Directors of L'Oréal, who are strongly committed and responsible, exercise complete freedom of judgement, both in terms of independence and gender parity. The composition of the Board of Directors is therefore in compliance with the recommendations of the June 2013 AFEF-MEDEF Code of Corporate Governance.

Out of a total of 14 Directors, four women have seats on L'Oréal's Board of Directors, representing a proportion of female directors of 28.6%. The Board is thus in advance of the French Law of January 27th, 2011 relating to the balanced representation of men and women, which provides for a proportion of 20% of women to be reached by 2014. The Board is doing everything it can to appoint more female Directors.

The Appointments and Governance Committee continued its selection process and made proposals to the Board of Directors in 2013. A female candidate will be proposed to the Annual General Meeting on April 17th, 2014, which will thereby lead to an increase in the proportion of women on the Board to 35.7%, with a total of 14 Directors in 2014.

In any event, in 2017, the composition of the Board will be in compliance with the French law which requires balanced representation of men and women, namely a minimum proportion of 40% of Directors of the same gender.

At December 31st, 2013, the members of the Board of Directors were as follows:

Jean-Paul Agon, age: 57, joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, Executive Vice-President of the Asia Zone, President and CEO of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005 and then Chief Executive Officer in April 2006 and finally Chairman and CEO in 2011. A Director of L'Oréal since 2006, he is also Chairman of the L'Oréal Corporate Foundation and Chairman of the Strategy and Sustainable Development Committee. Jean-Paul Agon is also a Director of Air Liquide.

Françoise Bettencourt Meyers, age: 60, the daughter of Mrs. Liliane Bettencourt, herself the daughter of the founder of L'Oréal, Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since January 31st, 2012 and is the Chairwoman of the Bettencourt Schueller Foundation. Françoise Bettencourt Meyers has been a Director of L'Oréal since 1997 and a member of the Strategy and Sustainable Development Committee since April 2012.

Peter Brabeck-Letmathe, age: 69, of Austrian nationality, holds the main position outside L'Oréal of Chairman of the Board of Directors of Nestlé. Peter Brabeck-Letmathe has been a Director of L'Oréal and Vice-Chairman of the Board of Directors since 1997. He has been a member of the Strategy and Sustainable Development Committee since 2005, and is a member of the Appointments and Governance Committee and the Human Resources and Remuneration Committee.

Paul Bulcke, age: 59, of Belgian nationality, joined Nestlé in 1979, and has been its Chief Executive Officer since 2008. Paul Bulcke has been a Director of L'Oréal since 2012, a member of the Strategy and Sustainable Development Committee since April 2012 and is a Board member of Roche Holding in Switzerland.

Charles-Henri Filippi, age: 61, spent his career within the HSBC Group, in which he was notably Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board of Directors in 2007 and 2008. Charles-Henri Filippi has been a Director of L'Oréal since 2007 and is a member of the Audit Committee (Committee Chairman until February 2013), a Board member of France Telecom, a member of the Supervisory Board of Euris and a non-voting member of the Board of Directors of Nexity.

Xavier Fontanet, age: 65, former Chairman and Chief Executive Officer (1996-2009) and former Chairman of the Board of Directors of Essilor (2010-2012), member of the Supervisory Board of Schneider Electric, has been a Director of L'Oréal since 2002 and is Chairman of the Appointments and Governance Committee.

Bernard Kasriel, age: 67, a former Chief Executive Officer of Lafarge, has been a Director of L'Oréal since 2004, Chairman of the Human Resources and Remuneration Committee since 2007 and is a member of the Strategy and Sustainable Development Committee. He is also a Board member of Arkema and Nucor (United States).

Christiane Kuehne, age: 58, of Swiss nationality, is the Head of the Food Strategic Business Unit at Nestlé which she joined in 1977. Christiane Kuehne has been a member of L'Oréal's Board of Directors and a member of the Audit Committee since 2012.

Marc Ladreit de Lacharrière, age: 73, member of the Institut and with L'Oréal from 1976 to 1991. Marc Ladreit de Lacharrière has been a Director of L'Oréal since 1984, is Chairman and Chief Executive Officer of Fimalac, Chairman of Fitch (United States), and a Board member of Casino, Lucien Barrière and Renault.

Jean-Pierre Meyers, age: 65, has been a Director of L'Oréal since 1987, Vice-Chairman of the Board of Directors since 1994, and is a member of the Strategy and Sustainable Development Committee, the Audit Committee, the Appointments and Governance Committee and the Human Resources and Remuneration Committee. He is Vice-Chairman of the Supervisory Board and Chief Executive Officer of the family-owned holding company Téthys, a Board member of Nestlé and Vice-Chairman of the Bettencourt Schueller Foundation.

Jean-Victor Meyers, age: 27, has been a member of the Supervisory Board of the family holding company Téthys since January 2011. He has been a Director of L'Oréal since February 2012.

Virginie Morgon, age: 44, is Chief Investment Officer of Eurazéo which she joined in 2008 after working for 16 years at Lazard. She has been a Director of L'Oréal since April 26th, 2013 and is a member of the Audit Committee. She is also a Board member of Accor.

Annette Roux, age: 71, Chairperson and Managing Director of Bénéteau from 1976 to 2005, then Vice-Chairperson of the Supervisory Board. Annette Roux has been a member of L'Oréal's Board of Directors since 2007. She is also Chairperson of the Bénéteau Corporate Foundation.

Louis Schweitzer, age: 71, Chairman and Chief Executive Officer of Renault from 1992 to 2005, Chairman of the Board of Directors until 2009. Louis Schweitzer has been a Director of L'Oréal since 2005, is a member of the Audit Committee and Chairman of that Committee since February 2013, and a member of the Strategy and Sustainable Development Committee. He is also a member of the Advisory Committees of Allianz AG (Germany) and Bosch (Germany).

The tenure as Director of L'Oréal, which is renewable, covers a period of four years according to the Articles of Association or may cover a shorter period in order to allow for staggered renewal of the tenures of Directors. The Directors each hold a minimum of 1,000 L'Oréal shares. The complete list of duties of the Directors is set out on pages 33 et seq. of the Registration Document.

Members of L'Oréal's Executive Committee

Jean-Paul Agon
Chairman and Chief Executive Officer

Laurent Attal
Executive Vice-President
Research and Innovation

Jean-Philippe Blanpain
Executive Vice-President Operations

Nicolas Hieronimus
Executive Vice-President
President Selective Divisions

Brigitte Liberman
President Active Cosmetics Division

Marc Menesguen
President Consumer Products Division

Christian Mulliez
Executive Vice-President
Administration & Finance

Alexis Peyrakis-Vallat
Executive Vice-President Asia, Pacific Zone

Alexandre Popoff
Executive Vice-President Eastern Europe Zone

Sara Ravella
Executive Vice-President
Communication, Sustainability and Public Affairs

Frédéric Rozé
Executive Vice-President
Americas Zone

Geoff Skingsley
Executive Vice-President
Africa, Middle East Zone

Jérôme Tixier
Executive Vice-President
Human Resources and Advisor to the Chairman

An Verhulst-Santos
President Professional Products Division

Jochen Zaumseil
Executive Vice-President Western Europe Zone



FOR FURTHER INFORMATION REGARDING THE GOVERNANCE STRUCTURE OF L'ORÉAL, SEE THE CORPORATE GOVERNANCE PAGE 29 OF THE 2013 REGISTRATION DOCUMENT

The CSR is placed under the responsibility of Sara Ravella, Executive Vice President Communication, Sustainability and Public Affairs and member of L'Oréal's Executive Committee.

➤ SHAREHOLDERS

The loyalty of its shareholders is one of the group's greatest strengths, an essential component for implementing a long term strategy.

➤ ACTIVE FINANCIAL INFORMATION

L'Oréal organizes numerous events for shareholders which are all occasions to strengthen links with them. In 2013, the Group has increased the number of meetings with individual shareholders: 7 meetings with shareholders were organized in France and Belgium, as well as visits to plants like Soproleal in Aulnay (France) and Group's hair Academies in Lyon and Marseille.

The Group participated at the « Village des Actionnaires » in Roland Garros in september, and at the Actionaria exhibition.

In total, the financial information team succeeded in meeting 6,000 individual shareholders and about 650 institutional investors in 2013.

L'Oréal's Financial Communication Department was awarded two prizes: the Transparency prize for all its financial communication and the Registration Document prize by the jury at the Transparency Awards; Mr. Christian Mulliez, Executive-Vice-President Administration and Finance received the Trophy for the best Chief Financial Officer in the field of investor relations for all categories combined, awarded by the Investor Relations forum.

➤ THE CONSULTATIVE COMMITTEE OF INDIVIDUAL SHAREHOLDERS IS CELEBRATING ITS FIRST ANNIVERSARY

Created in 2010, the Consultative Committee of individual shareholders met four times in the year to discuss themes as varied as preparing for the Annual General Meeting and digital communication. A key body in the dialogue with the group's individual shareholders, the committee enables their expectations to be better understood and the quality of interaction to be constantly improved.

➤ REWARDING THE LOYALTY OF L'ORÉAL'S SHAREHOLDERS

Since the April 2009 Annual General Meeting, L'Oréal has been one of the few CAC 40 companies to offer a loyalty bonus. A dividend increased by 10% is thus offered to all shareholders listed by name or registered for at least two years*, to acknowledge those who support the company over the long term. Naming gives a better understanding of L'Oréal's shareholders and means they can be offered benefits.

Shareholders listed by name have greatly increased in the last three years.

➤ DIALOGUE WITH STAKEHOLDERS ON CSR SUBJECTS

On October 23rd, the Group announced its sustainability commitments for 2020, which have naturally been built on the back of the expectations of the stakeholders it has met all over the world over the last few years at the forums mentioned above. The announcement was followed by a forum held in Paris on responsible consumption, the Re-imagining Consumption Summit, in partnership with BSR (Business for Social Responsibility), Forum for the Future, WBCSD (World Business Council on Sustainable Development), Futerra and Sustainable Brands; this summit, which had 260 participants from other companies, but also from associations and the public authorities, offered the opportunity for reflections on how to make progress together on this crucial topic for the future of the consumer industries: an open, public dialogue to inspire one another.

➤ FOR FURTHER INFORMATION CONCERNING STAKEHOLDERS, SEE SECTION 6.4.2 ON PAGES 222 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT, AS WELL AS THE STAKEHOLDER ENGAGEMENT FACT SHEET (G4-24 TO G4-25 OF THE GRI REPORT).

G4
39

Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)

In 2011, L'Oréal's Board of Directors decided that the duties of Chairman of the Board of Directors would be reunified with those of Chief Executive Officer and appointed Mr. Jean-Paul Agon to this office.

The separation of the duties of Chairman of the Board of Directors from those of Chief Executive Officer from 2006 to 2011 made it possible to ensure a smooth transition between Sir Lindsay Owen-Jones and Mr. Jean-Paul Agon. In 2011, the Board of Directors considered that the environment was favourable to reunifying these duties. This governance model is indeed specifically adapted to the specificities of L'Oréal and its shareholder structure: a stable and loyal shareholder base, clear identification of its businesses, gradual, steady development of its international activities, and top-quality financial and economic performances. L'Oréal has always had senior managers and executive officers who are loyal to the Company and have precise knowledge of the business. Furthermore, the Company has to be responsive, firstly in a business sector in which decisions have to be taken quickly in a highly competitive international environment, and secondly in the beauty sector which requires strong, coherent communication at all times.

At the end of 2013, at the time firstly of the evaluation of their work (see section 2.2.2.2, page 53 of the Registration Document), and secondly of that of their relations with the Company's executives, the directors confirmed that this organisation operated in an efficient, balanced manner.

G4
40

The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members

► **EXPERIENCED DIRECTORS WHO COMPLEMENT ONE ANOTHER**

L'Oréal's Directors come from different backgrounds; they complement one another due to their different professional experience, their skills and their nationalities. They have good knowledge of the Company. The Directors are present, active and strongly committed. These are all assets which contribute to the quality of the Board's deliberations in the context of the decisions that it is called on to make.

For more information, see 2013 Registration Document (pages 33 and following), which includes biography and the list of mandates and functions of each director.

The loyalty of its shareholders is one of the group's greatest strengths, an essential component for implementing a long term strategy.

The balance of powers on the Board is ensured through a very precise definition and sharing of the tasks to be carried out by everyone, with, on the one hand, the Chairman and CEO and, on the other, thirteen Directors who are independently-minded and free to exercise their judgement. All the Directors receive information on an ongoing basis and have suitable means, within the framework of the Internal Rules of the Board of Directors, with well-structured, specialised committees and remits that have been added to since their creation.

The Directors have a duty of vigilance and have complete freedom of judgement, which enables them in particular to participate, in total independence, in the decisions and work of the Board and its committees.

At the end of 2013, the Board of Directors reviewed the situation of each of its members on a case-by-case basis, in particular in light of the independence criteria provided for in the AFEP-MEDEF Code. A member of the Board is considered as independent when he/she does not maintain any relationship of any kind with the Company, its group or its General Management which may interfere with his/her freedom of judgement.

In this spirit, the criteria which guide the Board in determining whether a member can qualify as independent are the following criteria specified by the AFEP-MEDEF Code:

- the member must not be an employee or corporate officer of the Company, an employee or director of its parent company or a company which it consolidates in its financial statements, and must not have held any of these positions during the previous five years;
- the member must not be a corporate officer of a company in which the Company directly or indirectly holds the office of director or in which an employee designated as such or a corporate officer of the Company (either currently or having performed such duties within the last five years) holds an office as director;
- the member must not be a customer, supplier, investment banker or financial banker:
 - which is important for the Company or its group, or
 - for which the Company or its group represents a significant portion of activities;
- the member must not have any close family links with a corporate officer;
- the member must not have been the Company's auditor over the five previous years.

The Board failed to adopt one of the criteria specified by the AFEP-MEDEF Code as it considers that the fact that a member has performed a term of office for over 12 years does not lead to such member losing his independent status.

When a person has been a Director of L'Oréal for over 12 years, his professional experience and his freedom of judgement, combined with good knowledge of the Company, make a big contribution to the discussions and decisions of the Board. His length of office is an asset for the Board. It contributes to putting L'Oréal's main strategic options into perspective.

Indeed, the quality of a Director is also measured by his experience, his skills, his authority and his good knowledge of the Company, which are all assets which make it possible to conduct a long-term strategy.

At December 31st, 2013, out of the 14 members of the Board of Directors, seven Directors qualify as independent: Ms. Annette Roux, Ms. Virginie Morgon, Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Marc Ladreit de Lacharrière and Mr. Louis Schweitzer.

It is furthermore specified that a review was carried out of the financial flows that took place in 2013 between L'Oréal and the companies in which the seven independent Directors also hold an office. It appears from this that the nature of these business relationships is not significant.

The Board's tasks are carried out with the necessary objectiveness and independence and all the Directors take account of the interests of all the shareholders.

Out of a total of 14 Directors, four women have seats on L'Oréal's Board of Directors, representing a proportion of female directors of 28.6%. The Board is thus in advance of the French Law of January 27th, 2011 relating to the balanced representation of men and women, which provides for a proportion of 20% of women to be reached by 2014. The Board is doing everything it can to appoint more female Directors.



FOR FURTHER INFORMATION CONCERNING THE DIRECTORS, SEE SECTION 2.2.1 "COMPOSITION OF THE BOARD OF DIRECTORS" ON PAGE 32 OF THE 2013 REGISTRATION DOCUMENT.

G4 41

Processes for the highest governance body to ensure conflicts of interest are avoided and managed

Within the scope of the law and the rights and obligations of the Directors as defined in the Internal Rules of the Board of Directors of L'Oréal and in accordance with the AFEP-MEDEF Code, the Directors are subject to compliance with the rules in force with regard to conflicts of interest and stock market ethics.

Thus, *"the Directors are under the obligation of notifying the Board of all situations constituting a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberation"*. In this regard, on the basis of the reports made by each Director, the Board has not identified any conflict of interests. The information pursuant to Annex I of European Regulation No. 809/2004 set out hereafter contains additional details in this respect.



FOR MORE INFORMATION CONCERNING THE PROCESSES PUT IN PLACE BY THE BOARD OF DIRECTORS, SEE SECTION 2.2.2.1 ON "THE ACTIVITIES OF THE BOARD COMMITTEES" ON PAGES 49 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT.

Highest governance body's role in setting purpose, values and strategy

G4
42

Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.

The Strategy and Sustainability Development Committee clarifies, through its analyses, the strategic orientations submitted to the Board of Directors and monitors the implementation and progress of significant operations that are under way. It ensures that the main financial balances are preserved.

Within this framework, the Committee reviews the main strategic lines of development, options and projects presented by the General Management, and their economic and financial consequences, acquisition opportunities, and financial transactions liable to significantly change the balance sheet structure.

The Committee also makes sure that the Company's commitments with regard to Sustainable Development have been duly taken into consideration, in light of the issues specific to the Group's business activities and its objectives.

Finally, the Committee reviews the proposed strategic orientations, as defined by the Board of Directors, with a view to consultation of the Central Works Council.

Highest governance body's competencies and performance evaluation

G4
43

Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics

► THE BOARD PERIODICALLY EVALUATES THE QUALITY OF ITS ORGANISATION AND ITS WORK

Within the framework of the annual evaluation of its *modus operandi*, on the basis of the best corporate governance practices, the Directors set themselves new targets for improvement of the quality of their organisation and their deliberations every year, for example by enlarging the agenda for their meetings and those of their committees. They seek to adopt the best possible *modus operandi* and ensure that they have all the necessary assets to successfully perform their tasks, with complete freedom.

G4
44

Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics

THE BOARD PERIODICALLY EVALUATES THE QUALITY OF ITS ORGANISATION AND ITS WORK

Within the framework of the annual evaluation of its *modus operandi*, on the basis of the best corporate governance practices, the Directors set themselves new targets for improvement of the quality of their organisation and their deliberations every year, for example by enlarging the agenda for their meetings and those of their committees. They seek to adopt the best possible *modus operandi* and ensure that they have all the necessary assets to successfully perform their tasks, with complete freedom.

Every year, the Board reviews its composition, its organisation and its *modus operandi*, in particular in order to verify that, under these conditions, the agenda for its work duly covers the scope of its assignments, that important questions have been appropriately prepared for and discussed and to assess the contribution made by each member to the Board's work.

This evaluation is carried out within the framework of the AFEP-MEDEF Code, to which the Board refers and market recommendations like those of the AMF. On the basis of the summary of prior individual interviews between the Director and the Secretary of the Board of Directors, such interviews being conducted on the basis of a guide which sets out the principles provided for in the Code and the recommendations, the Board considers the avenues of progress that still remain open and, at the end of the discussion that takes place, adopts the improvement measures that it considers appropriate.

The Directors again exercised their complete freedom of judgement in 2013. This freedom of judgement allowed them to participate, in total independence, in the work and collective decisions of the Board, and, where applicable, in conducting preparatory work and making proposals through the Board committees.

The Board considered that the quality of its meetings has continued to improve, in light of what were considered as avenues of progress following the self-evaluation carried out at the end of 2012, particularly with regard to the strategic challenges faced by the Group which are regularly debated and discussed, in the presence of the senior managers who are members of the Executive Committee.

Once again this year, the approach to strategy was examined in detail in the course of the Board's work in light of the development of the brands, the countries and the markets on which the Group operates.

In this respect, the day devoted to strategy at L'Oréal Professional Products and that on Research & Innovation at one of its laboratories, in the presence of a large number of senior managers, were particularly appreciated.

In 2013, the Board once again appreciated the pace, frequency and format of the information provided to it in connection with business activities in general and the main events in the life of the Group. Making documentation available prior to Board or Committee meetings, in compliance with the requirements of confidentiality and the time constraints with which the Company is faced, favours the quality of the debates.

The Directors made new proposals of topics to be included on the agenda for meetings in 2014, principally in relation with universalisation strategy, the geographic deployment of the business activities of the Divisions and the organisation of the regions in light of local specificities.



FOR MORE INFORMATION CONCERNING THE BOARD'S EVALUATION, SEE SECTION 2.2.2.2. "SELF-EVALUATION BY THE BOARD OF DIRECTORS" ON PAGE 53 OF THE 2013 REGISTRATION DOCUMENT.

R/ole of the highest governance body in risk management...

G4
45 *Role of the highest governance body in the identification and management of economic, environmental and social impacts, risks, and opportunities*

G4
46 *Role of the highest governance body in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics*

G4
47 *Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities*

► GLOBAL RESPONSE

The Board's work focused on business activities, strategy and the Company's environmental, social and societal responsibility commitments.

In 2013, besides the regular monitoring of business activities, the Board of Directors continued its work, as it had chosen to do, on the components of strategy in the presence of several senior managers, particularly with regard to proposed acquisitions. Each presentation by a senior manager gives the Directors the opportunity to take stock, in an ever more detailed manner, of an aspect that characterises its business and its organisation, enabling them to forge an opinion and to make their decisions in full knowledge of the facts.

For example, in 2013, at the request of the Directors, a Board meeting was held at L'Oréal's Global Hair Research Centre. Another meeting was organised at the Professional Products Division for a concrete analysis of the assets of the haircare market throughout the world and related market developments. In addition, the Board had the occasion to review the Human Relations policy and its challenges with regard to identifying and developing talents on all continents.

As attested to by the preparatory work of its Committees (see below), the Board also analyses other aspects of strategy, the Group's economic and financial management and the Company's commitments in the environmental, social and societal fields.

Concerning the Committees' works, the missions of two out of four Committees have to be underlined:

The Strategy and Sustainable Development Committee shows the Board's will to ensure that L'Oréal disposes of all necessary means and resources to answer the stakes of sustainable growth. This Committee clarifies, through its analyses, the strategic orientations submitted to the Board of Directors and monitors the implementation and progress of significant operations that are under way. It ensures that the main financial balances are preserved.

Within this framework, the Committee reviews the main strategic lines of development, options and projects presented by the General Management, and their economic and financial consequences, acquisition opportunities, and financial transactions liable to significantly change the balance sheet structure. The Committee also makes sure that the Company's commitments with regard to Sustainable Development have been duly taken into consideration, in light of the issues specific to the Group's business activities and its objectives. Finally, the Committee reviews the proposed strategic orientations, as defined by the Board of Directors, with a view to consultation of the Central Works Council.

Composition of the Committee

The Committee, which consists of seven Directors, is chaired by the Chairman and Chief Executive Officer (Mr. Jean-Paul Agon). It is also composed of two members of the Bettencourt family (Mrs. Françoise Bettencourt Meyers and Mr. Jean-Pierre Meyers), two members from Nestlé (Mr. Peter Brabeck-Letmathe and Mr. Paul Bulcke) and two independent Directors (Mr. Bernard Kasriel and Mr. Louis Schweitzer). All these Directors participate in Committee meetings with complete freedom of judgement and in the interest of all the shareholders.

The Committee met five times in 2013, with an attendance rate of 100%.

The Committee's work

As in the past, at each of its meetings in 2013, the Committee examined the performance of the latest product launches, analysed business activities in terms of sales and results, and discussed the prospects and development opportunities of the Group and its Divisions within the scope of changes in markets and competition.

Approach to strategy

At the end of the year, in light of the performances for the financial year, the Group's strategic development prospects were examined by the Committee before being presented to the Board, which validated them. The Board noted the regular growth of the market share of L'Oréal Cosmetics over the last few years. L'Oréal's ambition is to continue to win market share, outperform market growth and increase profitability by looking to achieve performances in all areas.

Acquisitions

Throughout the year, acquisition projects were reviewed by the Committee before some of them were presented to the Board for its decision. Thus, the Board of Directors authorised the General Management to enter into strategic acquisitions in 2013, with:

- the acquisition of the Beauty and Personal Care business of Interconsumer Products Limited in Kenya, a significant player on the Kenyan beauty market, with strong positions in skin and hair care;
- the acquisition of a majority stake in Brazil's Emporio, which offers complete ranges of cosmetic products sold through a franchise network;
- the acquisition of Cheryl's Cosmeceuticals in India, a pioneer in professional skin care products and treatments in beauty salons across the country;
- the acquisition at the beginning of 2014 of Decleor and Carita;
- the acquisition of Magic Holdings, the Chinese market leader in the facial masks industry which should be completed in 2014.

Sustainable Development

The Committee shares the commitment made by the Group within the scope of the Sharing beauty with all programme. This programme was presented to the Board of Directors as a whole and covers four areas: innovating sustainably, producing sustainably, consuming sustainably and sharing growth with the men at women at L'Oréal, with suppliers and with communities.

Ethics at the heart of L'Oréal's governance and commitments

The Board of Directors attaches particular importance to compliance with L'Oréal's ethics principles - integrity, respect, courage and transparency - and more generally with the Code of Business Ethics. These commitments are the cornerstone, in particular, for the Group's policies with regard to responsible innovation, the environment, corporate social and societal responsibility and corporate philanthropy. L'Oréal was recognised for the fourth time as one of the "World's Most Ethical Companies" by the Ethisphere Institute and has been part of the United Nations Global Compact 100 stock market index since it was created in 2013.

The Audit Committee

The main remit of the Audit Committee involves, in accordance with the ordinance of December 2008 and in line with the recommendations made by the AMF in 2010, monitoring the process for preparation of financial information, the effectiveness of the Internal Control and risk management systems, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and finally the Statutory Auditors' independence.

Furthermore, if, in the course of its work, the Committee detects a substantial risk, which in its view is not adequately dealt with, it warns the Chairman of the Board accordingly. The Committee can also, in agreement with the General Management, consult other people who may be able to help it carry out its duties, particularly managers with economic and financial responsibilities and those in charge of processing financial information.

The Audit Committee is responsible for monitoring the Group's main risk exposures and sensitivities. The Committee's review of the financial statements is accompanied by a presentation by the Vice-President, Finance describing the Company's exposure to significant risks.

The Committee examines the programme and objectives of the Internal Audit Department and reviews the main topics that it identifies as well as the Internal Control systems methods and procedures used.

It reviews every year the section of the Management Report relating to "risk factors" and the report of the Chairman of the Board of Directors relating to Internal Control and risk management procedures.

Composition of the Committee

The Chairman and Chief Executive Officer is not a member of the Audit Committee.

In 2013, another Director, Ms. Virginie Morgon, was appointed to the Committee, meaning that the Committee now has five members, with independent Directors representing 60% of its composition.

Since February 2013, the Committee has been chaired by Mr. Louis Schweitzer, an independent Director, who has been a Committee member since 2011 and who has recognised financial expertise. It is also composed of Ms. Christiane Kuehne, appointed as member in 2012, Mr. Jean-Pierre Meyers, a Committee member since its creation in 1999, and Mr. Charles Henri Filippi, appointed to the Committee in 2008 and Chairman until February 2013.

Mr. Filippi is currently the Chairman of Citigroup for France. It is noted that Citigroup does not have, and has never had, a significant position with regard to L'Oréal's banking transactions. Nevertheless, Charles Henri Filippi is aware that he is under the obligation of notifying the L'Oréal Board of Directors of all situations constituting a conflict of interest, even if such conflict is only potential, and that he must refrain from participating in the corresponding decisions. Furthermore, at Citigroup, he will not take part in the work that is liable to concern L'Oréal. Charles Henri Filippi is an independent Director, with no conflicts of interest, available and competent.

The Directors who are members of the Audit Committee have the necessary qualifications due to their professional experience and their good knowledge of the Group's accounting and financial procedures which are presented to them on a regular basis. They participate actively in Committee meetings, with complete freedom of judgement and in the interest of all the shareholders.

The Audit Committee met four times in 2013, in the presence of all its members.

On several occasions, the Committee interviewed the Executive Vice-President, Administration and Finance and the senior managers in charge of the areas in which the Committee reviews activities, in particular within the scope of the processes related to risk management and control. The Statutory Auditors attend meetings. The Committee did not consider it appropriate to use outside experts.

Quality of the results

The Committee examines in depth all the aspects of the Group's annual and interim results, and the main items on the Company's balance sheet.

Time frame for provision of documents

Within the scope of the publication of the annual and interim results, the Audit Committee's meeting relating to the review of these financial statements is held on a date close to that of their presentation to the Board of Directors. But it should be noted that the Board and its committees are regularly given the appropriate information to carry out their supervisory assignment, in this field in particular. Furthermore, the corresponding documents are systematically sent to them prior to the meetings.

Internal Audit and Internal Control activities

Within the scope of more extensive control of the data making up the financial statements, the Committee looked at the Internal Audit department's activities again in 2013 and noted that the quality of the organisation and the results of the assignments were being constantly improved. The findings make it possible to enhance the quality of the standards, the procedures and the tools for processing and secure treatment of information.

In relation with Internal Control, the Committee is informed of the risk mapping showing the risks identified on the basis of an in-depth process of identification and analysis within the regulatory framework and within the scope of the recommendations made by the AMF. The Committee noted that risks are taken into consideration at operational level, which is controlled, and that there is a process for a regular review of risks by the Executive Committee.

Fraud risk

The Committee was informed of the deployment of a programme to raise awareness of the risk of fraud (presenting the main operational scenarios that could occur, the alert systems and the existing procedures and controls) which is aimed at reducing the Group's exposure to this risk.

Corruption prevention

L'Oréal's policy with regard to corruption prevention and a document on this subject sent to all the Group's employees were presented to the Committee.

Legal risks

The Committee is regularly informed of the legal risks and the potential litigation and major events liable to have a significant impact on L'Oréal's financial position and its assets and liabilities. No major event or litigation of this kind was noted by the Committee in 2013.

Information Systems Security

The principles adopted by the Group in relation with Information Systems Security were presented to the Committee, which noted that L'Oréal's development was taking place through a solid, durable and innovative infrastructure, in a secure environment, with costs under control.

Changes in the regulations on animal testing

The Committee reviewed the conditions in which L'Oréal complies with the prohibition on selling products if animal testing has to be conducted for their evaluation. L'Oréal has engaged in developing safety prediction tools for over thirty years. Major breakthroughs in the prediction of sensitisation risk have been made over the last two years, with the development of new methods that make it possible to evaluate the performance of new raw materials.

Statutory Auditors

Within the scope of the auditing of the accounts by the Statutory Auditors, the Committee took note of the results of their audits, their recommendations and the follow-up action taken further to such recommendations.

The Committee reviewed the breakdown of the fees billed by the Statutory Auditors between audit services as such, audit-related work and any other services they provide.

The Statutory Auditors presented their audit plan in 2013. L'Oréal requires a great deal of rigour on the part of its Statutory Auditors and the level of coverage of their work is high. The audit focuses on a prior analysis of the risks and assessment of the Internal Control system to bring them under control.

Like it does every year, the Committee met with the Statutory Auditors outside the presence of management.



FOR FURTHER CONCERNING THE EVALUATION OF PERFORMANCE, SEE SECTION 2.2.2.1 "THE ACTIVITIES OF THE BOARD COMMITTEES" ON PAGES 49 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT.

Highest governance body's role in sustainability reporting

G4
48

The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered

The L'Oreal's Sustainability Report is approved by Jean-Paul Agon, Chairman and Chief Executive Officer.



FOR FURTHER INFORMATION CONCERNING THE ASPECTS CONSIDERED, SEE THE IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES FACT SHEET.

Highest governance body's role in evaluating economic, environmental and social performance

G4
49

Process for communicating critical concerns to the highest governance body

The loyalty of its shareholders is one of the group's greatest strengths, an essential component for implementing a long term strategy.

➤ ACTIVE FINANCIAL INFORMATION

L'Oréal organizes numerous events for shareholders which are all occasions to strengthen links with them. In 2013, the group has increased the number of meetings with individual shareholders: 7 meetings with shareholders were organized in France and Belgium, as well as visits to plants like Soporeal in Aulnay (France) and Group's hair Academies in Lyon and Marseille.

The Group participated at the « Village des Actionnaires » in Roland Garros in september, and at the Actionaria exhibition.

In total, the financial information team succeeded in meeting 6,000 individual shareholders and about 650 institutional investors in 2013.

L'Oréal's Financial Communication Department was awarded two prizes: the Transparency prize for all its financial communication and the Registration Document prize by the jury at the Transparency Awards; Mr. Christian Mulliez, Executive-Vice-President Administration and Finance received the Trophy for the best Chief Financial Officer in the field of investor relations for all categories combined, awarded by the Investor Relations forum.

➤ THE CONSULTATIVE COMMITTEE OF INDIVIDUAL SHAREHOLDERS IS CELEBRATING ITS FIRST ANNIVERSARY

Created in 2010, the Consultative Committee of individual shareholders met four times in the year to discuss themes as varied as preparing for the Annual General Meeting and digital communication. A key body in the dialogue with the group's individual shareholders, the committee enables their expectations to be better understood and the quality of interaction to be constantly improved.

➤ L'ORÉAL'S "OPEN TALK"

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

R

emuneration and incentives

L'ORÉAL

G4
51

The remuneration policies for the highest governance body and senior executives

Relation of the performance criteria in the remuneration policy to the highest governance body's and senior executives' economic, environmental and social objectives

► REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Directors receive attendance fees in the amount approved by the vote at the Ordinary General Meeting, and which are allocated as decided by the Board.

Rules for allocation in respect of the 2013 financial year

The amount of attendance fees is divided between the Directors as follows:

- an equal share allocated to each Director, comprising a fixed part and a part that varies according to the degree of regularity in attending meetings;
- an additional share for Committee members.

The Board adopted for a full year: a fixed annual sum of €30,000; an amount of €5,000 for each Board meeting which the Director attends; an amount of €15,000 for each Director who is a member of the Strategy and Sustainable Development Committee and an additional amount of €15,000 for the Chairman of this Committee; an amount of €10,000 for each Director who is a member of the Human Resources and Remuneration Committee and the Appointments and Governance Committee and an additional amount of €10,000 for the Chairman of each of these committees; an amount of €25,000 for each Director who is a member of the Audit Committee and an additional amount of €25,000 for its Chairman. The Audit Committee's remit is indeed particularly exacting and requires continued attention and a significant commitment.

Amounts paid in respect of the 2013 financial year

A total amount of €1,093,750, which falls within the total overall amount of €1,300,000 voted by the Annual General Meeting in 2011, was distributed to the Directors at the beginning of 2014 in respect of the 2013 financial year, for a total of 5 meetings [7 meetings in 2012 including 2 extraordinary meetings for which no fees were paid].

The attendance rate at Board of Directors' meetings in 2013 is 91.4% on average.

Allocation rules in respect of the 2014 financial year

In respect of the 2014 financial year, and in accordance with the recommendations of the AFEP-MEDEF Code of June 2013, the Board of Directors decided that the method of allocation of attendance fees would take into account effective participation by Directors at Committee meetings, as is already the case for Board meetings, and would accordingly consist, in all, of a predominantly variable amount.

In 2014, in light of the fact that two Directors representing the employees will join the Board and due to a provisional schedule of dates providing for a greater number of Board meetings, a draft resolution providing for an increase in the maximum amount of attendance fees is being put to the Annual General Meeting on Thursday, April 17th, 2014.

Details of the remuneration policy applicable to corporate officers and of amounts paid in respect of 2013 are disclosed on pages 61 to 73 and pages 268 to 269 of the 2013 Registration Document.

G4
53

Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable

The loyalty of its shareholders is one of the group's greatest strengths, an essential component for implementing a long term strategy.

➤ ACTIVE FINANCIAL INFORMATION

L'Oréal organizes numerous events for shareholders which are all occasions to strengthen links with them. In 2013, the Group has increased the number of meetings with individual shareholders: 7 meetings with shareholders were organized in France and Belgium, as well as visits to plants like Soproreal in Aulnay (France) and Group's hair Academies in Lyon and Marseille.

The Group participated at the « Village des Actionnaires » in Roland Garros in september, and at the Actionaria exhibition.

In total, the financial information team succeeded in meeting 6,000 individual shareholders and about 650 institutional investors in 2013.

L'Oréal's Financial Communication Department was awarded two prizes: the Transparency prize for all its financial communication and the Registration Document prize by the jury at the Transparency Awards; Mr. Christian Mulliez, Executive-Vice-President Administration and Finance received the Trophy for the best Chief Financial Officer in the field of investor relations for all categories combined, awarded by the Investor Relations forum.

➤ THE CONSULTATIVE COMMITTEE OF INDIVIDUAL SHAREHOLDERS IS CELEBRATING ITS FIRST ANNIVERSARY

Created in 2010, the Consultative Committee of individual shareholders met four times in the year to discuss themes as varied as preparing for the Annual General Meeting and digital communication. A key body in the dialogue with the group's individual shareholders, the committee enables their expectations to be better understood and the quality of interaction to be constantly improved.

➤ REWARDING THE LOYALTY OF L'ORÉAL'S SHAREHOLDERS

Since the April 2009 Annual General Meeting, L'Oréal has been one of the few CAC 40 companies to offer a loyalty bonus. A dividend increased by 10% is thus offered to all shareholders listed by name or registered for at least two years*, to acknowledge those who support the company over the long term. Naming gives a better understanding of L'Oréal's shareholders and means they can be offered benefits.

Shareholders listed by name have greatly increased in the last three years.

In accordance with the AFEP-MEDEF Code revised in June 2013 to which L'Oréal refers, the components of remuneration due or allocated by the Board of Directors on the proposal of the Human Resources and Remuneration Committee to the Chairman and Chief Executive Officer, Mr. Jean-Paul Agon, with respect to the 2013 financial year are presented to the Annual General Meeting for an advisory vote.



FOR FURTHER INFORMATION, SEE PAGES 267 AND 268 OF THE 2013 REGISTRATION DOCUMENT.

Ethics and integrity.....

G4
56 *The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.*

G4
57 *The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.*

G4
58 *The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.*

► GLOBAL RESPONSE

L'Oréal has built up its business on the basis of strong Ethical Principles that have guided its development and contributed to establishing its reputation: Integrity, Respect, Courage and Transparency. L'Oréal's commitment to acting ethically and responsibly is summarised in a document called "The L'Oréal Spirit" accessible to everyone.

L'Oréal's Code of Business Ethics exists in 43 versions (35 different languages) and is also published in Braille in French and English. Issued to all employees throughout the world, it provides insight into how these Ethical Principles need to be reflected in the behaviour and actions of its employees through simple rules and a description of concrete situations to which they may be exposed. The Code of Business Ethics applies to all employees, executive officers and directors, members of the Executive and Management committees of the Group and those of its subsidiaries worldwide. Six supplements to the Code of Business Ethics have, since 2010, covered certain aspects of the Code in more detail. Country Managers (or for Corporate or Zone staff, the members of the Group Executive Committee to whom they report) are responsible for ensuring the respect of the Code of Business Ethics in their Country.

Respect for these Ethics Principles is integrated in the appraisal system for all the employees and through two ethical competencies: "Acts/Leads with Human Sensitivity" and "Obtains results with integrity".

The SVP and Chief Ethics Officer, who reports directly to the Chairman and Chief Executive Officer, is in charge of ensuring the promotion and integration of best practices within the Group, providing guidance in ethical decision-making. He ensures employees are trained and oversees the handling of concerns, if any. He reports regularly to the Chairman and Chief Executive Officer and informs the Board of Directors and the Executive Committee. The Chief Ethics Officer has a dedicated budget and team, has access to all the information and documents concerning the Group's activities and can call upon all the Group's teams and resources to carry out his mission.

Employees have a dedicated intranet site which provides additional information on ethics. Employee awareness is raised in particular during an annual Ethics Day. The central event in 2013 was a live webchat with the Chairman and Chief Executive Officer, which enabled all the Group's employees to ask questions and discuss the everyday application of L'Oréal's Ethical Principles. Dialogues on ethics were also organised locally with each Country Manager. More than 50% of the employees took part in this dialogue and over 3,200 questions were asked worldwide. Employees are now able to refer matters to the Chief Ethics Officer through the L'Oréal Ethics Open Talk site which offers a secure information reporting mechanism.

The ethics training campaign is on-going. A specific e-learning programme on ethics was rolled out in all countries in October 2013. Since January 1st, 2014, this e-learning programme is mandatory for all new employees joining the Group. There are also six specific modules designed in particular for Country Managers, Buyers and Human Resources.

Finally, a practical tool for ethics risk assessment and analysis has been made available to the Group's entities. An annual reporting system makes it possible to monitor implementation of the ethics programme. Country visits and the inclusion of ethical questions in Internal Audit assignments complete the programme.

The Ethics Correspondents role is to assist the Country Managers in implementing the ethics programme and enable employees in 60 countries to have a local point of contact. The Ethics Correspondents benefit every year from a specific coordinating and training programme.

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

Economic

DISCLOSURES ON MANAGEMENT APPROACH	p. 2
--	------

ECONOMIC PERFORMANCE	p. 5
----------------------------	------

EC1 - Direct economic value generated and distributed	p. 5
EC2 - Financial implications and other risks and opportunities for the organization's activities due to climate change	p. 9
EC3 - Coverage of organization's defined benefit plan obligations	p. 10
EC4 - Financial assistance received from government	p. 13

MARKET PRESENCE	p. 14
-----------------------	-------

EC5 - Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	p. 14
EC6 - Proportion of senior management hired from the local community at significant locations of operation	p. 15

INDIRECT ECONOMIC IMPACTS	p. 16
---------------------------------	-------

EC7 - Development and impact of infrastructure investments and services supported	p. 16
EC8 - Significant indirect economic impacts, including the extent of impacts	p. 18

PROCUREMENT PRACTICES	p. 20
-----------------------------	-------

EC9 - Proportion of spending on local suppliers at significant locations of operation	p. 20
---	-------

Disclosures on management approach

L'ORÉAL

➤ *Economic performance*

2013 was another good year for L'Oréal. The Group outperformed the market across all divisions and geographic zones, posting significant growth in both results and profitability. 2013 was also another year of progress in adapting the company to a changing world, and driving its efficiency, modernity and performance, so as to continue to build dynamic, sustainable and profitable growth.

The Group is facing the future with optimism and confidence. Confidence in the positive dynamics of its market. Confidence in the strength of its "Beauty for all" mission, in its "universalisation" strategy, and in its ambition to conquer 1 billion new customers. And finally, confidence in the fundamentals of L'Oréal: its research, its ability to innovate and create high quality products, its outstanding portfolio of brands, its business model, which creates both value and cash flow, and lastly the unique strength of its teams.

The Group is thus well prepared to outperform the market in 2014, and to achieve another year of sales and profit growth.

L'Oréal's economic performance along with its market presence are discussed in its 2013 Activity Report and its 2013 Registration Document, which are available online at www.loreal-finance.com.

➤ *Market presence*

As L'Oréal wants to become one of the most attractive companies wherever it has subsidiaries, its remuneration policy and ability to hire local talent are of the utmost importance.

The Group is targeting extremely bullish growth in the countries in which it is already present. To meet this aim and hire the most talented employees, the Group selects those candidates who show that they have the potential to move up the career ladder within two to five years. L'Oréal also aims to ensure that it hires and offers internal mobility opportunities to seasoned managers, who embody L'Oréal's culture. This strategically important role is assigned to Talent Management Directors, who work closely with local Human Resources teams. Based locally, these Talent Management Directors are familiar with the local culture and with local needs. They launch recruitment campaigns and meet with candidates to select the most suitable profiles. The Group currently has five Talent Management Directors: one for the USA, one for Latin America, one for Africa/Middle East, one for ASEAN (Association of Southeast Asian Nations) and one for China. The position was first created in 2010.

➤ *Indirect economic impacts*

L'Oréal's value chain includes a certain number of external stakeholders such as suppliers, consumers and the communities of the areas in which its businesses are present.

The Group therefore has to consider the impacts of its activity on all of its stakeholders.

Through its supply chain, L'Oréal works with a certain number of suppliers and has developed specific programmes that allow it to reach out to people from deprived economic communities or to develop communities based on raw materials such as argan oil and shea butter.

In 2013 as part of its "Sharing Beauty with All" programme, the Group committed to helping 100,000 people from socially or financially underprivileged backgrounds gain access to work.

This aim will be met thanks to programmes such as Solidarity Sourcing, inclusive distribution, beauty professionalisation, mentoring and community education, and the employment of disabled people and people from under-represented socio-ethnic groups.

► *Procurement Practices*

L'Oréal does not simply purchase products and services from its suppliers. Deeply respectful of suppliers' businesses, culture, growth, and the individuals concerned, the Group's action in their regard is driven by a concern for economic, ethical and environmental responsibility. This approach is an integral part of the L'Oréal Buy&Care Programme for Responsible Purchasing.

Thus, the Purchasing policy is aimed at building a balanced, long-lasting relationship with subcontractors and suppliers with respect for social and environmental issues.

L'Oréal actively seeks to work with suppliers who share its values and commitments, particularly in the field of Human Rights, which therefore makes the supplier referencing process a vital part of its policy.

For industrial purchases, dedicated purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy via the "welcome on board" (WOB) supplier referencing process. This makes it possible to make sure that the supplier is of real interest, provide it with all the information, documents and contacts required for it to understand the expectations and processes at L'Oréal, and finally to obtain the supplier's commitment to L'Oréal's values that are shared in this manner.

Following on from this commitment, L'Oréal's "Buy & Care" programme, conveyed by all the Group's, purchasers, contains, since 2002, a section aimed at an audit of this social compliance enabling it to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety and health for their teams in the workplace.

Within the framework of this program, suppliers and subcontractors are asked to comply with the Group's general terms of purchase, which require them to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.

Each new supplier / subcontractor referenced by purchasing teams must commit to these societal terms and accept that a social audit can be carried out on its production sites. This commitment by the supplier / subcontractor is materialized by the signing of a letter of ethical commitment.

Thus, subcontractors, wherever they are based in the world, and suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the MaplecroftTM indexes.

The social audits are carried out on behalf of L'Oréal by independent external service providers.

The initial audits are financed by L'Oréal and the follow-up audits

The audits cover the following 10 chapters:

- child labour;
- forced labour;
- the environment, health and hygiene and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

Since January 2013, the social audits include questions concerning the environment and in particular compliance with regulations.

L'Oréal's social audit is based to a great extent on the internationally recognised SA 8000 standard, but does comprise a few exceptions, particularly with regard to the minimum age for child labour. In this respect, the Group has chosen to set the compulsory minimum age at 16 for all employees working for its suppliers, a higher age limit than that required by the Fundamental Conventions of the International Labour Organisation (ILO).

With regard to the employment of young workers, suppliers and subcontractors may request waivers from the Group Purchasing Director for the use of employees under the age of 16 upon presentation of a complete file (schooling, type of contract, working conditions, type of work). Pursuant to the "Suppliers/Subcontractors and Child Labour" policy, formally laid down in 2011, waivers of this kind are only possible for apprenticeship programmes or for children carrying out light work if this work does not affect their health and safety or their regular attendance at school, where the local law allows it and when the supplier/subcontractor has appointed an internal "tutor" for the children.

Since 2006 when L'Oréal set up a reporting tool, it has conducted social audits at over 3,900 supplier sites.

800 audits were carried out in 2013, making 5,295 audits of this kind since 2006.

The social audits conducted have enabled L'Oréal to cover 85% of the portfolio of suppliers subject to audit across the world.

In 2013, 50% of these audits were carried out in Asia.

In 2013, there were major instances of non-compliance at 60% of supplier sites that were audited for the first time (initial audits). During follow-up audits, there is no longer any major non-compliance at 56% of the suppliers who were initially non-compliant.

Added to this are the social audits conducted by The Body Shop (TBS). Indeed, since its integration into the L'Oréal Group in 2006, TBS has pursued its longstanding programme of social audits. TBS is one of the founding members of the Ethical Trading Initiative (ETI) and has adopted their "Supplier Code of Conduct". The Body Shop has developed a programme enabling them to support their commitment to responsible sourcing. One of the activities under this programme is control of working conditions, defined in the "Supplier Code of Conduct", on the production sites of their suppliers (67 audits were conducted in 2013).

Economic performance

L'ORÉAL

EC₁ Direct economic value generated and distributed

2013 SALES TRENDS

Like-for-like, i.e. based on a comparable structure and identical exchange rates, the sales trend of the L'Oréal Group was +5.0%.

The net impact of changes in consolidation amounted to +1.0%.

Currency fluctuations had a negative impact of -3.7%.

Growth at constant exchange rates was +6.0%.

Based on reported figures, the Group's sales, at December 31st, 2013, amounted to 22.977 billion euros, an increase of +2.3%.

SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

	Q4 2013			As at 31 December 2013		
	Millions of €	EVOLUTION		Millions of €	CROISSANCE À DONNÉES	
		LIKE-FOR-LIKE	REPORTED FIGURES		LIKE-FOR-LIKE	REPORTED FIGURES
BY OPERATIONAL DIVISION						
Professional products	726.1	3.3%	- 2.1%	2,973.8	2.1%	- 1.0%
Consumer products	2,550.0	3.7%	- 2.4%	10,873.2	4.9%	1.5%
L'Oréal Luxe	1,600.2	8.4%	5.5%	5,865.2	6.8%	5.3%
Active Cosmetics	339.2	7.2%	2.2%	1,602.4	7.8%	4.9%
Cosmetics Total	5,215.5	5.2%	0.2%	21,314.5	5.2%	2.4%
BY GEOGRAPHICAL ZONE						
Western Europe	1,803.3	1.6%	- 0.1%	7,483.4	1.9%	1.1%
North America	1,299.3	3.7%	0.8%	5,356.1	3.8%	2.8%
New markets, of which:	2,112.9	9.4%	0.2%	8,475.0	9.4%	3.3%
• Asia, Pacific	1,088.1	9.7%	- 0.1%	4,382.2	8.4%	2.2%
• Latin America	472.5	10.8%	- 0.5%	1,894.5	11.5%	3.7%
• Eastern Europe ⁽¹⁾	432.5	5.2%	- 1.4%	1,693.3	8.2%	4.2%
• Africa, Middle-East ⁽¹⁾	119.8	18.0%	11.7%	505.1	14.3%	9.0%
Cosmetics Total	5,215.5	5.2%	0.2%	21,314.5	5.2%	2.4%
The Body Shop	287.0	2.9%	- 1.1%	835.8	1.2%	- 2.3%
Dermatology ⁽²⁾	260.9	12.9%	10.4%	826.3	3.9%	3.9%
Group Total	5,763.4	5.4%	0.6%	22,976.6	5.0%	2.3%

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

(2) Group share, i.e. 50%

SIGNIFICANT EVENTS OF 2013

- On January 10th, 2013 L'Oréal inaugurated its new R&I Centre in India, in Mumbai and Bangalore.
- On January 31st, 2013 L'Oréal finalised the acquisition of the Vogue group in Colombia.
- On February 11th, 2013 the Board of Directors decided on the implementation of a share buyback programme for 500 million euros during the 1st half of 2013.
- On February 27th, 2013 Galderma finalised the acquisition of Spirig Pharma A.G. in Switzerland.
- On April 15th, 2013, L'Oréal announced the acquisition of the Health & Beauty business of Interconsumer Products Limited (ICP) in Kenya.
- On April 26th, 2013, the Annual General Meeting of L'Oréal shareholders approved the appointment as Director of Ms. Virginie Morgon and renewed the tenures as Director of Ms. Françoise Bettencourt Meyers, Mr. Peter Brabeck-Letmathe and Mr. Louis Schweitzer.
- On May 17th, 2013, L'Oréal announced several appointments within its Executive Committee: Marc Menesguen was appointed as President of the Consumer Products Division, Nicolas Hieronimus was appointed as President of the Selective Divisions (Luxe, Professional Products, Active Cosmetics, The Body Shop). Frédéric Rozé was appointed Executive Vice-President for the Americas Zone, which includes North and Latin America. Alexandre Popoff was appointed as Executive Vice-President for the Eastern Europe Zone. Jochen Zaumseil was appointed as Executive Vice-President for the Western Europe Zone. Finally, Alexis Perakis-Valat was appointed as Executive Vice-President for the Asia, Pacific Zone. These appointments were effective as of June 1st, 2013.
- On August 15th, 2013, L'Oréal announced its intention to acquire all the shares of Magic Holdings International Limited, a Chinese company, listed on the Hong Kong Stock Exchange, specialised in cosmetic facial masks.
- On September 20th, 2013, L'Oréal India announced the acquisition of Cheryl's Cosmeceuticals, a company based in Mumbai, specialising in professional skin care products and treatments in beauty salons.
- On October 15th, 2013 L'Oréal announced the acquisition by The Body Shop of a majority stake in Emporio Body Store in Brazil, with the option of increasing its shareholding to 80% by 2019. Following approval by the Brazilian anti-trust authority CADE, the acquisition was completed on December 12th.
- On October 17th, 2013, L'Oréal announced that it had been granted exclusive negotiation rights by Shiseido for the acquisition of the Decléor and Carita brands.
- On November 19th, 2013, Beauté Créateurs, a subsidiary that distributes brands specific to the mail order business, announced its intention to cease its mail order activity during the first half of 2014.
- On November 21st, 2013, L'Oréal announced that it was creating a Group Travel Retail Division encompassing all the brands sold in the Travel Retail channel, which posts particularly dynamic growth.
- On November 29th, 2013, the Board of Directors meeting chaired by Mr Jean-Paul Agon decided to buy back L'Oréal shares for a maximum amount of 500 million euros between November 30th and the end of the first quarter of 2014.

2013 RESULTS

Overall, operating profit at 3,875 million euros, increased by 4.8% at 16.9% of sales

CONSOLIDATED INCOME STATEMENT: FROM NET SALES TO THE OPERATING PROFIT.

	2012		2013	
	€ millions	% 2012 SALES	€ millions	% 2013 SALES
Sales	22,462.7	100.0%	22,976.6	100.0%
Cost of sales	-6,587.7	29.3%	-6,601.8	28.7%
Gross profit	15,875.0	70.7%	16,374.8	71.3%
Research and development expenses	-790.5	3.5%	-857.0	3.7%
Advertising and promotion expenses	-6,776.3	30.2%	6,886.2	30.0%
Selling, general and administrative expenses	-4,610.9	20.5%	4,756.8	20.7%
OPERATING PROFIT	3,697.3	16.5%	3,874.8	16.9%

Gross profit, at 16,374 million euros, came out at 71.3% of sales, compared with 70.7% in 2012, that is an improvement of 60 basis points.

This improved figure reflects on the one hand the positive effects of improvements in the production costs of products and in the product mix effect, as well as currency fluctuations, and on the other hand, the negative impact of the consolidation of the American companies Urban Decay and Emiliani.

Research expenses increased strongly at +8.4% and thus increased as a percentage of sales from 3.5% to 3.7%.

Advertising and promotion expenses came out at 30% of sales, almost identical to the 2012 level. Excluding acquisitions, expenses remained stable as a percentage of sales.

Selling, general and administrative expenses, at 20.7% of sales, came out slightly higher, by 20 basis points, than in 2012.

Overall, **operating profit** at 3,875 million euros, increased by 4.8% at 16.9% of sales. On a constant exchange rate basis, operating growth would have been +7.8%.

OPERATING PROFIT BY BRANCH AND BY DIVISION

BY OPERATIONAL DIVISION	2012		2013	
	€ millions	% 2012 SALES	€ millions	% 2013 SALES
Professional Products	615.2	20.5%	609.5	20.5%
Consumer Products	2,050.8	19.1%	2,166.7	19.9%
L'Oréal Luxe	1,077.0	19.3%	1,174.2	20.0%
Active Cosmetics	311.2	20.4%	340.2	21.2%
Cosmetics Divisions total	4,054.3	19.5%	4,290.6	20.1%
Non-allocated *	-577.2	-2.8%	-604.5	-2.8%
Cosmetics branch total	3,477.1	16.7%	3,686.1	17.3%
The Body Shop	77.5	9.1%	71.9	8.6%
Dermatology branch **	142.6	17.9%	116.8	14.1%
GROUP	3,697.3	16.5%	3,874.8	16.9%

* Non-allocated = Central group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of cosmetics sales.

** Group share, i.e. 50%.

The profitability of the Professional Products Division at 20.5% is in line with previous years.

The profitability of the Consumer Products Division, at 19.9%, improved by 80 basis points.

The profitability of L'Oréal Luxe grew by 70 basis points.

Active Cosmetics once again improved its profitability, which amounted to 21.2%.

The profitability of The Body Shop declined by 50 basis points in 2013 to 8.6%.

Finally, the profitability of Galderma, at 14.1%, reflects the impact of a difficult year in the United States.

PROFITABILITY BY GEOGRAPHIC ZONE

OPERATING PROFIT	2012		2013	
	€ millions	% 2012 SALES	€ millions	% 2013 SALES
Western Europe	1,576.2	21.3%	1,658.6	22.2%
North America	959.7	18.4%	1,003.1	18.7%
New Markets	1,518.4	18.5%	1,628.9	19.2%
COSMETICS ZONES TOTAL *	4,054.3	19.5%	4,290.6	20.1%

* Before non-allocated.

Profitability in Western Europe improved by 90 basis points at 22.2%.

Profitability in North America increased by 30 basis points at 18.7%.

Profitability in the New Markets increased by 70 basis points at 19.2%.

NET EARNINGS PER SHARE **: €5.13

CONSOLIDATED INCOME STATEMENT: FROM THE OPERATING EARNINGS TO THE NET EARNINGS, NOT INCLUDING NON-RECURRING ITEMS.

€ MILLIONS	2012	2013	GROWTH
Operating profit	3,697.3	3,874.8	+4.8%
Finance Costs excluding dividends received	- 11.0	- 42.7	
Sanofi dividends	313.4	327.5	
Pre-tax profit excluding non-recurring items	3,999.7	4,159.6	+4.0%
Income tax excluding non-recurring items	- 1 025.3	- 1 038.9	
Non-controlling interests	-2.7	- 3.2	
Net profit excluding non-recurring items after non-controlling interests *	2,971.7	3,117.5	
EPS**	4.91	5.13	+4.4%
Net profit after non-controlling interests	2,867.7	2,958.2	+3.2%
Diluted earnings per share attributable to owners of the Company (euros)	4.74	4.87	
Diluted average number of shares	605,305,458	608,001,407	

* Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational income and expenses, non-recurring and significant regarding the consolidated performance. See note 10 of the Consolidated Financial Statements on pages 127 to 129.

** Diluted net earnings per share excluding non-recurring items after non-controlling interests.

Total finance costs amounted to 42 million euros.

Dividends from Sanofi amounted to 327 million euros.

Income tax excluding non-recurring items amounted to 1,038 million euros, representing a rate of 25%, slightly below the 2012 rate of 25.6%.

Net profit excluding non-recurring items after non-controlling interests amounted to 3,117 million euros.

Net earnings per share, at 5.13 euros, increased by 4.4%.

After allowing for non-recurring items, representing in 2013 a charge, net of tax, of 159 million euros, **net profit after non-controlling interests** amounted to 2,958 million euros, an increase of 3.2%.

Cash flow Statement, Balance sheet and Net Financial Situation

Gross cash flow amounted to 3,906 million euros, an increase of 6.7%.

The working capital requirement increased, in 2013, by 155 million euros.

Inventories increased slightly as a percentage of sales, rising from 9.1% at end-2012 to 9.4% at end-2013. **Trade accounts receivable** declined slightly, from 14.3% of sales at end-2012 to 14.2% at end-2013.

Investments, at 1,060 million euros, amounted to 4.6% of sales, slightly up on 2012, when they amounted to 4.3% of sales.

As a result, **operating cash flow**, at 2,689 million euros, increased by 4.4%.

After dividend payment and acquisitions (primarily Vogue, InterConsumer Products, Emporio Body Store and Spirig), the Group recorded, at December 31st, 2013, a net cash surplus of 2,215 million euros, compared with 1,575 million euros at end-2012.

The balance sheet is very solid. The reinforcement of shareholders' equity compared with end-2012 is mainly the result of profit allocated to reserves and the net increase in value of the Sanofi shares, valued at market price.

➤ PROPOSED DIVIDEND AT THE ANNUAL GENERAL MEETING OF APRIL 17TH, 2014

The Board of Directors has decided to propose to the Annual General Meeting of April 17th, 2014 the payment of a dividend of €2.50 per share, an increase of +8.7% compared with 2013. This dividend will be paid on May 5th, 2014 (ex-dividend date: April 29th, 2014 at 0:00 a.m., Paris time).

➤ SHARE CAPITAL

Share capital consists of 605,901,887 shares with a par value of €0.20 at December 31st, 2013.

EC₂ *Financial implications and other risks and opportunities for the organization's activities due to climate change*

L'Oréal has always considered climate change as one of the priority challenges. The Group has made a significant pledge to this by setting ambitious targets, in particular an absolute reduction of 60% in its CO₂ emissions between 2005 and 2020.

The Group invests:

- In a series of actions to reduce the impacts associated with its use of energy, reducing energy consumption (cf. EN7) and using alternative energy (see EN 6). In practice, the action plans are controlled locally and globally animated.
- A set of actions taken to reduce emissions of greenhouse gas emissions as part of its broader responsibility. Indeed, L'Oréal encourages its suppliers to measure and manage their emissions.

For example, L'Oréal is a member of the Carbon Disclosure Project (CDP) since 2003 and the CDP Supply Chain since 2007, L'Oréal continues to encourage its suppliers to measure and reduce their CO₂ emissions. In 2012, L'Oréal stepped up its strategy with regard to the CDP: it is no longer only the environmental experts who discuss these issues with suppliers, buyers trained in the CDP have now become ambassadors of this approach. This method of functioning made it possible to address the CDP Supply Chain with suppliers at strategic meetings ("Business Reviews"), to launch 156 invitations in 2012 as compared with 55 in 2011 and mobilise teams to convince suppliers that measures aimed at reducing greenhouse gas emissions from now on play an inevitable part of a company's global performance. In order to assess suppliers' environmental performance, a Scorecard has been developed jointly with the CDP, summarising suppliers' answers to the CDP to make them accessible for purchasing teams.

Going further in this process, 173 suppliers received invitations in 2013. These suppliers were selected in 6 fields of purchases (raw materials, packaging items, production equipment, subcontracting, POS advertising/Promotional items and materials, indirect supplies), everywhere in the world. They consist of strategic suppliers, suppliers in CO₂-generating industries, major industrial groups but also small and medium-sized enterprises. In this way, in 2013, 152 suppliers (as against 133 in 2012), out of the 173 suppliers who were invited, responded positively to L'Oréal's invitation to also join the CDP. This number is higher than the average (2,868 participants for more than 5,650 suppliers invited) for members of the CDP. The high response rate obtained due to the joint commitment of the purchasing and environmental teams has led to the CDP recognising L'Oréal as one of the companies that is the most committed to this area.

Through a series of actions taken to fight against deforestation, L'Oréal more particularly ensures responsible sourcing for commodities such as palm oil, soya and paper and cardboard, known to be major causes of deforestation. L'Oréal leverages on internationally recognised certifications to guarantee sustainable sourcing. In 2013, 98% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of paper and cardboard packaging supplies were certified as sustainable according to the FSC or PEFC benchmark.

In 2013, 60% of soya oil purchases are certified as sustainable. The Group's actions will aim at solving the problems of availability of sources observed in 2013 in order to return to a level of 100% in 2014.

In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing by the Carbon Disclosure Project Forest.

FOR FURTHER INFORMATION CONCERNING THE CDP, SEE:

- the article on page 38 of the 2013 Sustainable Development Report
- <https://www.cdp.net/EN-US/WHATWEDO/Pages/France.aspx>

EC3 *Coverage of organization's defined benefit plan obligations*

EMPLOYEE BENEFIT AND PENSION SCHEMES AND OTHER BENEFITS

Depending on the legislation and practices in each country, L'Oréal adheres to pension schemes, pre-retirement arrangements and Employee Benefit schemes offering a variety of additional coverage for its employees.

In 2002, L'Oréal set up a Supervisory Committee for pension and Employee Benefit schemes offered by its subsidiaries. This committee ensures the implementation and the monitoring of L'Oréal's pension and Employee Benefits policy as defined by the L'Oréal Executive Committee.

This policy provides for general principles in the following areas: definition and implementation of schemes, relations with employees, financing and cost of the schemes, and management of the schemes. Approval must first be obtained from the Supervisory Committee prior to the introduction of any new scheme or the modification of any existing scheme. The Supervisory Committee works together closely with the operational management of the Divisions and Zones.

The characteristics of the pension schemes and other pre-retirement benefits offered by the subsidiaries outside France vary depending on the applicable laws and regulations as well as the practices of the companies in each country.

In many countries, L'Oréal participates in establishing additional retirement benefits for its employees through a whole series of defined benefit schemes and/or defined contribution schemes (e.g. United States, the Netherlands, Belgium, Canada, and South American countries). In some cases, the defined benefit schemes have been closed to new recruits who are offered defined contribution schemes (Germany, Belgium and the United Kingdom). This series of defined benefit and defined contribution schemes makes it possible to share the financial risks and ensure improved cost stability. In defined contribution schemes, the Company's commitment mainly consists in paying a percentage of the employee's annual salary into a pension plan each year.

The defined benefit schemes are financed by payments into specialist funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main funds established, as well as the financial stability rating of the custodians, are regularly reviewed by the Supervisory Committee.

Pensions exceeding the legal minima required by national social security systems are now paid in 80% of L'Oréal's subsidiaries throughout the world. In countries which already offer sufficient social coverage, L'Oréal does not propose company pension schemes. This is also the case in countries which do not have an appropriate legal framework or a long-term investment instrument. The Supervisory Committee continues to be attentive to changes in local situations and, when required, additional employee benefit schemes are put in place.

FRANCE

PENSION SCHEMES

In France, L'Oréal has supplemented its retirement plan by creating on January 1st, 2001 a defined benefit scheme with conditional entitlements based on the employee's presence in the Company at the end of his/her career. Then, on September 1st, 2003, a defined contribution scheme with accrued entitlements was introduced.

DEFINED BENEFIT SCHEME

In order to provide additional cover, if applicable, to compulsory pensions provided by the French Social Security compulsory pension scheme, the ARRCO or AGIRC (mandatory French supplementary pension schemes), L'Oréal introduced on January 1st, 2001, a defined benefit scheme with conditional entitlements, the "Retirement Income Guarantee for former Senior Managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants). Prior to this, on December 31st, 2000, L'Oréal closed another defined benefit scheme, also with conditional entitlements, the "Pension Cover of the Members of the Comité de Conjoncture" (Garantie de Retraite des Membres du Comité de Conjoncture).

Access to the "Retirement Income Guarantee for former Senior Managers", created on January 1st, 2001, is open to former L'Oréal Senior Managers who fulfil, in addition to the requirement of having ended their career with the Company, the condition of having had the status of Senior Manager within the meaning of Article L. 3111-2 of the French Labour Code for at least ten years at the end of their career.

This scheme provides entitlement to payment to the beneficiary retiree of a Life Annuity, as well as, after his/her death, the payment to the beneficiary's spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Guaranteed Income is the average of the salaries for the best three years out of the seven calendar years prior to the end of the Senior Manager's career at L'Oréal. The Guaranteed Income is calculated based on the beneficiary's number of years of professional activity in the Company at the date of the end of his/her career at L'Oréal, and limited to a maximum of 25 years, each year leading to a steady, gradual increase of 1.8% in the level of the Guarantee. At this date, the gross Guaranteed Income may not exceed 50% of the calculation basis for the Guaranteed Income, nor exceed the average of the fixed part of the salaries for the three years used for the calculation basis. A gross annuity and gross Lump Sum Equivalent are then calculated taking into account the sum of the annual pensions accrued on the date when the retiree applies for his/her pension as a result of his/her professional activity and on the basis of a beneficiary who is 65 years of age. The Life Annuity is the result of the conversion into an annuity at the beneficiary's age on the date he/she applies for his/her pension of the gross Lump Sum Equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday and less all salaries paid under an early retirement leave plan, if such lump sum equivalent is the result of these operations. Around 450 Senior Managers are eligible for this scheme, subject to their fulfilling all the conditions after having ended their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" has been closed since December 31st, 2000.

This former scheme granted entitlement to payment to the beneficiary retiree, after having ended his/her career with the Company, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Pension Cover is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The Pension Cover is calculated on the basis of the beneficiary's number of years' service and limited to a maximum of 40 years, it being specified that at the date of closure of the scheme, on December 31st, 2000, the minimum length of service required was 10 years. The Pension Cover may not exceed 40% of the calculation basis for the Pension Cover, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries for the three years used for the calculation basis. Around 120 Senior Managers (active or retired) are eligible for this scheme subject to the proviso, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

DEFINED CONTRIBUTION SCHEME

In September 2003, L'Oréal set up a "defined contribution pension scheme".

A new agreement was signed in December 2007, with effect from January 1st, 2008, as well as a supplemental agreement applicable as from January 1st, 2009.

All executives and sales representatives affiliated with the CIPC-R are beneficiaries of this scheme.

The basis for contributions, which remains unchanged, amounts to between once and 6 times the French social security ceiling, with a contribution of 4% since January 1st, 2008, shared by the Company and the employees.

This scheme grants entitlement to the payment to the beneficiary retiree, after he/she has applied for his/her pension entitlement from the French Social Security compulsory pension scheme, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension. The Life Annuity is calculated on the basis of the capital formed by the contributions made and the financial income on such contributions at the end of the employee's career. The employer's commitment is limited to the payment of the contributions stipulated.

	12.31.2011	12.31.2012	12.31.2013
Number of members	12,594	13,549	13,823
Total net contributions (in € million)	8.74	9.20	9.51

PRE-RETIREMENT ARRANGEMENTS

L'Oréal pays close attention to the retirement conditions of its employees and pre-retirement arrangements that have been in force for a number of years, which have been confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3rd, 2009, which provides in particular for the introduction of a time savings account for older employees:

- **the early retirement leave (CFC):** this pre-retirement arrangement consists of exempting employees from the requirement to perform their activities; but during this period, they remain employees of L'Oréal and continue to receive their remuneration (within the limit of €9,280 gross/month) as well as mandatory profit sharing, incentive payments and paid leave;

- **early retirement leave under the time savings account:** this arrangement, linked to the 35-hour working week agreement and the Time Savings Account (Compte Epargne Temps – CET), enables an employee who has saved 3 days'leave per year under the CET since 2001, to benefit from the possibility to terminate his/her activities at least 3 months earlier than scheduled (6 months for sales representatives), and this possibility can be combined with the early retirement leave;
- **retirement indemnities:** a new scale of indemnities at L'Oréal was implemented by a collective agreement as from 2011, which is more favourable than the French National Collective Bargaining Agreement for the Chemical Industries.

Thus, when he/she retires, an employee may benefit from retirement indemnities ranging from two months'salary for five years'service, to eight months'salary for 40 years'service.

In order to increase the special leave prior to retirement, the employee may opt to convert his/her retirement indemnities into time, or he/she may choose to receive payment of the retirement indemnities which will be made at the time when he/she leaves the Company.

	12.31.2011			12.31.2012			12.31.2013		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Early retirement leave	51	127	178	65	128	193	81	183	264
Compulsory retirement on the Company's initiative			5	3	0	3	2	0	2
Voluntary retirement			162	66	135	201	80	150	230

Source: HR France statistics - 2011, 2012 and 2013.

These commitments are guaranteed partly by external financial cover aimed at gradually building up funds resulting from premiums paid to external organisations.

The commitments net of funds invested and the actuarial differences are booked as a provision in consolidated balance sheet liabilities.

The evaluation method adopted to calculate the retirement and pre-retirement benefit commitments is the retrospective method based on estimated calculations of the final salary.

These commitments take into account the employer's contribution to the healthcare schemes for retirees.

€ MILLIONS	12.31.2011	12.31.2012	12.31.2013
Provision for pension commitments in consolidated balance sheet liabilities	662.6	706.7	621.3

Source: Administration and Finance Division.

EMPLOYEES BENEFIT SCHEMES IN FRANCE

In addition to the compulsory Lump Sum Death Benefit for executives under Articles 4 and 4 bis of the French National Collective Bargaining Agreement of 1947 (1.5% of Bracket A of income as defined by the French Social Security) and the guarantees accorded under the French National Collective Bargaining Agreement for the Chemical Industries, L'Oréal has set up, in France, under an agreement, an Employee Benefit scheme providing additional collective guarantees to its employees.

All these guarantees are based on the gross income up to 8 times the Social Security ceiling, except for the education annuity which is limited to up to 4 times the ceiling. They are generally financed on Brackets A, B and C of income as defined by the French Social Security, except for the Education Annuity which is based on Brackets A and B, and the surviving Spouse Pension which is based on Brackets B and C.

This Employee Benefit scheme provides guarantees in the event of:

- **temporary disability:** for all employees, 90% of their gross income limited to 8 times the French Social Security ceiling, net of all deductions, after the first 90 days off work;
- **permanent disability:** for all employees, a fraction, depending on the extent of the disability, ranging up to 90% of their gross income, limited to 8 times the French Social Security ceiling, net of all deductions;
- **death:**
 - a) for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death,
 - b) for executives and comparable categories of employees, the payment of a Spouse Pension to the surviving spouse. This ensures the spouse has an income similar to the Spouse Pension that would have been paid by AGIRC if death had occurred at the age of 65,

c) for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

The capital for the Spouse Pension is the first to be applied, followed by the Education Annuity; the balance of the basic scheme is then used to calculate the Lump Sum Death Benefit, possibly increased by the minimum guaranteed Lump Sum Death Benefit.

€ THOUSAND	12.31.2011	12.31.2012	12.31.2013
Net Employee Benefit Contributions for the financial year	10,688	11,445	11,900 ⁽¹⁾

(1) Estimated.

MINIMUM GUARANTEED LUMP SUM DEATH BENEFITS

Since December 1st, 2004, and January 1st, 2005 for sales representatives, L'Oréal has put in place an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefits to the extent of three years' average income. A maximum limit is set for this guarantee.

The total amount of the capital needed to fund the surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is also subject to a ceiling.

HEALTHCARE EXPENSES

The employees of L'Oréal parent company and its French subsidiaries benefit from additional schemes covering healthcare costs.

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries.

Employees have the option of including their family members in these schemes.

Contributions are generally individual. The contribution by the employee is partly financed by the Company.

Retirees of L'Oréal S.A. and certain companies can continue to benefit from the healthcare scheme, with a contribution by L'Oréal, subject to a membership duration clause, specified in the regulations for additional defined benefit pensions.



FOR FURTHER INFORMATION CONCERNING THE COVERAGE OF PENSION OBLIGATIONS, SEE SECTION 6.2.2.1. "EMPLOYEE BENEFIT AND PENSION SCHEMES AND OTHER BENEFITS" ON PAGES 203 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT.

EC4

Financial assistance received from government

The L'Oréal Group does not receive any government subsidy or significant financial assistance, except the research tax credit in France, the amount of which is not disclosed.

The French State does not own any stake in the Company.

EC5

Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

Equal pay is the rule. The Group's policy is to guarantee equal pay and grades for men and women with the same qualifications.

In all, 67 L'Oréal subsidiaries are located in countries where the minimum wage is set by law or by the relevant collective bargaining agreement. In 51 of these subsidiaries, the minimum wage paid by L'Oréal is higher than the statutory minimum wage (regardless of whether this is set by law and/or by a collective agreement). In the other 16 subsidiaries certain employees receive the minimum wage set by law or by the sector's collective bargaining agreement. The total number of employees whose minimum wage is equal to that set by law or by a collective bargaining agreement is less than 0.4% of the Group's total headcount. This does not take into account the Worldwide Profit Sharing, as described in the LA2 indicator in the Labor practices fact sheet, which is paid in addition to this wage.

As L'Oréal wants to be one of the most attractive companies wherever it has subsidiaries, surveys aimed at positioning remuneration as compared to the market are conducted by specialist firms every year. Furthermore, internal opinion polls, that are carried out periodically, make it possible in particular to evaluate the perceptions and expectations of employees with regard to remuneration and adapt the Group's action plans accordingly.

Finally, L'Oréal wishes to associate its employees collectively with the Group's results through global incentive profit sharing systems and thus strike a balance between social performance and economic performance.

In each country, the remuneration policy is based on a performance assessment system applied worldwide. Career development is managed on an individual basis and depending on each country, remuneration and pay increases reflect both individual and collective performance. L'Oréal endeavours to offer attractive remuneration packages in order to capture and retain the most talented employees. Consequently, almost all subsidiaries take part in an annual survey on remuneration. Pay varies according to job position, skills, performance and individual potential. L'Oréal complies with legal and contractual obligations relating to remuneration in all of its subsidiaries.

FRANCE

COMPENSATION AT L'ORÉAL SA

The minimum input salary at L'Oréal in France established at the company, is upper than that provided by the sectoral agreement.

These are the employees (excluding directors) CDI present two consecutive years. Employees who have changed category are included in the category they belong to the second year.

AVERAGE MONTHLY GROSS EARNINGS OF WOMEN AND MEN OPERATED CONTINUOUSLY

	2012			2013			% change in average wages		
	MEN	WOMEN	ALL	MEN	WOMEN	ALL	MEN	WOMEN	ALL
Managerial staff	6,453	5,418	5,861	6,760	5,720	6,165	4.8%	5.6%	5.2%
Technicians	3,197	3,149	3,160	3,321	3,283	3,292	3.9%	4.3%	4.2%
Employees	2,386	2,287	2,325	2,484	2,382	2,422	4.1%	4.2%	4.2%
Workers	2,712	2,601	2,673	2,820	2,726	2,787	4.0%	4.8%	4.3%
Sales representative	4,291	3,804	4,083	4,416	3,944	4,214	2.9%	3.7%	3.2%

EMPLOYER CONTRIBUTIONS

At L'Oréal SA, the annual employer contributions in 2013 amounted to 219,761,006 euros.

EC6 *Proportion of senior management hired from the local community at significant locations of operation*

L'Oréal has around 250 "strategic" positions, 30% of which are located in Group subsidiaries outside France. 60% of these positions are filled by local managers.

Outside France, there are 547 "key" positions in 64 countries out of a total 1,026 key positions overall. 53% of these positions are filled by local managers.

Definitions

- **Strategic position:** Executive Committee members, Executive Committee member level -1, Country Managers,
- **Key position:** Country-level Management Committee,
- **Local managers:** managers who have the nationality of the country in which they work.

The Group is targeting extremely bullish growth in the countries in which it is already present. To meet this aim and hire the most talented employees, the Group selects those candidates who show that they have the potential to move up the career ladder within two to five years. L'Oréal also aims to ensure that it hires and offers internal mobility opportunities to seasoned managers, who embody L'Oréal's culture. This strategically important role is assigned to Talent Management Directors, who work closely with local Human Resources teams. Based locally, these Talent Management Directors are familiar with the local culture and with local needs. They launch recruitment campaigns and meet with candidates to select the most suitable profiles. The Group currently has five Talent Management Directors: one for the USA, one for Latin America, one for Africa/Middle East, one for ASEAN (Association of Southeast Asian Nations) and one for China. The position was first created in 2010.



FOR FURTHER INFORMATION CONCERNING LOCAL HIRES, SEE THE INCLUSIVE BUSINESS SECTION ON PAGE 40 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT.

I ndirect economic impacts

EC7

Development and impact of infrastructure investments and services supported

► REGIONAL DEVELOPMENT AND LOCAL POPULATION

Due to its many industrial and administrative sites all over the world, the L'Oréal Group is strongly involved, in the vicinity of its sites, in the life of the surrounding local communities. A company committed to demonstrating good corporate citizenship, L'Oréal makes a contribution to many local projects.

As a general rule, L'Oréal's establishments and its subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to limit the impact of their activities on the environment and to provide exemplary working conditions for their employees.

The internal competitions – Environment, Health & Safety – Civic Initiative Prizes recognise, by awarding a prize, the commitment, mobilisation and involvement of a site (factory, distribution centre or administrative site) with regard to the community in which it operates. Awards are presented for the best local initiatives conducted each year in partnership with local authorities, local residents and schools in the fields of solidarity, education or the environment. By these initiatives, L'Oréal is eager to demonstrate its good citizenship, and to show that it firmly respects the ethical values of the surrounding community.

Each L'Oréal site has implemented initiatives in order to anchor itself on a lasting basis in its socio-economic environment. A few examples of these initiatives are described below.

The Soproc industrial site in Saint-Quentin in the Aisne department in France has linked up with Envol, a local ESAT (offering assisted employment for disabled workers). The first initiatives started in 2012 and required developments to be made to satisfy safety standards at the site, which is SEVESO-classified. The joint work of the teams from Soproc and those from Envol have made it possible to set up a lasting partnership and integrate workers from Envol into the teams at the site. Thus, between April 2012 and July 2013, around twenty people joined the Company to work on a variety of tasks (product sorting, packing, order preparation), with more than 2,000 days worked. Twelve employees identified for their skills went to Envol to propose solutions for improvement (e.g.: ground markings, monitoring procedures, hygiene rules, ergonomics).

The Mourenx site in France plays an active role in several professional associations and competitiveness centres (Lacq Plus, UIC Aquitaine, Aquitaine Chimie Durable, the Association Chemstartup, ...) and is a partner of local schools – with the organisation of educational actions with the Cité Scolaire de Mourenx, of ESAT (places offering assisted employment for disabled workers), and the association Vivre Ensemble, where employees were able to take part in the Day for the Disabled. In partnership with their pallet suppliers, they also conducted the Protège ma Forêt project in order to plant new trees in a part of the Landes forest which was devastated by a storm.

The US plant at North Little Rock in Arkansas has initiated a project which makes it possible both to reduce waste and to arrange for the distribution of food to the most underprivileged people. The plant has developed a partnership with the Arkansas Hunger Alliance and the Food Bank of Arkansas which has made it possible to create a distribution and delivery circuit for boxes in order to transport food. These cardboard boxes, derived from plant waste, made it possible to distribute 24,000 meals in 2013.

In November 2012, the Group inaugurated a new 66,000 sq.m. factory in Jababeka, Indonesia, its biggest factory in the world to date. The Jababeka facility will take over from a factory opened in 1986 in Ciracas near Jakarta which no longer had the capacity to meet demand in the region. The new facility has an installed capacity of 300 million units, possibly increasing to 500 million units by 2015. The construction of this factory, located 60km from Ciracas, involved the relocation of employees of the former factory. 96% of employees agreed to move from Ciracas to Jababeka, thanks to a variety of assistance measures allowing employees to buy homes for the first time (75% of employees were not previously homeowners and 40% still lived with their parents). Thanks to the zero-interest loans granted by the Group, 262 families became first-time homeowners.

SOLIDARITY SOURCING

Because a company's purchasing power is an economic development and societal impact factor, L'Oréal has decided to make its purchases a novel way of promoting social inclusion. The Group thus created a global solidarity purchasing programme in mid-2010: "Solidarity Sourcing". Its aim is to help to give people from economically vulnerable communities durable access to employment and income.



FOR FURTHER INFORMATION CONCERNING THE SOLIDARITY SOURCING PROGRAMME, SEE THE RELEVANT SECTION ON PAGE 41 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT.

Several initiatives have already been developed in the Group, in particular The Body Shop Community Fair Trade programme. With Solidarity Sourcing, L'Oréal hopes to spread this philosophy by opening up its procurement process to new categories of suppliers who create employment in fragile communities. The aim is to build sustainable, fair trade partnerships with these suppliers, creating economic value and value for society.

Five communities of suppliers are concerned by the programme: enterprises endeavouring to employ disabled persons, social insertion companies, very small companies that find it difficult to forge business relationships with large companies, companies owned by minorities and fair trade producers.

PHILANTHROPY: THE GROUP'S SUBSIDIARIES ARE COMMITTED TO HELPING THEIR LOCAL COMMUNITIES AND INCREASING THEIR EMPLOYABILITY, FOR EXAMPLE BY OFFERING PROFESSIONAL TRAINING IN BEAUTY PROFESSIONS

Created in 2007, the L'Oréal Foundation develops the Group's major global programmes, which are rolled out in all the countries in which L'Oréal is present. It develops programmes in two main areas which reflect the Group's values and its businesses: science and beauty with its dimension of solidarity.

- in the field of science, L'Oréal promotes scientific education and the participation of women in scientific careers, by recognising the excellence of well-known women researchers and encouraging young girls to follow scientific vocations;
- in the field of beauty, L'Oréal supports programmes which care for appearances to restore confidence to vulnerable people and help them to recover their self-esteem and re-enter a social life. The Foundation also develops a major professional insertion programme aimed at offering training in beauty professions for socially fragile people, Beauty for a Better Life.

LOCAL INITIATIVES ON ALL CONTINENTS

In addition to the major global programmes initiated by the Foundation and rolled out across the world, each and every L'Oréal entity is encouraged to take local actions in relation with the situations in their particular countries. In 2013, L'Oréal thus supported several hundreds of projects throughout the world, involving actions in the fields of solidarity, education, culture or the environment.

A few examples:

- in the United States, at the North Little Rock plant alone, nearly 20,000 products were distributed to various local associations supporting children or people with cancer or working in the field of AIDS prevention;
- Greece provided financial support to the NGO "Houses of heart" which helps girls between 6 months and 18 years of age where their family unit has failed and they are unable to live at home;
- Austria which assists children of disadvantaged immigrants by giving them grants, in partnership with the Crespo Foundation.

Key figures: In 2013, L'Oréal spent 32.8 million on philanthropy initiatives worldwide (excluding sponsoring), broken down as follows:

- Foundation: €8.3m
- Corporate: €13.8m
- Brands: €10.7m

EC8 *Significant indirect economic impacts, including the extent of impacts*

➤ **WORKING TO ENSURE WIDER ACCESS TO PRODUCTS**

The Western world today is no longer the dominant market for the cosmetics industry. Attracting new consumers while ensuring at the same time that its products are affordable for those consumers means working constantly to adapt the pricing structure of the Group's products to the diversity of local populations. Consideration of specific local characteristics of different markets alters the product design process within the Group's teams. To offer products that best meet consumers' expectations, subsidiary managers and local marketing departments now work in close relation with Product Development and Packaging teams. Stepping up innovation for New Markets such as India, the Philippines and ASEAN (Association of Southeast Asian Nations) requires knowledge of the specific expectations of these markets, for example, the right product format, price and distribution channel.

To adapt to South Asian markets such as Thailand for example, L'Oréal had initially chosen a mostly urban distribution model (hypermarkets). The launch of 10g sachets distributed in large quantities in many small rural supermarkets fuelled a sharp acceleration in growth and the Group is now leader in skincare. This small-size packaging format is perfectly adapted to consumers' purchasing power, with some consumers paid on a weekly basis such as in the Philippines, where everything from face creams to cigarettes are available in sachet form. In India or Indonesia, shampoos in 80ml bottles sell best. Alongside these more modest consumers, a burgeoning middle class in large towns and cities have more regular, quality-focused beauty aspirations, and the Group is adapting in order to meet these needs, both in terms of the size of the packaging as well as brand sophistication. In these New Markets, only China is different, with lower demand for sachets and distribution through a more developed infrastructure. And yet the growth dynamics in China are the same as in other countries, with higher consumption, increased appeal and an interest in product appearance. Close co-operation between local Marketing departments and Product Development and Packaging teams allows the Group to better adapt its offer to consumers' expectations.

In 2012, Maybelline launched on the Asian market the first mascara to come in a PET tube, made up of only one layer of plastic instead of the five layers normally used. This design has helped reduce the cost of packaging and has made the end product more affordable. This innovative packaging is currently used for five Maybelline Volume Express mascaras and the initiative could be rolled out to other eligible geographical zones and markets in the future.

Also in Asia, Garnier revisited its skin mask in order to better adapt it to Asian skin types by changing the nature of the materials used (artificial silk, paper pulp and polyethylene) and thereby improving its cosmetic properties, comfort on application and stay-on quality. The cut-out was also modified to better suit the morphology of Asian faces.

Prompted by this same determination to widen access to its products, L'Oréal increasingly favours local production which enables it to offer consumers products at the lowest possible cost. The Group currently has 45 factories, 38 of which are ISO 14001-certified and 37 of which are certified OHSAS 18001/VPP. Thanks to this industrial policy, L'Oréal's products meet the same high standards of quality throughout the supply chain, regardless of where they are produced.

➤ **WORLDWIDE SOLIDARITY SOURCING PROGRAMME**

Because a company's purchasing power is an economic development and societal impact factor, L'Oréal has decided to make its purchases a novel way of promoting social inclusion. The Group thus created a global solidarity purchasing programme in mid-2010: "Solidarity Sourcing". Its aim is to help to give people from economically vulnerable communities durable access to employment and income.

This programme is in line with the Group's Commitments for 2020, and fits in more particularly with the "Sharing our Growth" section of the plan which is aimed at local communities.

In 2013, the global Solidarity Sourcing programme continued to be rolled out within the Group's different teams. Monitoring and reporting systems have been put in place via an intranet platform accessible to all employees. The various purchasing teams have now been given objectives with regard to this programme, particularly with respect to the number of beneficiaries. The progress made on the different projects is monitored in real-time, making a distinction between the projects that come under the Solidarity Sourcing programme and those that are part of The Body Shop Community Fair Trade programme. This latter programme now includes Solidarity Sourcing projects and makes it possible for the brand to extend its positive impact on communities.

In 2013, the Programme offered access to work to 22,000 people all over the world (excluding The Body Shop purchases).

Since 2012, the internal auditors have included the Solidarity Sourcing programme in their audit scope with the aim of continuous improvement. Audits have thus been conducted in China, Switzerland and South Africa.

In 2013, over 110 suppliers were involved in the programme. The purchases concerned were made from the Group's traditional suppliers or suppliers within its Solidarity Sourcing programme who have deployed solidarity actions in their respective fields.

Certain traditional suppliers have moreover applied this approach in their own supply chain.



FOR FURTHER INFORMATION CONCERNING SOLIDARITY SOURCING, SEE THE ARTICLE ON THIS PROGRAMME ON PAGE 41 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT.

FAIR TRADE

Recognized by the L'Oréal Group as a powerful social inclusion factor, Fair Trade via responsible sourcing of renewable raw materials is a major pillar of the "Solidarity Sourcing" programme launched in 2010.

In 2013, more than 20 fair trade sourced raw materials were included in 10% of the products manufactured (excluding The Body Shop).

For The Body Shop, over 90% of the products sold contain ingredients from the "Community Fair Trade" programme.

In 2013, a total of 20,200 people therefore benefited from fair trade sourced raw material purchases (excluding the CFT).

In 2013, for example:

- 100% of the Group's shea butter purchases were made through the "Solidarity Sourcing" programme, thanks to which the women gathering shea nuts in Burkina Faso receive in April-May, at the end of the dry season when stocks of food have been almost used up, pre-financing for their crops and a purchase price that is higher than the market price;
- as from the second half of the year, 100% of soya oil supplies come from fair trade sources in Brazil;
- 80% of sesame oil purchases are from fair trade sources;
- more than 500 products containing sesame oil from fair trade sources were manufactured.

In addition, purchases of raw materials produced under the BIOSOLIDAIRE label also increased in 2013, other than in the SANOFLORE business, with in particular the use of juniper berry essential oil in the L'Oréal Paris Shampoing Ever Strong range, or lavender essential oil in the Kiehl's Clearly Corrective range and the L'Oréal Paris Age Perfect Hydra Nutrition range.

THE BODY SHOP'S COMMUNITY FAIR TRADE PROGRAMME

In 2013, The Body Shop collected the prestigious BITC International Responsible Business Award in recognition of its pioneering Community Fair Trade programme. Under this programme, The Body Shop buys ingredients, gifts and accessories supporting the lives of over 25,000 small-scale farmers and workers and benefiting over 320,000 people. These projects are rolled out in the wider supplier community and offer simple but life-changing benefits such as clean drinking water, educational materials, medical infrastructure and fair income.

The Community Fair Trade programme is certified by the Institute for Market Ecology (IMO) and is governed by the principles set out in the Community Fair Trade Charter (available at <http://thebodyshop.com/content/pdf/cft-charter.pdf>). These principles define how suppliers are selected, their commitments with respect to The Body Shop and the benefits they receive in return. The impact on the suppliers and their wider communities is assessed once a year using supplier self-assessments, every two years through on-site visits and every three years by audits carried out by the IMO, backed where appropriate by more in-depth impact assessments.

The Body Shop's commitment to Community Fair Trade has not stopped growing: over 93% of its products contain fairly-sourced ingredients, up from 85% on 2011. Since its acquisition by L'Oréal in 2006, The Body Shop has worked in close cooperation with some of the Group's other brands, which in 2013 used eight fair trade ingredients in their products including soya, babassu, aloe vera, and olive and sesame oil.



FOR FURTHER INFORMATION CONCERNING COMMUNITY FAIR TRADE, SEE THE SOCIETY FACT SHEET (INDICATOR SO1).

P

rourement practices

L'ORÉAL

EC9

Proportion of spending on local suppliers at significant locations of operation

One of the components of L'Oréal's sourcing strategy is to ensure the development of suppliers where the Group develops its production and sales. The percentage of supplies sourced in the area in which they are also produced is therefore monitored. On average, 80% of the amount spent on production-related purchases (packaging, raw materials and subcontracting) is paid to suppliers based in the geographic zone of production (Europe, USA, Asia, Latin America, Africa/Middle East). For example, US factories make 69% of their purchases on the North American continent, while European factories make 84% of their purchases in Europe.

L'Oréal aims to increase local sourcing, chiefly in emerging regions in order to meet local needs. To do this, the Purchasing Department works with Research & Innovation teams to reference local suppliers of raw materials (raw material diversification or double sourcing programmes) and with Packaging teams to reference local suppliers of packaging articles and subcontractors.

A large-scale in-house production programme for packaging items is in place at several factories, for example. This programme consists in installing machines and a supplier's teams in the same factory used by L'Oréal for production. The concept, which needs large production volumes to amortize the investments made, is perfectly suited to mass-market cosmetics and the technological specialisation of L'Oréal's facilities. The system involves concentrating on simple packaging with a short production line, which is easy to set up at an existing facility. At L'Oréal, this in-house programme was first set up in 2010 in connection with the production of plastic bottles used for *Elsève* and *Fructis* haircare products for the European market, in Rambouillet and Settimo, respectively. At the end of 2013, the in-house programme had been set up at six production sites: in Rambouillet (France), Libramont (Belgium), Settimo (Italy), Florence (USA), Sao Paulo (Brazil) and San Luis Potosi (Mexico). In 2013, over 1 billion finished products were made in this way, set to increase to around 1.2 billion by the end of 2014. L'Oréal is conducting several studies at other sites and anywhere where it believes the model could be applied. The many benefits of this "ultra local" production relate to flexibility, the environment and lower costs among others.

Local suppliers are assessed on the same basis as other suppliers, i.e. using five KPIs: quality, supply chain and logistics, competitiveness, innovation and sustainable development.

WORLDWIDE SOLIDARITY SOURCING PROGRAMME

Because a company's purchasing power is an economic development and societal impact factor, L'Oréal has decided to make its purchases a novel way of promoting social inclusion. The Group thus created a global solidarity purchasing programme in mid-2010: "Solidarity Sourcing". Its aim is to help to give people from economically vulnerable communities durable access to employment and income.

This programme is in line with the Group's Commitments for 2020, and fits in more particularly with the "Sharing our Growth" section of the plan which is aimed at local communities.

In 2013, the global Solidarity Sourcing programme continued to be rolled out within the Group's different teams. Monitoring and reporting systems have been put in place via an intranet platform accessible to all employees. The various purchasing teams have now been given objectives with regard to this programme, particularly with respect to the number of beneficiaries. The progress made on the different projects is monitored in real-time, making a distinction between the projects that come under the Solidarity Sourcing programme and those that are part of The Body Shop Community Fair Trade programme. This latter programme now includes Solidarity Sourcing projects and makes it possible for the brand to extend its positive impact on communities.

In 2013, the Programme offered access to work to 22,000 people all over the world (excluding The Body Shop purchases).

Since 2012, the internal auditors have included the Solidarity Sourcing programme in their audit scope with the aim of continuous improvement. Audits have thus been conducted in China, Switzerland and South Africa.

In 2013, over 110 suppliers were involved in the programme. The purchases concerned were made from the Group's traditional suppliers or suppliers within its Solidarity Sourcing programme who have deployed solidarity actions in their respective fields.

Certain traditional suppliers have moreover applied this approach in their own supply chain.

FOR FURTHER INFORMATION CONCERNING THE SOLIDARITY SOURCING PROGRAMME, SEE:

- THE SOCIETY FACT SHEET (INDICATOR SO1)
- THE ARTICLE ON SOLIDARITY SOURCING ON PAGE 41 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT

L'ORÉAL Environment

DISCLOSURES ON MANAGEMENT APPROACH p. 3

MATERIALS p. 14

- EN1 - Materials used by weight or volume p. 14
- EN2 - Percentage of materials used that are recycled input materials p. 14

ENERGY p. 15

- EN3 - Energy consumption within the organization p. 15
- EN4 - Energy consumption outside of the organization p. 16
- EN5 - Energy intensity p. 16
- EN6 - Reduction of energy consumption p. 17
- EN7 - Reduction in energy requirements of products and services p. 18

WATER p. 19

- EN8 - Total water withdrawal by source p. 19
- EN9 - Water sources significantly affected by withdrawal of water p. 19
- EN10 - Percentage and total volume of water recycled and reused p. 20

BIODIVERSITY p. 21

- EN11 - Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas p. 21
- EN12 - Descriptions of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas p. 22
- EN13 - Habitats protected or restored p. 23
- EN14 - Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk p. 23

EMISSIONS p. 24

- EN15 - Direct greenhouse gas (GHG) emissions (scope 1) p. 24
- EN16 - Energy indirect greenhouse gas (GHG) emissions (scope 2) p. 24
- EN17 - Other indirect greenhouse gas (GHG) emissions (scope 3) p. 25
- EN18 - Greenhouse gas (GHG) emissions intensity p. 25
- EN19 - Reduction of greenhouse gas (GHG) emissions p. 26
- EN20 - Emissions of ozone-depleting substances (ODS) p. 27
- EN21 - NOx, SOx, and other significant air emissions p. 27

EFFLUENTS AND WASTE p. 28

- EN22 - Total water discharge by quality and destination p. 28
- EN23 - Total weight of waste by type and disposal method p. 29
- EN24 - Total number and volume of significant spills p. 30
- EN25 - Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention annex I, II, III, and IV, and percentage of transported waste shipped internationally p. 30
- EN26 - Identity, size, protected status, and biodiversity value of water bodies, and related habitats significantly affected by the organization's discharges of water and runoff p. 31

PRODUCTS AND SERVICES	p. 32
EN27 - Extent of impact mitigation or environmental impacts of products and services	p. 32
EN28 - Percentage of products sold and their packaging materials that are reclaimed by category	p. 34
COMPLIANCE	p. 35
EN29 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	p. 35
TRANSPORT	p. 35
EN30 - Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	p. 35
OVERALL	p. 36
EN31 - Total environmental protection expenditures and investments by type	p. 36
SUPPLIER ENVIRONMENTAL ASSESSMENT	p. 37
EN32 - Percentage of new suppliers that were screened using environmental criteria	p. 37
ENVIRONMENTAL GRIEVANCE MECHANISMS	p. 38
EN34 - Number of grievances about environmental impacts field, addresses and resolved through formal grievance mechanisms	p. 38

Disclosures on management approach

On October 23, 2013, L'Oréal presented its Sustainability Commitments for 2020, Sharing Beauty With All. This public announcement bears witness to L'Oréal's ambitions, and to the dedication of the Group's management and teams to building and consolidating sustainable development.

Ten years ago, the Group signed the United Nations Global Compact and ever since has been committed to supporting the ten fundamental principles of the Pact within its sphere of influence.

The Group has been resolute in its pursuit of progress in the fields of sustainable development and CSR, as early as 2009 setting itself an ambitious target for reducing the environmental footprint of its sites and production plants. The creation of the L'Oréal Foundation in 2007 gave further proof of the Group's commitment to sponsorship and philanthropy.

L'Oréal today has a solid legacy of actions in the field of sustainability and is thus in a position to set its sights high for the future by making its commitments part of its growth model.

The Sharing Beauty With All program encompasses all the Group's impacts, on the environment, on its employees and on communities, and covers four areas:

- Innovating sustainably,
- Producing sustainably,
- Living sustainably,
- Developing sustainably.

Every year, the Group reports on its progress and achievements in the relevant fields (human rights, working standards, environmental standards, anti-corruption measures), primarily through its Sustainable Development Report, the GRI (Global Reporting Initiative) indicators and those of the UN Global Pact.

The efforts and the progress made in 2013 have been recognized, as in previous years, by some of the most demanding bodies in the field, including Vigeo, Institut Ethisphère, the Carbon Disclosure Project (which in 2013 ranked L'Oréal among the 10% of highest-scoring corporations) and OEKOM.

The L'Oréal Group's sustainable development commitments for 2020: Sharing Beauty With All.

On October 23, 2013, L'Oréal Chairman and CEO Jean-Paul Agon announced the Group's commitments for 2020 to reduce its impacts while achieving its ambitions for growth.

Developing sustainably

L'Oréal's ambition is to reach one billion new consumers through its universalisation strategy which aims to respond to the different beauty needs of men and women all over the world. The Group's growth strategy is partly based on its commitment to produce more, with less impact, and to involve consumers, who are at the heart of its business activities, by offering them products which are both sustainable and aspirational, thus inciting them to make sustainable choices. For this purpose, L'Oréal has undertaken to improve its practices throughout its value chain, from research to production, while sharing its growth with the surrounding communities.

These commitments are the fruit of two years of consultation with various stakeholders throughout the world. L'Oréal will regularly communicate on its progress with regard to each of the objectives with the assistance of a panel of independent international experts⁽¹⁾ chaired by José Maria Figueres, recognised throughout the world for his commitment to Sustainable Development.

⁽¹⁾ The panel of international experts:

Sze Ping, Chinese environmentalist, former Greenpeace activist, Executive Director of Greenovation Hub;

Mehjabeen Abidi-Habib, Pakistani researcher in human ecology, specialist of natural resources management;

HRH Celenhle Dlamini, South African, one of the Directors of Ubuntu Institute working on the achievement of the UN Millennium Development;

Zem Joaquin, American, eco-luxury specialist and founder of the "Eco-fabulous" website, aiming to make sustainability desirable;

Analisa Balares, American, Founder and CEO of WomensphereTm, developing medial tools, online communities, and an award to inspire and support women willing to make a difference in the world;

Christian de Bolsredon, French, promoting the concept of "impact journalism" through Sparknews, in order to give visibility to positive initiatives throughout the world.

Sharing Beauty With All: a commitment in four areas

1. Innovating sustainably - By 2020, 100% of the Group's products will have an environmental or social benefit.

Whenever the Group's brands invent or renovate a product, they will improve its environmental or social profile in terms of at least one of the following criteria:

- The new formula reduces its environmental footprint (and in particular its Water Footprint).
- The new formula uses sustainably sourced renewable raw materials or raw materials derived from Green chemistry.
- The new packaging has an improved environmental profile.
- The new product has a positive social impact.

2. Producing sustainably - By 2020, the Group commits to reducing its environmental footprint by 60% whilst bringing beauty to one billion new consumers.

- A 60% reduction of CO₂ emissions at our plants and distribution centres in absolute terms, from a 2005 baseline.
- A 60% reduction in water consumption per finished product unit from a 2005 baseline.
- A 60% reduction in waste generation per finished product unit from a 2005 baseline.
- Sending zero industrial waste to landfill.
- Reducing the CO₂ emissions from transportation of products by 20% per finished product/Km from a 2011 baseline.

3. Consuming sustainably - By 2020, the Group wants to empower all L'Oréal consumers to make sustainable consumption choices.

- A product assessment tool will evaluate the environmental and social profile of all new products. All brands will make this information available to allow consumers to make sustainable lifestyle choices.
- All L'Oréal brands will have assessed their environmental and social footprint and will have made commitments to improve it. Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.
- Consumers will be able to influence the Group's sustainability actions through a consumer consultative group on sustainability.

4. Sharing growth

- Employees: by 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world.
- Suppliers: by 2020, 100% of the Group's strategic suppliers will be participating in the supplier sustainability programme.
- Communities: by 2020, through its actions, the Group will enable more than 100,000 people from socially or financially deprived communities to access work.

Governance

Manufacturing and distributing products that respect the environment and human beings is key to L'Oréal's vision of sustainable development.

In pursuit of these aims, EHS responsibilities are clearly set out at every level. The Group EHS Director reports to the Executive Vice-President Operations, who in turn reports to the Group Chief Executive Officer. He is responsible for the implementation and deployment of the Group's EHS policy, and for the development and implementation of strategies and action plans for production sites, distribution centers, Research & Innovation Centers, administrative sites and stores.

EHS managers in each of the entities concerned liaise with the Group EHS Department on achieving the Group's objectives.

The compensation of plant or distribution center managers is in part linked to their EHS performance.

Teams strive constantly to reduce L'Oréal's environmental footprint. The Group's environment policy is founded on strict compliance with regulations, internal standards applicable on all sites and operational processes based on prevention, reduction and reuse. The policy is backed by monthly reporting of detailed indicators used to monitor the progress of results. L'Oréal managers are also responsible for implementation of Group environmental policy, for organization at local level and for achieving targets.

L'Oréal has 45 production plants and 71 distribution centers around the world.

Reductions are calculated against comparable data over the 2005-2015 period.

The means used to produce the reporting, the scope of consolidation, the indicators and the data are all included in the Material aspects and boundaries sheet.

► *Materials*

In 2013, the Group committed itself to ambitious targets for Innovating Sustainably. By 2020, 100% of new products will have an environmental or social benefit. This means that every time L'Oréal invents or improves a product, it will improve its environmental or social profile against at least one of the following criteria:

- The new formula will reduce its environmental footprint (and in particular its Water Footprint). By 2020, 100% of its renewable raw materials will come from sustainable sources or green chemistry.
- The new formula will use sustainably sourced renewable raw materials or raw materials derived from Green chemistry.
- The new packaging will have an improved environmental profile.
- The new product will have a positive social impact.

Reference values for Group formulae were established in 2013, to serve as a baseline for measuring progress by 2020.

A Sustainable Innovation manager is appointed for the entire R&I structure and, supported by a team, is responsible for the implementation and deployment of the policy of eco-design of raw materials and formulae for all product categories, in order to achieve the Group's objectives.

Sustainable Innovation coordinators are appointed for each product category in all the laboratories concerned. They are responsible for the operational deployment of the eco-design policy for formulae, in conjunction with the marketing teams and with the support of the R&I Sustainable Innovation department.

Sustainable Sourcing Coordinators are also appointed within the departments concerned (Raw Materials Research and Raw Materials Purchasing). They are responsible for the operational deployment of the sustainably sourced renewable raw materials policy, in conjunction with suppliers and with the support of the R&I Sustainable Innovation department.

The policy is supported by an array of eco-design tools developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

Respect: L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 88% of paper printers and 97% of cardboard suppliers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

Reduce: weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product. In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

Replace: aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix...), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

This approach is an integral part of the tasks of the packaging teams, organized by technical sector. These teams are responsible for the technical design of packaging components and finished products. They work closely with purchasing departments when drawing up specifications for suppliers, as part of the process of optimizing formats and identifying new materials, and they manage environmental approvals. They are also responsible for consolidating and reporting specific Packaging Sustainability indicators for their entities on an annual basis, and for all reporting on the Group's packaging development activities

Energy

Energy demand in the cosmetics industry is relatively low compared to other sectors.

The Group is committed to using energy efficiently, however, and to reducing its dependence on fossil fuels. As far as possible, L'Oréal purchases natural gas rather than heating oil (which has a higher carbon content) and is continuing to develop its renewable energy strategy.

BUS PROJECT (BETTER UTILITIES FOR SUSTAINABILITY)

The BUS project is a Group-wide pilot project run by operations managers, which draws on expertise from across L'Oréal to identify methods, technical solutions and good practices in cleaning, cooling, air compression and other factory processes.

To date, 11 good practices have been identified, notably to improve energy efficiency; they are accompanied by technical recommendations and rolled out throughout the whole Group.

Water

Water is used at every stage in product manufacture (for both raw materials and packaging, during production), but also when consumers use the products. For this reason, the Group has implemented a dedicated policy and a certain number of initiatives to optimize the use of this resource.

Within the framework of Sharing Beauty With All, L'Oréal has made a significant pledge by setting ambitious targets, in particular 60% reduction in water consumption per finished product (2005-2020). L'Oréal has a program of preservation in position since 2003 and significant progress was realized in the reduction of the use and the increase of the efficiency. A lot of the water consumed in L'Oréal factories is used for cleaning production equipment and packaging lines to maintain very strict hygiene standards. This represents 34% of all water consumption in the industrial sites. To meet the targets set, L'Oréal's teams aim to reduce the amount of water used for cleaning operations as far as possible without affecting product quality. This optimisation is very complex, as each cleaning process depends on the formula of the manufactured product and the specific equipment used.

The Group also makes sure that the water used for the cleaning and the other industrial processes is tested and treated before being rejected in the municipal stations. L'Oréal supports the research in this field, with the University of Newcastle within the framework of a research project of the European Union on the energy efficiencies in the waste water treatment.

The indicators of water consumptions are monthly reported in liter by finished product for the industrial sites and the distribution centers. The cartography of water consumptions allows to establish specific action plans of reduction.

An analysis of potential water savings was defined in 2013 for each Group plant. It takes account of each type of water use, and makes it possible to compare current consumptions with the attainable targets. The actions that will make it possible to achieve these targets have been scheduled over time, and form the Group's "Water" Roadmap. It is monitored on a monthly basis.

► *Biodiversity*

L'Oréal has for many years followed an approach to biodiversity protection that gives priority to:

1. limiting the impact of its ingredients on aquatic ecosystems,
2. ensuring sustainable sourcing of renewable raw materials.

► **REDUCING THE IMPACT OF RAW MATERIALS AND PRODUCTS ON THE ENVIRONMENT AND ON AQUATIC ECOSYSTEMS**

Since 1995, the date of creation of its ecotoxicology laboratory, L'Oréal has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments.

Anticipating and minimising the potential impact of the ingredients used in its products on the natural environment and, in particular, on aquatic ecosystems, is of utmost importance to L'Oréal. From the product-conception phase onwards, therefore, raw materials undergo a robust selection process before entering a formulation.

The Group has developed several tools and procedures to determine the potential impact on biodiversity of the ingredients used:

- development in its ecotoxicology laboratory of innovative methods for early environmental evaluation of raw materials (e.g. automation of the safety test on microalgae);
- launch in 2004 of the assessment of its entire raw materials portfolio for persistence, bioaccumulation and toxicity criteria.

As of the end of 2008, 99% of raw materials were assessed in this way. All new raw materials now systematically have to undergo this assessment before they can be accepted into the ingredients portfolio.

In 2013, L'Oréal has undertaken to innovate such that in 2020 all of its new products have an environmental or social benefit.

In 2013, L'Oréal moreover developed an ecological performance index for a cosmetic formula. A calculation method for the Water Footprint specific to cosmetic products, particularly rinsed products was applied (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Improvement in the percentage of biodegradability and/or of the Water Footprint of a formula is an essential factor for reducing the impacts.

Thus, following on from the work carried out to get to know and improve the environmental profile of ingredients which began in 1995, the Research & Innovation teams are currently working on improving the biodegradability and the Water Footprint of formulas.

► **AN ARRAY OF ECO-DESIGN TOOLS HAS BEEN DEVELOPED AND DEPLOYED IN ALL GROUP LABORATORIES**

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

2013 also saw the launch of certain products formulated for a high level of biodegradability, such as Kerastase Cleansing Oil (96%), Garnier Fructis Men Mint Explosion shampoo (95%) or Biotherm Aquafitness shower gel.

The average biodegradability of shampoos in 2012 was 88% and that of shower gels 86%.

INTRODUCTION OF SUSTAINABLE SOURCING

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya protocol, aimed at regulating access to the resources of a given region and the fair and equitable sharing of the benefits arising from the use of those resources.

L'Oréal Research was already aware of these issues well before the protocol came into force and since 2005 has continuously striven to secure its supply chains in response to the issues of sustainable use of biodiversity.

One of L'Oréal's commitments made in 2013, through its Sharing Beauty With All program, was that 100% of its renewable raw materials would be sustainably sourced by 2020.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant.

In 2013, any raw material with a majority of renewable carbon content was considered as renewable.

34% of the Group's new raw materials in 2013 were plant-based and 18% complied with the principles of green chemistry.

100% of all renewable raw materials (new and existing) used by the Group are now assessed against sustainability criteria for compliance with biodiversity protection and their contribution to the socio-economic development of their region of origin and, in accordance with the commitment made in 2005, no raw material with an adverse biodiversity profile is listed.

The use of certain of the 300 plant species (20% in number) which are based on renewable raw materials may involve ecological issues (protection measures, impact of production on natural environments) or societal challenges (working conditions, fair remuneration, cultural issues) depending on their geographic origin and their extraction or production method.

This data is consolidated and managed through:

- "plant risk" indicators (ecological, social & societal risk), established using the "Plant Information Sheets" that are prepared and are available for all the plant species from which renewable raw materials are sourced, and updated on a monthly basis for the most sensitive species;
- an evaluation of the supply chains by the "Raw Material Sustainability Assessment framework" which is rolled out on a targeted basis at suppliers for the most sensitive raw materials with regard to these issues.

Corrective action plans are undertaken, if required, with suppliers and with the systematic support of independent external third parties, in order to handle the real impacts on the territories of origin of the ingredients.

Currently, 80% of the raw materials representing the Group's largest volumes of purchases (90%) and derived from species identified as sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing.

This applies in particular to certain commodities such as palm oil, soya oil, and wood fiber-based products, whose sourcing may potentially contribute to deforestation.

As well as seeking to reduce its consumption of these resources, L'Oréal relies on internationally recognized certifications to guarantee their sustainable sourcing.

In 2013, 100% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of Group purchases of paper and board packaging were certified sustainable by the FSC or PEFC. 94% of Group supplier printing sites were also certified.

60% of L'Oréal's purchases of soya oil were certified sustainable in 2013. The Group will take steps to overcome the problem of sourcing availability encountered in 2013 in order to bring this figure back to 100% in 2014.

In 2013, the Carbon Disclosure Project's Forest program ranked L'Oréal as one of the best-performing businesses in its category for its sustainable sourcing system.

Emissions

Energy demand in the cosmetics industry is relatively low compared to other sectors and, as a result, L'Oréal is not subject to European regulations on carbon quotas.

The Group is committed to using energy efficiently, however, and to reducing its dependence on fossil fuels. As far as possible, L'Oréal purchases natural gas rather than heating oil (which has a higher carbon content) and is continuing to develop its renewable energy strategy. In recent years, a number of major renewable energy generation projects have been deployed on sites, leading to significant reductions in CO₂ emissions (biomass and cogeneration in Belgium, biomass in Rambouillet and Roye in France, Burgos in Spain, etc., heating networks in Germany and Italy, photovoltaic solar power in China, the USA, Spain, etc., geothermal energy in Vichy, La Roche Posay, etc.)

The Group encourages all initiatives in this direction taken by its sites around the world. Every saving is important in reducing the Group's overall carbon footprint.

Greenhouse gas emissions fell in absolute terms by 43.1% between 2005 and 2013.

L'Oréal has always considered climate change a priority issue.

The Group has set itself ambitious targets in this area, in particular with a commitment to reduce its CO₂ emissions by 60% in absolute terms by 2020, from a 2005 baseline.

In practice, the corresponding action plans are steered at global level but also locally:

- through a series of measures taken to limit air emissions related to its activity. Since 2003, for example, L'Oréal has been a member of the CDP (2013 scores: performance A, transparency 93) and enlisted 173 suppliers as new members in 2013;
- L'Oréal is careful when developing its products to limit the use of resources, for both products and packaging. Reduction measures taken by teams at source resulted in savings of almost 300 metric tons of packaging material in 2013, making a total saving of 3,600 metric tons since 2008.
- through a series of initiatives to combat deforestation. L'Oréal pays particular attention to the sustainable sourcing of commodities such as palm oil, soya oil and wood fiber-based products (paper and board), which can be major causes of deforestation.

L'Oréal relies on internationally recognized certifications to guarantee sustainable sourcing of its supplies.



FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE THE SECTION ENTITLED MANAGERIAL APPROACH TO BIODIVERSITY IN THIS REPORT.

Effluents and waste

The Group's industrial activity contributes to the generation of waste (solid and liquid). This waste must be treated under optimum conditions. L'Oréal has for many years pursued an ambitious waste management policy that extends beyond regulatory compliance and the prevention of environmental risks, to encompass waste prevention, recycling and reuse, as well as energy recovery to avoid sending waste to landfill.

As part of its Sharing Beauty With All program, L'Oréal raised its waste reduction per finished product target at plants and distribution centers by 60% by 2020, against a 2005 baseline, and has set itself a new and ambitious target of zero industrial waste to landfill by the same date.

L'Oréal includes in transportable waste everything that comes out of a plant or a distribution centre and which is not a finished or semi-finished product (for example, the following are concerned for a plant: raw material packaging or packing items, wastewater treatment plant sludge, broken pallets, etc...). Transportable waste does not include waste from work on an exceptional scale carried out at sites (for example, rubble and other materials removed from a site when work is carried out).

In order to improve the system of waste performance monitoring and exhaustively recording the waste generated by the use of shuttle packaging, a new system of recording shuttle packing at source is to be put in place with the Group's suppliers in 2014. L'Oréal will thus record the weight of its shuttle packaging at source in transportable waste, with each of the sites being responsible for maximising the rotation rates.

L'Oréal will continue to record the rotation of shuttle packaging, which is necessary for the calculation of the waste recovery index (see the above table). Furthermore, the waste performance indicator (g/PF excluding shuttle packaging) will now take into account the materials portion of the shuttle packaging (excluding pallets), recorded at source.

The Group is also working on minimizing waste related to products, including packaging (transport items and finished products).

As regards waste per finished product, several years ago, L'Oréal developed an internal procedure which defines the ratios to be complied with between the different levels of packaging of its finished products. The procedure has been extended to the packaging used to deliver packing items to the factories or to deliver finished products from the factories to the logistical distribution centres. For such purpose, simplified specific tools for life cycle assessment and design processes have been deployed.

➤ IMPROVING THE QUALITY OF WASTE

L'Oréal handles the treatment of wastewater for approximately 50% of its sites, using advanced treatment plants (using biological as well as physical and/or chemical treatment methods). The Group reduced its total generation of COD (Chemical Oxygen Demand) by 69% in 2013, by pretreating industrial effluents on site prior to discharge to publicly owned treatment works.

➤ *Products and services*

As a socially responsible Group, L'Oréal has an obligation to take into consideration the impacts of its products on the environment: manufacturing these products consumes resources (materials, water, energy) and generates waste. The Group has for many years taken into consideration the impacts of product design and manufacture and how these impacts may be reduced.

➤ REDUCING THE IMPACT OF RAW MATERIALS AND PRODUCTS ON THE ENVIRONMENT AND ON AQUATIC ECOSYSTEMS

Since 1995, the year in which the Group set up its own in-house ecotoxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products.

For L'Oréal, it is of the utmost importance to foresee and minimize the potential impact of the ingredients it uses on natural habitats, and on aquatic ecosystems in particular. From the earliest stages in product design, the raw materials used in the formulation are rigorously selected.

In 2013, L'Oréal gave a sustainable innovation commitment that, by 2020, 100% of new products will have an environmental or social benefit.

L'Oréal also created an ecological performance index for cosmetics in 2013, known as the water footprint (performance index of a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995, the Research teams are now also working on improving formula biodegradability and water footprint.

An array of eco-design tools has been developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

➤ REDUCING THE IMPACT OF PACKAGING

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

Respect: L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 88% of paper printers and 97% of cardboard suppliers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

Reduce: weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product.

In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

Replace: aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix...), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

➤ Compliance

Internal and external experts regularly visit L'Oréal's production and distribution sites to assess the compliance of their operations with the Group's rules, the progress made and the risks they present. Third-party audits are also carried out at supplier sites in accordance with the same criteria as those used for Group entities.

L'Oréal has a comprehensive programme of EHS audits, which includes in particular risk audits, "Culture Audits" and subcontractor audits.

Risk audits have 2 main objectives:

- ensuring that technical equipment, processes and operation methods implemented by management and used by employees do not carry risks of damage to the environment or to their health and safety;
- giving the Group's General Management objective knowledge of control over risks in the EHS fields on the L'Oréal sites and providing the assurance that they are under control.

These audits cover all international operations and are carried out by independent experts. As a general rule, it takes about five days for a team of three or four auditors to evaluate a factory and around three days to evaluate a distribution centre. Over the last 2 years, these audits have been extended to the administrative sites and research centres.

In 2013, risk audits were carried out at 17 factories, 12 distribution centres, 13 administrative sites and 4 Research centres.

Launched in 2009, the EHS "Culture Audits" programme aims at measuring and developing management's leadership and internal EHS culture so that EHS is at the core of the responsibilities of all operational managers. EHS "Culture Audits" are triggered by a site's performance and conducted by internal EHS specialists through group interviews with 20-30% of the site's employees. In 2013, EHS "Culture Audits" were carried out at 10 factories, 7 distribution centres, and 2 research centres.

In 2013, a new type of combined audit (a risk and culture audit) was carried out at 6 pilot sites. This principle will be extended to other Group sites in 2014.

Furthermore, within the scope of the Group's "Fire" and "Environment" insurance policies, prevention visits are conducted regularly by experts and insurers. In 2013, visits were made to 8 factories in 6 countries with regard to environmental risks (France, Brazil, Germany, Poland, Russia, Belgium) and 24 sites with regard to fire risks.

The Real Estate Department carries out audits of the Company's real estate assets every year on a rotating basis with the assistance of an outside firm. The purpose of the real estate audit is to check that the buildings have been brought into compliance with the Group's real estate procedures, and on the due and proper completion of extension or renovation operations and preservation of the assets. Since 2009, these audits have included aspects concerning "Quality of interior air" and "Energy Performance". In 2013, 5 sites were audited in various countries.

84% of L'Oréal plants (a total of 38 out of 45) are ISO 14001 certified and 82% (a total of 37 out of 45) are OHSAS 18 001 or VPP certified.

✧ *Transports*

As part of its activity, L'Oréal transports products all over the world. Transport is a major contributor to climate change. The Group has therefore committed to reducing its environmental impact and reducing the impact associated with the transportation of its products.

L'Oréal optimizes its global production on a regional basis, locating its operational teams as close as possible to the markets they serve. This enables each site to be more responsive and more effective in terms of logistics and transport.

Although the greenhouse gas emissions of the cosmetics industry are limited in relative terms, transport contributes to L'Oréal's global environmental footprint.

As part of its Sharing Beauty With All program for 2020, the Group has undertaken to reduce CO₂ emissions from transportation of products by 20% per finished product unit in g CO₂/FP/km from a 2011 baseline.

Since 2006, L'Oréal set up a transport policy taking environmental consideration into account.

✧ *Overall*

L'Oréal considers investment in environmental protection as naturally part of the efforts to be made by any socially responsible company. These costs are therefore incorporated into each operational project, not accounted for separately. It is therefore impossible to consolidate these costs at Group level.

Expenses are also managed by each site and generally not consolidated. Although almost all plants are ISO 14001 certified, for example, the Group has no information on the global cost of such certification.

L'Oréal does consolidate its waste treatment costs, however: in 2013, the cost of treatment was €13 million.

L'Oréal has taken out environmental liability insurance to cover environmental damage. In addition to providing insurance cover, the policy calls for preventive inspections at 10 sites a year.

There are many environmental projects in place, many originating in the pursuit of operational improvements (quality, safety, environmental).

Each site is responsible for its spending and investment in order to achieve these objectives.

There were also many achievements in 2013, including:

- construction of buildings to recognized standards (HQE, LEED, etc.)
- construction of a water treatment works at the plant in Egypt and commissioning of the Saint Luis de Potosi treatment works (Mexico)
- installation of LED lighting at several sites
- installation of a wood-burning boiler at the Rambouillet plant (France)
- modifications to production plant to reduce the amounts of hot water used for washing, resulting in reduced water and gas consumption (multi-year program)
- systems to recover energy from water-based effluents, resulting in reduced gas consumption and CO₂ emissions
- deployment of photovoltaic panels in the US

Expenses (non-consolidated) included:

- subscription for the sorting of end-of-life packaging
- operation of 23 internal water treatment works
- minor energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, etc.

EHS POLICY TRAINING

A targeted training programme is provided on L'Oréal's EHS policy and practices for managers and EHS professionals across the Group. The objectives are as follows:

- identify and share EHS vision, challenges and values across the Group;
- identify the risks inherent in a role, task, behaviour or use of equipment and implement tailored corrective solutions;
- enable managers to implement EHS policy effectively within their teams.

In 2013, a new training course was launched, EHS expertise, dedicated to the EHS teams in the factories and distribution centres. 20 people have already been trained in Europe, representing 11 nationalities. This training course will be rolled out to the other zones in 2014. Managers continue to receive training in environment, health and safety culture all over the world: 169 managers and supervisors took part in EHS Operations, and 68 top managers in Safety & Leadership.

In addition, within the scope of deployment of the "Ergonomic Attitude" programme throughout the Group, 149 people received ErgoAct training. This training will be developed further in 2014.

Supplier Environmental Assessment

Supplier environmental assessment is part of L'Oréal's wider responsibility.

L'Oréal has fully integrated supply chain into its understanding of its environmental impacts and initiatives designed to reduce them.

Through its Sharing Beauty With All program for 2020, the Group has committed to 100% of its strategic suppliers participating in its supplier sustainability program.

This will be achieved as follows:

- all strategic suppliers will be assessed and selected on social and environmental performance.
- all strategic suppliers will have completed a self-assessment of their sustainability policy, with Group support.
- all suppliers will have access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will be associated with our Solidarity Sourcing program announced in 2012.

Environmental Grievance Mechanisms

EHS responsibilities are clearly set out at every level. The Group EHS Director reports to the Executive Vice-President Operations, who in turn reports to the Group Chief Executive Officer. He is responsible for the implementation and deployment of the Group's EHS policy, and for the development and implementation of strategies and action plans for production sites, distribution centers, Research & Innovation Centers, administrative sites and stores.

The Group's environment policy is founded on strict compliance with regulations, internal standards applicable on all sites and operational processes based on prevention, reduction and reuse. The policy is backed by monthly reporting of detailed indicators used to monitor the progress of results and to report any anomalies and incidents, in compliance with the ISO 14 001 standard (84% of L'Oréal plants, a total of 38 out of 45, are ISO 14001 certified).

Incidents are reported and monitored by EHS managers at each of the entities concerned, to ensure that they are resolved without delay.

EN 1

Materials used by weight or volume

In 2013, L'Oréal took delivery of 330,000 metric tons of raw materials - excluding packaging - at its cosmetics plants, to be used in manufacturing its products. For reasons of confidentiality, L'Oréal does not disclose the weight of its packaging. Over 25% of the packaging materials used in the various processes to produce L'Oréal products were renewable in origin (wood, paper, board, textile).

► RENEWABLE RAW MATERIALS

As part of its 2020 Commitments, L'Oréal has given an undertaking that 100% of its renewable raw materials will be sustainably sourced by the target date.

100% of the plant-based raw materials used by the Group (both new and existing raw materials) are assessed based on Sustainable Development criteria such as respect for biodiversity and the contribution to the socio-economic development in the territories from which they originate.

In 2013, L'Oréal considered all raw materials of which the carbon contents are mostly of plant origin as being plant-based.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant.

In 2013, 34% of the Group's new raw materials are plant-based and 18% respect Green Chemistry principles.

Among the products sold in 2013, Lancôme Dreamton, Garnier Moisture Match, Revitalift Laser X3 Crème de Nuit contain at least one Green Chemistry-based Raw Material.

The use of certain of the 300 plant species (20% in number) which are based on renewable raw materials may involve ecological issues (protection measures, impact of production on natural environments) or societal challenges (working conditions, fair remuneration, cultural issues) depending on their geographic origin and their extraction or production method.

This data is consolidated and managed through:

- "plant risk" indicators (ecological, social & societal risk), established using the "Plant Information Sheets" that are prepared and are available for all the plant species from which renewable raw materials are sourced, and updated on a monthly basis for the most sensitive species;
- an evaluation of the supply chains by the "Raw Material Sustainability Assessment framework" which is rolled out on a targeted basis at suppliers for the most sensitive raw materials with regard to these issues.

Corrective action plans are undertaken, if required, with suppliers and with the systematic support of independent external third parties, in order to handle the real impacts on the territories of origin of the ingredients.

Currently, 80% of the raw materials representing the Group's largest volumes of purchases (90%) and derived from species identified as sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing.

EN 2

Percentage of materials used that are recycled input materials

In 2013, L'Oréal incorporated over 3,100 metric tons of recycled input materials into packaging for its finished products, an increase of 6.9% over 2012.

The absence of recycling channels in certain countries and the unreliability of global sourcing impose limits on increased use of recycled input materials. In-house teams are working on long-term projects to improve this percentage.

Transport packaging (cardboard shippers) contain between 50% and 100% recycled fiber.



3 Energy consumption within the organization

All the following data are in Giga Joules.

TOTAL FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES

Fossil gas	1,183,706 GJ ✓
Fuel oil	21,747 GJ ✓

TOTAL FUEL CONSUMPTION FROM RENEWABLE SOURCES

Wood	41,121 GJ
Ethanol	16,462 GJ
Total	57,583 GJ ✓

Total electricity consumption	1,470,202 GJ ✓
Generated on site (renewably sourced)	34,296 GJ ✓
Purchased (renewably sourced)	598,347 GJ ✓
Purchased (non-renewably sourced)	837,560 GJ ✓
Total heat consumption	63,368 GJ ✓
Solar thermal	2,316 GJ
Heat network (Germany, Italy , Belgium)	54,304 GJ
Biomass (Belgium)	15,357 GJ
Geothermal	6,748 GJ
Total cooling consumption	0 GJ
Total steam consumption	67,176 GJ ✓
Total electricity sold	29,928 GJ ✓
Sold with guarantee of origin certificate	20,485 GJ ✓
Sold without guarantee of origin certificate	9,424 GJ ✓
Total heating sold	0 GJ
Total cooling sold	0 GJ
Total steam sold	0 GJ
Total energy consumption	2,863,783 GJ ✓

EN 4 *Energy consumption outside of the organization*

Energy consumption outside the organization was estimated for the following material line items:

- Business travel: 930,000 GJ
- Downstream transport and distribution: 4,487,000 GJ
- Use of products sold: 42,143,082 GJ
- End-of-life treatment of products sold: 604,323 GJ

These consumption figures are those used to calculate the different Scope 3 categories, using the GHG Protocol methodology and the Association Bilan Carbone spreadsheet.

The following assumptions were used:

- **Business travel:**
 - > Car: 10 kWh LHV/liter of diesel
<http://www.acqualys.fr/page/tableau-comparatif-pouvoir-calorique-inferieur-pci-des-energies>
 Fuel consumption 7 liters per 100 km
 - > Plane: FE: 0.311 kg CO₂/kWh LHV (taken from the Association Bilan Carbone spreadsheet)
 - > Train: diesel consumption pro rata to car CO₂ emissions
- **Downstream transport:**
 - > A ratio of 10 GJ/metric ton CO₂ was used, based on car transport also using diesel fuel.

EN 5 *Energy intensity*

As with most of the Group's environmental indicators, L'Oréal measures energy intensity (kWh/FP) by dividing the total energy consumption of its plants and distribution centers (electricity, gas, fuel oil, steam, heating) by the number of finished products produced by the Group's plants.

<i>Energy intensity</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
kWh/FP	174	158	145	145	142

EN

6 Reduction of energy consumption

L'Oréal implements projects to optimize its activity: process re-engineering (e.g. construction of a distribution centre in Roye in 2010 to optimize transport, energy savings from optimized compressed air production, installation of LED lighting, building insulation, additional insulation of steam networks in plants, heat recovery, improvements in overall production efficiency), conversion and replacement of equipment and changing employee behavior.

In order to estimate the overall improvement, given that the Group's business (cosmetics production) remains unchanged, the Environment team calculated the ratio of GJ/million units produced and found that overall efficiency had improved by 18.2% over five years. To calculate the amount of energy saved, it applied this percentage to overall energy consumption.

	2009	2010	2011	2012	2013
Finished products (million)	4,554.4	5,062.8	5,154.9	5,241.0	5,598.1 ✓
Total energy consumption	2,846,860	2,871,700	2,687,803	2,739,623 GJ	2,863,783 GJ ✓
GJ per million finished products	625.1	567.2	521.4	522.7	511.1 ✓
Change in overall efficiency over 5 years (2009-2013)	18.2 %				
Energy saved through conservation and improvements	635,492 GJ				

Numerous initiatives have been taken to reduce indirect consumption of electricity:

► L'ORÉAL INVOLVES ITS SUPPLIERS IN REDUCING THEIR ENERGY CONSUMPTION

In 2010, L'Oréal partnered a glass supplier in identifying and developing a source of post-consumer recycled glass of cosmetic and food-grade quality that meets the Group's strict quality standards for its packaging. For reasons of aesthetic appearance, costs and continuity of sourcing for all product lines, the proportion of recycled glass used was set at 40%. Using recycled glass (cullet) significantly lowers the melting temperature of the glass. Incorporating 40% post-consumer recycled glass in the production of pots for Vichy, Biotherm and Garnier treatments (prior to renovation) meant a lower furnace temperature could be used, resulting in a 9% reduction in the amount of energy required for their manufacture.

Technological innovation and the sharing of certain items of equipment enabled L'Oréal to introduce new organizational structures in office automation to reduce energy consumption. In the area of office equipment, technological innovation is thus a driver which enables L'Oréal to set up new organisations which lead to a reduction in energy consumption.

► INITIATIVES TO REDUCE THE ENERGY CONSUMPTION OF INFORMATION SYSTEMS: IT SUITES AND DATA CENTERS

L'Oréal (CIO department) emphasizes energy efficiency at all its major data centers. These centers are largely outsourced to partners selected specifically for their environmental commitment and pursuing a carbon footprint reduction policy recognized by the market. For its new Worldclass data center in the Paris region, which hosts almost 40% of the Group's critical IT infrastructure, L'Oréal selected two partners specializing in IT hosting. Both are recognized for their implementation of state of the art energy optimization solutions: PUE measurement and monitoring, optimized cooling architecture (freecooling), higher temperature server rooms, etc.

In addition, as part of its data center and IT infrastructure consolidation strategy, the Group's IT teams are constantly optimizing the use of IT equipment (servers and various infrastructure components) in order to improve energy efficiency ratios.

The Group currently has no precise measurements and indicators of energy reduction results, however.

CHOICE AND DEVELOPMENT OF IT EQUIPMENT (PCS/PRINTERS, SERVERS AND IT INFRASTRUCTURE COMPONENTS) TO REDUCE ENERGY CONSUMPTION

As part of its IT hardware purchasing policy, L'Oréal gives preference to equipment carrying environmental labels of low energy consumption (TCO, Energy Star, etc.). This criterion is now systematically taken into account in calls for bids.

Replacing current hardware (PCs and servers) by new models results in an average reduction in energy consumption of 20% to 30%.

Solutions for the automatic and systematic switching of all inactive IT hardware (PCs and servers) to standby mode have already been implemented on certain sites.

IT INITIATIVES TO REDUCE ENERGY CONSUMPTION THROUGH EMPLOYEE TRAVEL

The deployment of communication tools that began in 2010 is gathering pace. Each campus modernization is accompanied by the installation of a full standard package consisting of all the necessary IT hardware and communication tools necessary – e-mail, instant messaging (Chat), audio conferencing and web conferencing, etc.

The use of audio conferencing and web conferencing in the Group has more than trebled since 2010.

The Group already has close on 200 meeting rooms equipped with classic video conferencing solutions. 2013 marked the first steps in a program to modernize these solutions (high definition (HD) video). The new technology will encourage greater use of video conferencing thanks to the significant increase in quality of service to users. Telecoms reliability and sound and picture quality are far superior to that offered by the existing system.

The first telepresence rooms – a combination of cutting-edge technology and communication tools that provides a totally immersive video conferencing experience – are already in operation.

It is very difficult to estimate what impact the deployment of these new technologies and tools will have on reducing travel and thus, indirectly, on reducing energy consumption, since the Group as yet has no indicators.

EN7 *Reductions in energy requirements of products and services*

L'Oréal is committed to the efficient use of energy and thus to reducing the energy requirements of its products and associated services.

BUS (BETTER UTILITIES FOR SUSTAINABILITY) PROJECT

The BUS project is a Group-wide pilot project run by operations managers, which draws on expertise from across L'Oréal to identify methods, technical solutions and good practices in cleaning, cooling, air compression and other factory processes.

To date, 11 good practices have been identified, notably to improve energy efficiency; they are accompanied by technical recommendations and rolled out throughout the whole Group.

L'Oréal also involves its suppliers in reducing their energy consumption. In 2010, L'Oréal partnered a glass supplier in identifying and developing a source of post-consumer recycled glass of cosmetic and food-grade quality that meets the Group's strict quality standards for its packaging. For reasons of aesthetic appearance, costs and continuity of sourcing for all product lines, the proportion of recycled glass used was set at 40%. Using recycled glass (cullet) significantly lowers the melting temperature of the glass. Incorporating 40% post-consumer recycled glass in the production of pots for Vichy, Biotherm and Garnier treatments (prior to renovation) meant a lower furnace temperature could be used, resulting in a 9% reduction in the amount of energy required for their manufacture.



EN

8 *Total water withdrawal by source*

A substantial proportion of the water used in L'Oréal plants is used for the cleaning of production equipments and packaging lines in order to meet the industry's extremely rigorous standards of hygiene. Cleaning accounts for 34% of the total water consumption of industrial sites.

The Group has set itself ambitious targets, most notably a 50% reduction in water consumption per finished product for the 2005-2015 period, recently increased to 60% under the Sharing Beauty With All program covering the 2005-2020 period.

Over the past nine years (2005-2013), water consumption per finished product has been reduced by 26.7% and in absolute terms by 7.7%, while production (excluding raw materials plants) has increased by 25.7%.

In 2013, water consumption per finished product fell by 5.1% and total water consumption by plants and distribution centers increased by 1.4% over 2012, while production (in units) rose by 6.8%. Total water consumption in 2013 was 2,969 thousand m³.

Total water withdrawal by source for all Group plants and distribution centers, in cubic meters per year (m³/year), breaks down as follows:

<i>Total water withdrawal by source</i>	<i>2011 (en m³)</i>	<i>2012 (en m³)</i>	<i>2013 (en m³)</i>
Surface water, including from wetlands, rivers, lakes and oceans, groundwater	331,667	297,204	280,115 ✓
Rainwater collected directly and stored by the organization	Negligible	Negligible	Negligible
Waste water from another organization	0	0	0
Municipal water supplies or other water utilities	2,552,131	2,627,363	2,688,442 ✓
Total	2,883,798	2,924,567	2,968,557 ✓



FOR FURTHER INFORMATION ON WATER MANAGEMENT, PLEASE SEE SECTION 6.3.3 «SUSTAINABLE USE OF RESOURCES» ON PAGE 216 OF THE 2013 REGISTRATION DOCUMENT

EN

9 *Water sources significantly affected by withdrawal of water*

The Group's plants obtain their water supplies primarily from water utility networks. No Group plant directly withdraws water from surface water (wetlands, rivers and oceans).

No water source is significantly affected by withdrawal of water. All production plants are located in urban areas with populations of over 30,000. The average withdrawal of water by a formulation site corresponds to the volume withdrawn by 1,000/1,500 local residents (130 l/resident/day): i.e. the plant's water needs represent less than 5% of the urban community's consumption and thus have no significant impact on water sources.

No Group production plants are located in a Ramsar site.

Fewer than 11% of Group products are manufactured in regions suffering from hydric stress. The Group uses the WBCSD Global Water Tool to identify zones of hydric stress.



Percentage and total volume of water recycled and reused

L'Oréal has introduced several measures to achieve the Group's objective for reducing its water consumption (by 60% between 2005 and 2020, in liters/finished product).

One such measure is water recycling for reuse in certain applications. The recycling of cooling water is a standard technique first adopted over 20 years ago, thanks to a water loop feeding the production tanks.

Taking matters further, a number of projects for advanced treatment of industrial effluents have been deployed at several plants, so that the treated water can be reused for appropriate applications. Two projects were completed in 2012:

- at the Montreal plant, some of the water used to wash equipment has been replaced with water recycled through a membrane filtration system. The replacement rate is due to be increased to 40% in 2014.
- at the Pune plant in India, wastewater and effluents from the municipal mains water distillation plants are treated using a biological process and then purified via a membrane filtration system. The treated water can then be reused to produce steam or to top up cooling water.

The indicator for water recycling or reuse rates for each plant will be included in the report in the first half of 2014.



11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

No Group plant is located in a protected area.

13 plants are located less than 10 km from UICN protected areas, mostly in categories IV and V, and two sites are less than 10 km from a category I UICN protected area (Sweden 4.9 km and Montreal 9.6 km).

Only two plants (Germany and USA) are located less than 1 km from a protected area.

► **CONSIDERATIONS OF BIODIVERSITY WHEN ESTABLISHING A NEW L'ORÉAL SITE**

L'Oréal takes biodiversity conservation into account when selecting the location of a new plant, using a number of tools. The Sustainable Design and Construction Guide issued to all managers with real estate responsibilities sets out the requirements of biodiversity conservation and recommends the preservation or restoration of existing natural habitats. On a site where biodiversity has already suffered before the installation of a L'Oréal entity, for example, the Guide recommends restoring biodiversity and enhancing the ecological value of the site by planting indigenous or appropriate species.

Any plans for a new site should also include a global environmental impact study at the design stage (the aim being to minimize the project's negative impact on the environment and health); the study should subsequently be extended to adapt the project to the conditions imposed by the site and its environment.

Due diligence is carried out whenever the Group acquires land or buildings. During operations, Group policy is to take all the preventive measures set out in internal documents to avoid pollution of soil or rainwater. These measures are checked in the course of audits and insurance company inspections. When a site is disposed of, a pollution assessment is carried out according to an internal procedure.

► **L'ORÉAL REQUIREMENTS REGARDING LAND USE**

In its Sustainable Design and Construction Guide, L'Oréal sets out its requirements regarding land use:

- Reducing the impact of construction on the environment, for example by using a zone which is already industrially developed, or an existing industrial site or industrial wasteland;
- If possible, the site will have to be on a plot of land located over 30 m away from any water body (sea, ponds, lakes, rivers, etc.);
- the site will avoid land situated on natural spaces, public green spaces, land which is the habitat for endangered or disappearing species or any other undeveloped zone (for example: farmland, etc.);
- rehabilitating polluted sites (industrial wasteland) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such), thus avoiding construction on natural or undeveloped land;
- preventing soil erosion which may result from rainwater runoff or wind erosion during construction, inter alia by protecting the arable soil layer which is stored to enable it to be reused;
- maintaining or restoring existing natural habitats and biodiversity;
- maximising the green space areas on the site (even in excess of the local regulations) and minimising the impermeable areas or natural spaces.

Descriptions of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

POTENTIAL IMPACTS OF THE SELECTION AND USE OF RENEWABLE RAW MATERIALS

The use of renewable raw materials may create certain ecological and social issues that must be dealt with throughout the supply chain in order to ensure sustainable global sourcing compatible with the preservation of biodiversity.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant. More than 80% of the plant-based raw materials (in terms of number) derived from these species present no critical biodiversity need.

For the remaining 20%, action plans are or will be in place with suppliers to ensure that by 2020, 100% of renewable raw materials are sustainably sourced.

POTENTIAL IMPACTS OF THE ACTIVITIES OF L'ORÉAL PRODUCTION SITES

No plant is located in a protected area and only two plants (Germany and USA) are located less than 1 km from a protected area. L'Oréal's activities thus have very little direct impact on protected areas.

MANAGING THE IMPACTS OF PRODUCT USE

L'Oréal monitors the potential impact on aquatic ecosystems of its products, in particular that of rinse-off products (shampoos, conditioners, shower gels, etc.), after use by consumers. Since 1995, the year in which the Group set up its own in-house ecotoxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products. Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction. As they continue to learn more about and improve the environmental profile of ingredients, the Research teams are now also working on improving formula biodegradability.

TOTAL NUMBER OF IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK

On the basis of information available, the IUCN Red List species potentially affected by L'Oréal's raw materials sourcing activities are as follows:

Plant species	Cupressus Sempervirens	Shorea Stenoptera	Canarium Luzonicum
Level of extinction risk/Red List Category & Criteria	Lower Risk/ near threatened	Endangered A1cd	Vulnerable A1cd

The true ecological status of raw materials derived from these species is periodically verified with the suppliers (geographical origin, sourced from the wild or cultivated) in order to limit the impact of Group withdrawals on these species. Particular care is taken to monitor their possible inclusion on any of the lists controlling access to the resource, in order to ensure compliant sourcing.

As part of the action plan for sustainable sourcing of renewable raw materials, all raw materials derived from these species will be the subject of a specific action plan by no later than 2020 to guarantee sustainable sourcing.

Specific initiatives with the suppliers concerned are already in place for some of the raw materials of greatest importance to the Group, and guarantees of sustainable sourcing are already in preparation, such as the precise geographical origin of withdrawals, voluntary plans for sustainable management of the resource, audit reports and any voluntary applications for certification.

For other less strategic raw materials, often used only in small quantities, action plans have been deferred and may, in certain cases, involve replacement of the raw materials concerned.

EN
13

Habitats protected or restored
RESTORATION OF SITE BIODIVERSITY

When new sites are built, one of the objectives set out in the Sustainable Design and Construction Guide is the restoration of degraded habitat. On a site where biodiversity has suffered before the installation of a L'Oréal entity, for example, the Guide recommends restoring biodiversity and enhancing the ecological value of the site by planting indigenous or appropriate species.

One concrete example of initiatives to protect or restore biodiversity around L'Oréal sites is the Chevilly Research Campus in France, where ecological observations based on scientific protocols were conducted under the supervision of the Muséum National d'Histoire Naturelle in Paris; site biodiversity was analyzed by means of an inventory of various species of flora, birds and pollenizing insects, and the data was supplemented by ecologists from a specialist consulting firm who conducted further observations of chiroptera. The data was analyzed to provide a full description of site biodiversity, which in turn led to recommendations for the development and management of the site in order to preserve and develop the biodiversity present.

At a production site in Touraine, a partnership with a group of beekeepers has led to hives being introduced on the site; bee-friendly plants were planted, and monitoring indicators were introduced to observe the activity.

OTHER VOLUNTARY OPERATIONS TO RESTORE BIODIVERSITY OFF SITE

Since 2000, the Ushuaïa brand has supported the French forestry commission (ONF) in creating a network of outstanding natural sites of biodiversity conservation.

Between 2000 and 2007, Ushuaïa supported restoration work and the introduction of new species at four arboretums.

In 2008, Ushuaïa redefined its partnership with ONF in order to play a part in the creation of a vast nature reserve in the heart of the Massif de l'Esterel, offering greater protection to the local flora and fauna. In 2012, as part of its commitment to aquatic biodiversity, the Biotherm brand lent its support to global ocean alliance Mission Blue, founded by oceanographer Sylvia Earle, which aims to finance a marine reserve in the Ross Sea, an area under threat from industrial fishing and climate change.



HYPERLINK «[HTTP://WWW.LOREAL.COM/SHARING-BEAUTY-WITH-ALL/LIVING-SUSTAINABLY/BIOTHERM-MAKING-WAVES-IN-RESPONSIBLE-CONSUMPTION.ASPX](http://www.loreal.com/sharing-beauty-with-all/living-sustainably/biotherm-making-waves-in-responsible-consumption.aspx)» [HTTP://WWW.LOREAL.COM/SHARING-BEAUTY-WITH-ALL/LIVING-SUSTAINABLY/BIOTHERM-MAKING-WAVES-IN-RESPONSIBLE-CONSUMPTION.ASPX](http://www.loreal.com/sharing-beauty-with-all/living-sustainably/biotherm-making-waves-in-responsible-consumption.aspx)

EN
14

Total number of UICN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

The responses under this heading may be found under indicator EN12 above, in the paragraph entitled «Total number of UICN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk».



FOR FURTHER INFORMATION ON BIODIVERSITY CONSERVATION, PLEASE SEE SECTION 6.3.5 «SUSTAINABLE USE OF RESOURCES» ON PAGE 219 OF THE 2013 REGISTRATION DOCUMENT

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its CO₂ (Scope 1 and Scope 2) emissions in absolute terms between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, vowing to reduce its CO₂ emissions by 60% by 2020 from a 2005 baseline.

EN 15

Direct greenhouse gas (GHG) emissions (scope 1)

L'Oréal's direct GHG emissions arise from the gas and fuel oil consumption of all the Group's production and distribution sites.

Considerable progress has been made on this front, and carbon emissions in 2013 were 43.1% lower than in 2005. The change in scope considered follows the rules of the GHG Protocol, the international carbon accounting method.

The calculations are based on specific data:

- for each energy source (natural gas, fuel oil, steam, electricity), L'Oréal multiplies energy consumption by the appropriate emission factor;
- for gas and fuel oil, L'Oréal applies the emission factors recommended by the GHG Protocol.

Direct emissions		67,330 † eq CO ₂ ✓			
TCO ₂		2011	2012	2013	Evolution
Plants	Scope 1	59,896	55,863	54,422 ✓	- 2,6 %
Distribution Centers	Scope 1	11,551	11,067	12,908 ✓	+ 16,6 %
Plants + Distribution Centers	Scope 1	71,447	66,920	67,330 ✓	+ 0,6 %

Four sites use wood to produce heat. Biogenic emissions of CO₂ in 2013 were 4,112 metric tons of CO₂ equivalent.

EN 16

Energy indirect greenhouse gas (GHG) emissions (scope 2)

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its CO₂ emissions (Scope 1 and Scope 2) in absolute terms between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, vowing to reduce its CO₂ emissions by 60% by 2020 from a 2005 baseline.

L'Oréal's indirect GHG emissions arise from the steam and energy consumption of all the Group's production and distribution sites.

L'Oréal applies the Greenhouse Gas (GHG) Protocol. Calculations are based on specific data:

- for each energy source (natural gas, fuel oil, steam, electricity), L'Oréal multiplies energy consumption by the appropriate emission factor;
- for electricity, the Group uses the emission factor of the local supplier, if available. Otherwise, the Group applies the latest factor supplied by the International Energy Agency;
- for steam, the Group uses the emission factor given by the suppliers.

Indirect emissions		68,070 † eq CO ₂ ✓			
TCO ₂		2011	2012	2013	Évolution
Plants	Scope 2	76,830	62,979	56,121 ✓	- 10,9 %
Distribution Centers	Scope 2	18,442	15,561	11,949 ✓	- 23,2 %
Plants + Distribution Centers	Scope 2	95,272	78,540	68,070 ✓	- 13,3 %

EN 17

Other indirect greenhouse gas (GHG) emissions (scope 3)

RESTORATION OF BIODIVERSITY ON SITES

For several years, the Group has produced a Greenhouse Gas (GHG) Balance for all its activities. This Carbon Balance is drawn up according to the internationally accepted rules of the GHG Protocol.

In 2013, the Group updated its carbon footprint calculation for 2012 activity.

The study shows, as the figures below illustrate, that the highest impact in terms of GHG emissions occurs during the phase of consumer use, which involves the use of hot water. This represents 54% of the Scope 3 total. Total CO₂e emissions under the various headings of Scope 3 amount to 7,070 thousand metric tons of CO₂e and break down as follows:

Upstream

1. Products and services purchased: 1,778 kt ✓
2. Capital goods: 98 kt ✓
3. Activities involving consumption of fuel or energy (not included in Scope 1 and Scope 2 emissions): 28 kt ✓
4. Upstream transport and distribution: 96 kt ✓
5. Waste generated by sites: 37 kt ✓
6. Business travel: 280 kt (*) ✓
7. Employee commuting: 75 kt ✓
8. Upstream assets leased: 0 kt ✓
- Other upstream consumption: 0 kt ✓

Downstream

9. Downstream transport and distribution: 449 kt ✓
10. Treatment of products sold: 0 kt ✓
11. Use of products sold: 3,791 kt ✓
12. End-of-life treatment of products sold: 276 kt ✓
13. Downstream assets leased: 0 kt ✓
14. Franchises: 36 kt ✓
15. Investments: 101 kt ✓
- Other consumption: 25 kt (Chimex, which calculates its own GHG Balance) ✓

(*) For 2013, the «business travel» category was estimated at 293 kt ✓

Estimates of CO₂ amounts are arrived at using emission factors incorporating all the greenhouse gases.

Biogenic emissions of CO₂ in 2013 were 5,800 metric tons of CO₂ equivalent. This represents the emissions from a biomethanation plant using organic waste to generate energy (electricity and heat) at the plant in Belgium.

The baseline used is 2012, the year of the Group's last GHG Balance.

The method used is that of the GHG Protocol.

The emission factors used are taken from the Association Bilan Carbone (ABC) database.

Some brands, such as Garnier, raise consumer awareness of eco-friendly ways of reducing hot water consumption, or of sorting toiletry product waste



«[HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX](http://www.garnier.fr/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX)»
[HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX](http://www.garnier.fr/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX)

FOR MORE INFORMATION ON INITIATIVES TO REDUCE PRODUCT-RELATED EMISSIONS, PLEASE SEE THE PRODUCT RESPONSIBILITY SHEET, UNDER HEADING PR 3.

EN 18

Greenhouse gas (GHG) emissions intensity

As with most of the Group's environmental indicators, L'Oréal measures GHG emissions intensity by dividing the quantity of CO₂ by the number of finished products produced by the Group's plants.

g CO ₂ / PF	2009	2010	2011	2012	2013
Scope 1	18.4	15.9	13.9	12.8	12
Scope 2	24	18.9	18.5	15	12.2

GHG emissions intensity for Scope 3 is not monitored. The Group considers that figures for the amounts under Scope 3 are not accurate enough to monitor significant changes in a GHG emissions intensity indicator.

The emission factors used take in to account all the greenhouse gases.

Reduction of greenhouse gas (GHG) emissions

► DIRECT EMISSIONS FROM PLANTS AND DISTRIBUTION CENTERS (SEE QUANTIFIED INFORMATION UNDER EN 16)

Each plant and distribution center seeks voluntarily to reduce its GHG emission by means of various initiatives:

- optimizing heating at plants and distribution centers, reducing fossil fuel consumption,
- using heat pumps,
- recovering energy from effluents,
- recovering energy from compressors,
- optimizing electricity consumption, such as for compressed air production, installation of LED lighting in certain sites, variable frequency drive (VFD) motors to adapt motor speed to requirements,
- changing employee behavior,
- generating renewable energy (solar) on site,
- purchasing green energy, etc.

► INDIRECT EMISSIONS: GROUP SUPPLIERS

L'Oréal involves its suppliers in reducing their carbon footprint.

In practice, action plans are steered at global level but also locally:

- by a whole set of actions taken to limit the atmospheric emissions of its activities. For example, since 2003, L'Oréal has been a member of the CDP (2013 scores: performance A, transparency 93) and associated 173 suppliers with this project in 2013.

L'Oréal considers that the CO₂ emissions of its suppliers are part of its wider environmental footprint and that they must unite their efforts to succeed in reducing them.

A member of the Carbon Disclosure Project ("CDP") since 2003 and the CDP Supply Chain since 2007, L'Oréal continues to encourage its suppliers to measure and reduce their CO₂ emissions. In 2013, L'Oréal stepped up its strategy with regard to the CDP: it is no longer only the environmental experts who discuss these issues with suppliers, buyers trained in the CDP have now become ambassadors of this approach.

This method of functioning made it possible to address the CDP Supply Chain with suppliers at strategic meetings ("Business Reviews"), to launch 156 invitations in 2013 as compared with 55 in 2011 and mobilise teams to convince suppliers that measures aimed at reducing greenhouse gas emissions from now on play an inevitable part of a company's global performance. In order to assess suppliers' environmental performance, a Scorecard has been developed jointly with the CDP, summarising suppliers' answers to the CDP to make them accessible for purchasing teams.

In this way, in 2013, 152 suppliers (out of the 173 suppliers who were invited), responded positively to L'Oréal's invitation to also join the CDP. This number is higher than the average (2,868 participants for more than 5,650 suppliers invited) for members of the CDP. L'Oréal sends results with comments and opportunities for improvement to suppliers who have participated. The average of supplier results for 2013 has improved considerably: 64 C ratings as against 59 D ratings in 2012.



FOR MORE INFORMATION ON THE CDP, SEE: «[HTTP://WWW.CDPROJECT.NET/](http://www.cdproject.net/)» \H [WWW.CDPROJECT.NET](http://www.cdproject.net)

- Through a series of actions taken to fight against deforestation, L'Oréal more particularly ensures responsible sourcing for commodities such as palm oil, soya and paper and cardboard, known to be major causes of deforestation. L'Oréal leverages on internationally recognised certifications to guarantee sustainable sourcing.

In 2013, 98% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of paper and cardboard packaging supplies were certified as sustainable according to the FSC or PEFC benchmark.

In 2013, 60% of soya oil purchases are certified as sustainable. The Group's actions will aim at solving the problems of availability of sources observed in 2013 in order to return to a level of 100% in 2014.

In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing by the Carbon Disclosure Project Forest.

EN 20 Emissions of ozone-depleting substances (ODS)

ODS emissions from L'Oréal activities arise from cooling systems used during tank cooling phases or to provide air conditioning in premises. All such installations undergo regular maintenance. The selection of refrigerant fluids for cooling systems takes into account their potential for ozone depletion.

The volumes of refrigerant gas emissions to air relate to the refrigeration units necessary to the production process and air conditioning units. These volumes are monitored at each site but are not as yet consolidated at Group level.

Over the course of 2013, the Group commissioned a consultant to estimate ODS emissions, by means of a survey conducted at 12 sites. The conclusions of the study didn't allow to provide an accurate estimate of the volume of Group emissions (the extrapolation gives a result of less than 11,500 metric tons CO₂e, or 9.15 metric tons CFC-11 equivalent). At the same time (in 2013), the Group introduced reporting of ODS emissions for each site as from 2014. The reporting system is now in operation and will provide accurate information on ODS emissions.

Source of emission factors used: AR4 IPCC, 2007, updated April 10, 2013.

EN 21 NOx, SOx, and other significant air emissions

L'Oréal has worked hard for many years to improve its energy efficiency, resulting in a reduction of its air emissions.

In particular, wherever possible, the Group uses gas in preference to fuel oil, which is responsible for SO₂ emissions, and uses the lowest sulfur fuel oil available.

SO₂ emissions have fallen from 7.1 metric tons in 2010, 6.5 metric tons in 2011 and 6.1 metric tons in 2012 to 3.7 metric tons in 2013 ✓.

NOx, SOx and other significant air emissions are estimated using the following methodologies:

NOx: the amount is estimated by applying an emission factor to each category of fuel used

SOx: the amount is estimated in the light of the percentage sulfur content of the fuel oil used

VOC: the amount is estimated using an in-house tool that calculates emissions for each substance containing VOCs for each operation carried out on the production site.

For the scope of Emissions, L'Oréal applies the GHG Protocol factors.

Estimated amounts for 2013:

NOx	69 t
SO ₂	3,688 kg ✓
POP	0
COV	139 t ✓
HAP	0
Smoke and fugitive emissions	0
Particulates, cosmetic powder	negligible



FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE SECTION 6.3.2 «POLLUTION AND WASTE MANAGEMENT» ON PAGE 214 OF THE 2013 REGISTRATION DOCUMENT



22 Total water discharge by quality and destination

All effluents are monitored in compliance with legal and contractual provisions before being discharged off site.

100% of discharges to the environment are treated in situ on L'Oréal sites. This relates to three plants (Pune, Libramont and Cosmélor).

At approximately 50% of its sites, L'Oréal carries out pretreatment appropriate to the various types of effluent prior to discharge to publicly owned treatment works.

At these sites, L'Oréal operates advanced treatment facilities using physical, chemical and biological processes appropriate to the specific nature of the effluents.

Group distribution centers and administrative sites discharge only the usual sanitary wastewater.

In most instances, L'Oréal's wastewater flow represents less than 5% of the volume of municipal wastewater. The discharges from every L'Oréal production site around the world are recorded on an internal mapping system. The mapping describes the effluent management systems in place on each site, the characteristics of municipal treatment works and specific features of the rivers into which the site or municipality discharges the treated water.

Chemical Oxygen Demand (COD) is the most commonly used indicator for effluent treatment requirements. The Group's total COD generation prior to in-house treatment fell by 2.9% in 2013 to 16,644 metric tons

With an average of 0.9 g COD per finished product, the quality of effluents discharged from Group sites showed an improvement of 25% over the comparable figure for 2012.

Discharge of industrial effluents:

- to publicly owned treatment works with or without pretreatment on site: 1,580,910 m³
- to the environment after treatment on site (Belgium, Japan, India): 200,820 m³
- Total: 1,781,730 m³

All industrial effluents are homogenized in buffer tanks prior to discharge to on-site treatment and/or municipal treatment.

The treatment methods (in the event of release to the environment) or pretreatment methods (in the event of a WPCP on site) described below relate solely to Group production sites:

- Physiochemical treatment: 245,736 m³
- Physiochemical and biological treatment: 644,563 m³
- Biological treatment: 197,217 m³
- Homogenization, without pretreatment on site (discharge to the municipal plant for treatment): 731,609 m³
- Water reused for other organizations: None
- Volume discharged off site: 1,781,730 m³

DCO : 17.4 kg COD per metric ton of bulk product, before treatment

5 day BOD: 1,871 metric tons of 5 day BOD/year.



FOR FURTHER INFORMATION ON THE MANAGEMENT OF DISCHARGES, PLEASE SEE THE SECTION ENTITLED «SUSTAINABLE USE OF RESOURCES», PAGE 216 OF THE 2013 REGISTRATION DOCUMENT.

EN
23

Total weight of waste by type and disposal method

WASTE REDUCTION AT SOURCE

L'Oréal has for many years pursued an ambitious waste management policy, extending beyond regulatory compliance and the prevention of human risks to the environment. The policy aims to reduce waste at source and promote reuse and recycling, including energy recovery, to avoid sending waste to landfill.

In accordance with European regulations, any object or substance leaving a L'Oréal site that is not a finished product is considered as transportable waste associated with the site's activity.

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its the volume of waste per finished product between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, raising its target for waste reduction per finished product to 60% by 2020 from a 2005 baseline, and setting itself a target of zero industrial waste to landfill by 2020.

New initiatives have been taken throughout the Group to improve waste reduction at source and reduce the Group's overall environmental footprint: a Group waste reduction steering committee was established in 2012 and deployed over the course of 2013 to provide upstream support to plants and distribution centers in the following areas:

- Reducing losses during production, a significant source of potential reductions in transportable waste: a far-reaching campaign to reduce losses (of liquids, raw materials, packaging articles, finished products) at every stage in production has been rolled out throughout the Group, coordinated by the Group Quality Department.
- Optimizing raw materials delivery methods, working closely with suppliers, to encourage bulk delivery methods that generate less waste.
- Eco-design of transport packaging for packaging materials is a priority project, unfolding in several stages. The first stage involves issuing good practices setting out all the Group's existing packaging designs for the six main categories of packaging materials and highlighting existing best practices. The next step is to include waste reduction by weight in the design criteria for packaging, as an integral part of the primary packaging development process. The Group has also opted to prioritize the design of returnable packaging, while using a dedicated environmental assessment tool to systematically calculate the overall environmental impact of returnable scenarios.
- Waste reduction in the supply chain: in 2013, the Group deployed an action plan based primarily on optimizing delivery methods and exchanges between plants and distribution centers, and on improving the management of obsolete products; the plan is already producing tangible results in Europe.

In order to improve the system of waste performance monitoring and exhaustively recording the waste generated by the use of shuttle packaging, a new system of recording shuttle packing at source is to be put in place with the Group's suppliers in 2014. L'Oréal will thus record the weight of its shuttle packaging at source in transportable waste, with each of the sites being responsible for maximising the rotation rates. (2013 Registration Document page 216 and following).

Since 2005, production of transportable waste (grams per finished product, including returnable packaging and pallets, for plants and distribution centers) has been reduced by 20.6%.

In addition to monitoring waste reduction by weight, the Group also monitors improvements in end-of-life waste treatment by means of the recovery index (which includes reuse, recycling and incineration with energy recovery).

2013 Waste	Total
Transportable waste with returnable packaging and pallets (in metric tons)	141,664 ✓
• returnable packaging	35,585 ✓
• returnable pallets	16,276 ✓
Hazardous waste generated in 2013 (all other types of solid or liquid waste, excluding sanitary wastewater)	16,454 ✓
Total recovered (metric tons)	128,708 ✓
Recovery index (%)	90.9 ✓
Waste per finished product (g/unit)	25.3 ✓

WASTE RECOVERY

90.9% of waste is reused, recycled or incinerated with energy recovery and 53% of L'Oréal industrial sites (plants and distribution centers) sent no waste to landfill in 2013.

Whenever waste treatment contracts are negotiated, industrial sites and the indirect purchasing division make every effort to increase the recovery rate whilst taking into account the distances over which the waste is to be transported.

2013 Recovery	Total
Reuse (metric tons)	41,352
Recycling (metric tons)	48,969
of which composting (metric tons)	6,181
Recovery, including energy recovery (metric tons) (Incineration with energy recovery)	38,386
Incineration (mass burn) (metric tons)	7,676
Deep well injection (metric tons)	0
Landfill (metric tons)	5,291.5
On-site storage (metric tons)	negligible
Other (metric tons)	0

The recovery method is determined on the basis of information provided by the waste disposal contractor.



FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE THE SECTION ENTITLED «POLLUTION AND WASTE MANAGEMENT» ON PAGE 214 OF THE 2013 REGISTRATION DOCUMENT.

EN 24

Total number and volume of significant spills

No spills occurred in 2013.

EN 25

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention annex I, II, III, and IV, and percentage of transported waste shipped internationally

With the aim of reducing greenhouse gas emissions from transport, as well as transport costs, L'Oréal sites seek to minimize the distances involved in waste treatment. As was the case for optimization of waste recovery, criteria for the selection of waste disposal contractors were formally laid down in 2012 in two calls for bids launched by the Purchasing Department covering several industrial sites in France.

Waste is exported only when there is no satisfactory local means of treatment or when a more efficient recovery treatment has been identified. This is the case for two European plants that export aerosols for treatment, representing 1.5% of hazardous waste transported.

2013 Waste transported	Total
Total weight of hazardous waste transported (metric tons)	16,454
Total weight of hazardous waste imported (metric tons)	0
Total weight of hazardous waste exported (metric tons)	257
Total weight of hazardous waste transported in country and/or internationally between sites owned, rented or managed by the organization, by destination (metric tons)	0
Total weight of hazardous waste treated (metric tons)	16,454

EN

26 *Identity, size, protected status, and biodiversity value of water bodies, and related habitats significantly affected by the organization's discharges of water and runoff*

No Group production plants are located in a Ramsar site, and no water is discharged from plants to any water bodies and related habitat. Discharges from each site are mapped. The mapping is updated annually and shows, for each plant, effluent flow, on-site provision for treatment and pretreatment, the capacity (in population equivalent) of the municipal treatment works treating the effluent and the low-flow capacity of the river into which the municipality discharges the effluent after treatment.

L'Oréal uses this mapping to measure the impact of discharges from its plants on the local environment and to take corrective action to minimize that impact to a level outperforming regulatory requirements.

Plants that discharge effluent, after treatment, to the environment (Libramont, Cosmelor, Pune) are equipped with on-site analysis devices to ensure strict compliance with legal requirements on the quality of discharges.

All production plants that discharge effluent to a treatment works adhere to a self-monitoring program to ensure compliance with regulatory standards on discharges. All production plants are located in urban areas with populations of over 30,000. The average volume of discharges from a formulation site corresponds to the volume of wastewater generated by 1,000/1,500 residents (130 l/resident/day): i.e. the plant's discharges represent less than 5% of the volume of discharges by the urban community and thus have no significant impact on water bodies and related habitat.

On April 22, 2013, at the World Water Forum in Seville, L'Oréal won the Corporate Water Stewardship Award for its wastewater treatment plant project in Suzhou, China. The project is of considerable interest as the first in the cosmetics industry to rely on anaerobic biological treatment, a process that reduces residual sludge by half. The project also includes filtering gardens to turn the sludge into compost. Water treated by this method can ultimately be reused as process water, representing a reduction in water consumption of some 20,000 cubic meters, almost a third of the plant's consumption.

P

roducts and services

L'ORÉAL

EN

27 *Extent of impact mitigation or environmental impacts of products and services*

➤ **REDUCING THE IMPACT OF FORMULAE**

In Group Research, innovation processes follow the rules of eco-design – to which economy of materials is central – from the earliest phase of raw materials and formula design.

In accordance with the principles of green chemistry, the Group focuses on developing ingredients made from renewable plant raw materials, on minimizing the number of synthesis stages and on reducing solvent and energy consumption and waste generation. For each new raw material, indicators based on atom economy or E-factor calculations are used to assess the volume of waste produced by the synthesis process selected.

Since 1995, the year in which the Group set up its own in-house toxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products.

For L'Oréal, it is of the utmost importance to foresee and minimize the potential impact of the ingredients it uses on natural habitats, and on aquatic ecosystems in particular. From the earliest stages in product design, the raw materials used in the formulation are rigorously selected.

The Group has developed a number of tools and approaches to assess the potential impact on biodiversity of the ingredients it uses:

- developing in its ecotoxicology laboratory innovative methods for early environmental evaluation of raw materials (e.g. automation of the safety test on microalgae);
- launching in 2004 an assessment of its entire raw materials portfolio for persistence, bioaccumulation and toxicity.

In 2013, L'Oréal also created an ecological performance index for a cosmetic formula: the water footprint (based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995, the Research teams are now also working on improving formula biodegradability and water footprint.

An array of eco-design tools has been developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access to calculations, from the design stage, of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

2013 also saw the launch of certain products formulated for a high level of biodegradability, such as Kerastase Cleansing Oil (96%), Garnier Fructis Men Mint Explosion shampoo (95%) or Biotherm Aquafitness shower gel.

The average biodegradability of shampoos in 2012 was 88% and that of shower gels 86%.

Laboratory tests and trials are undergoing a process of miniaturization to optimize the quantities of test material and substrate required. Testing a hair color product was, for decades, performed on either wigs of several hundred grams of hair, or locks of a few grams. To reduce the consumption of both hair and chemical products, the quantities of hair used were gradually reduced to mini-locks, then to samples in small test tubes and finally to the stage of hair powder. Today, only 10 milligrams of hair and just a few milligrams of chemical products are used for hair color, hair care and make-up tests (mascaras, for example).

► COMMITMENT TO COMBAT DEFORESTATION

Through a series of actions taken to fight against deforestation, L'Oréal more particularly ensures responsible sourcing for commodities such as palm oil, soya and paper and cardboard, known to be major causes of deforestation.

L'Oréal relies on internationally recognized certifications to guarantee sustainable sourcing.

In 2013, 98% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of paper and cardboard packaging supplies were certified as sustainable according to the FSC or PEFC benchmark.

In 2013, 60% of soya oil purchases are certified as sustainable. The Group's actions will aim at solving the problems of availability of sources observed in 2013 in order to return to a level of 100% in 2014.

In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing by the Carbon Disclosure Project Forest.

► PACKAGING ECO-DESIGN POLICY

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

Respect: L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 94 % of paper and cardboards printers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

Reduce: weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product. In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

Replace: aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix...), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

Examples of eco-design:

The year's most significant eco-design achievement in terms of reduction rate was achieved by the «L'Homme» fragrance by Yves-Saint-Laurent. A design study of the cap resulted in a 38% weight reduction.

The Body Shop also achieved a 16% weight reduction on the tops of its 250ml shower gel and lotion bottles.

In the Consumer Products Division, Garnier pursued its eco-design approach adopted several years ago. The cardboard boxes for parts of its Colornat and Colorsensation ranges were redesigned and their grammage reduced, resulting in savings of 43 metric tons of cardboard in 2013.

The Kiehl's brand also saved several metric tons of packaging. PE bottles underwent a makeover in 2011, and more recently the weight of the 75ml PE pots was reduced by 5g, from 72g to 67g, a reduction of almost 7%.

On the recycled materials front, the Vichy, Sanoflore and Roger & Gallet brands, as well as a number of L'Oréal Luxury brands have gone over to glass pots and bottles containing 25% recycled input material.

Transport of packaging materials is also an environmental concern for the Group, which is committed to reducing waste, in particular transport packaging waste, at its plants and distribution centers by 50% by 2015. A global eco-design program for transport packaging of packaging and raw materials has been launched, and will play a part in helping the Group to achieve its waste reduction target.

EN

28 *Percentage of products sold and their packaging materials that are reclaimed by category*

The percentage of packaging reclaimed is not an indicator monitored by the Group, in view of the great diversity of waste management scenarios in different countries, and also because L'Oréal is unable to monitor the individual behavior of its consumers.

L'Oréal pursues a proactive policy to promote recycling, however, and has set out its commitment in its Position paper «L'Oréal and Recycling»:

Design packaging to integrate seamlessly into existing recycling processes

Make maximum use of materials made from recycled packaging waste

As a responsible corporate citizen, the Group contributes to the Green Dot system that, in the countries in which it exists, embodies the Group's Extended Producer Responsibility.

In order to continue assuming its responsibility in countries where little or no waste management is practiced, the Group has conducted a survey of waste management in emerging nations, and particular in countries where the Group is keen to expand. The study highlights the environmental and social issues associated with waste management in countries such as Brazil, South Africa, Niger, India, Indonesia and China, and identifies local players (NGOs, cooperatives, research institutes, government agencies, etc.) that could prove useful collaborators in this area.

Certain brands - Garnier, Kiehl's or The Body Shop, for example - encourage their consumers to sort toiletry packaging waste so that recyclable components can be collected for sorting and recycling.

In 2010, Garnier signed up to a partnership with TerraCycle in the USA, to promote recycling to consumers and divert non-recyclable packaging from landfill.

Kiehl's also encourages its customers to sort their waste and offers loyalty points and free gifts in return for returning empty packaging to stores.

FOR FURTHER INFORMATION ABOUT BRAND RECYCLING PROGRAMS, PLEASE SEE:

- [HTTP://WWW.KIEHLS.FR/SERVICES/SERVICE.ASPX?TOPCODE=ABOUTKIEHLS](http://www.kiehls.fr/services/service.aspx?topcode=aboutkiehls)
- [HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX?TPCODE=GARNIER^GARNIER_ASTUCES_VERTES](http://www.garnier.fr/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX?TPCODE=GARNIER^GARNIER_ASTUCES_VERTES)
- [HTTP://WWW.THEBODYSHOP.FR/VALEURS/PROTECTPLANET.ASPX](http://www.thebodyshop.fr/valeurs/protectplanet.aspx)

In Harlem, on 14 June 2013, Garnier USA inaugurated the first urban garden in which all non-botanic materials were made from recycled cosmetics packaging. More than 700 kilos of waste were kept out of landfills and used to make material for vegetable-bed structures, benches, picnic tables and walkway surfaces. The result of this initiative, in partnership with TerraCycle, was a 1,500 m² community garden.

FOR FURTHER INFORMATION SEE 2013 SUSTAINABLE DEVELOPMENT REPORT, LIVING SUSTAINABLY, KEY EVENTS, PAGE 29.

The US plant in North Little Rock, Arkansas, has initiated a project that makes it possible both to reduce waste and arrange for the distribution of food to the most underprivileged. The plant has developed a partnership with the Arkansas Hunger Alliance and the Food Bank of Arkansas to create a distribution and delivery circuit for boxes to transport food. The cardboard boxes, made from recycled plant waste, were used to distribute 24,000 meals in 2013

FOR FURTHER INFORMATION SEE REGISTRATION DOCUMENT, CORPORATE SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY, PARAGRAPH 6.4.1, PAGE 221

C/ompliance

EN 29 *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations*

In 2013, L'Oréal received an environmental fine of BRL257,722.39 (Brazilian real, equivalent to €85,000).

T/ransports

EN 30 *Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce*

Transport and greenhouse gas emissions (EN 17)

L'Oréal produced a Greenhouse Gas Balance in 2013 on the basis of 2012 data.

The impact of transport represents 13% of the Group's Scope 3 carbon footprint, equivalent to some 900 kt CO₂e distributed as follows:

- transport of finished products, raw materials and components: ~ 545 kt CO₂e
- business travel by employees: ~ 280 kt CO₂e
- employee commuting: ~ 75 kt CO₂e

L'Oréal optimizes its global production on a regional basis, locating its operational teams as close as possible to the markets they serve. This enables each site to be more responsive and more effective in terms of logistics and transport.

Although the greenhouse gas emissions of the cosmetics industry are limited in relative terms, transport contributes to L'Oréal's global environmental footprint.

By 2020, the Group is committed to achieving a 20% reduction in CO₂ emissions from transport of finished products in g CO₂/FP/Km against a 2011 baseline.

Since 2006, L'Oréal has gradually introduced a transport policy that incorporates environmental factors, rolled out in several phases:

- initially, the tasks of Group transport managers were extended to include the principle of reducing CO₂ emissions from transport,
- the next step introduced a section on environmental performance into score cards for calls for transport bids,
- since 2009, in conjunction with ADEME, a system for calculating transport GHG emissions has been developed and gradually deployed to all Group sites,
- in 2011 and 2012, the system and its deployment were subject to external audit (three entities in the Latin America zone, CPD Europe and DGO consolidation).

EN 31

Total environmental protection expenditures and investments by type

L'Oréal considers investment in environmental protection as naturally part of the efforts to be made by any socially responsible company. These costs are therefore incorporated into each operational project, not accounted for separately. It is therefore impossible to consolidate these costs at Group level.

Expenses are also managed by each site and generally not consolidated. Although almost all plants are ISO 14001 certified, for example, the Group has no information on the global cost of such certification.

L'Oréal does consolidate its waste treatment costs, however: in 2013, the cost of treatment was 13 million.

L'Oréal has taken out environmental liability insurance to cover environmental damage. In addition to providing insurance cover, the policy calls for preventive inspections at 10 sites a year.

The Group has many environment-related projects in hand. These may stem from legal or regulatory compliance or be designed to achieve the major environmental objectives the Group has set itself for 2015 and 2020.

Each site is responsible for its spending and investment in achieving these objectives.

There were also many achievements in 2013, including:

- construction of buildings to recognized standards (HQE, LEED, etc.)
- construction of a water treatment works at the plant in Egypt and commissioning of the Saint Luis de Potosi treatment works (Mexico)
- installation of LED lighting at several sites
- installation of a wood-burning boiler at the Rambouillet plant (France)
- modifications to production plant to reduce the amounts of hot water used for washing, resulting in reduced water and gas consumption (multi-year program)
- systems to recover energy from water-based effluents, resulting in reduced gas consumption and CO₂ emissions
- deployment of photovoltaic panels in the US

Expenses (non-consolidated) included:

- subscription for the sorting of end-of-life packaging
- operation of 23 internal water treatment works
- minor energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, etc.

Supplier environmental assessment



32 *Percentage of new suppliers that were screened using environmental criteria*

► L'ORÉAL INVOLVES ITS SUPPLIERS IN REDUCING THEIR CARBON FOOTPRINT

L'Oréal requires its strategic suppliers to make a commitment to CDP Supply Chain, to measuring their carbon emissions and to setting targets and taking concrete measures to reduce their greenhouse gas emissions.

Since 2012, L'Oréal has reinforced its CDP strategy: environment experts are no longer the sole point of contact with suppliers; buyers have now been trained to become CDP ambassadors.

As a result, CDP Supply Chain is now a subject discussed with suppliers at strategic Business Review meetings, the number of invitations issued by the Group rose from 55 in 2011 to 156 in 2012, and teams are engaged in driving home the message that reducing greenhouse gas emissions is now a key aspect of overall corporate performance.

Building on this foundation, a further 173 invitations were issued in 2013 to selected suppliers around the world in the six purchasing areas (raw materials, packaging, capital expenditure, contract manufacturing, POS advertising/promotions, indirect purchasing).

Among them are strategic suppliers, suppliers operating in CO₂-generating industries, including major industrial groups but also SMEs.

As a means of assessing supplier environmental performance, a supplier profile was developed in conjunction with the CDP, summarizing supplier responses to the CDP in a format accessible to Purchasing teams.

In 2013, 152 🟢 of the 173 suppliers invited (compared to 133 out of 156 in 2012) responded positively to L'Oréal's invitation to join the CDP.

This figure is above the average (2,868 participants from 5,650 invitations) for CDP members. The high response rate, achieved thanks to the combined efforts of the Purchasing and Environment teams, has won L'Oréal CDP commendation for its leading practices in carbon disclosure.

L'Oréal provides participating suppliers with details of their results and any comments, including opportunities for improvement. Average supplier results for 2013 show a marked improvement: 64 C compared to 59 D in 2012.

As part of its ongoing collaboration with the CDP and with its suppliers aimed at reducing its environmental footprint, in 2013 L'Oréal took part in the CDP Supply Chain Water Pilot. 15 of the 17 suppliers invited by L'Oréal agreed to take part in this new program designed to measure and reduce Water Footprint 🟢.

► VERIFICATION AND ASSESSMENT

L'Oréal regularly assesses suppliers on the basis of key performance indicators. The five assessment criteria have remained unchanged for many years: social/societal and environmental responsibility, innovation, quality, logistics and competitiveness.

The aim is to establish sustainable and transparent relations with high-performance suppliers committed to a process of continuous improvement. Strategic supplier performance appears as an item on the agenda of specific annual Business Review meetings.

With effect from January 2014 (for 2013 results), supplier participation and performance in CDP Supply Chain will form an integral part of supplier assessment, effectively making the program mandatory.

This information is also included in notes on supplier commitments and the findings of social audits. As of January 2013, social audits now include questions on environmental issues, in particular compliance with regulations.

L'Oréal commissions independent external service providers to conduct social and EHS audits.

E nvironmental grievance mechanisms

EN 34 *Number of grievances about environmental impacts field, adresses and resolved through formal grievance mechanisms*

No grievances were filed in 2013.

Labor practices and decent work

DISCLOSURES ON MANAGEMENT APPROACH	p. 3
EMPLOYMENT	p. 10
LA1 - Number and rates of new employee hires and employee turnover by age group, gender and region	p. 10
LA2 - Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	p. 10
LABOR/MANAGEMENT RELATIONS	p. 17
LA4 - Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	p. 17
OCCUPATIONAL HEALTH AND SAFETY	p. 18
LA5 - Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	p. 18
LA6 - Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 19
LA7 - Workers with high incidence or high risk of diseases related to their occupation	p. 23
LA8 - Health and safety topics covered in formal agreements with trade unions	p. 23
TRAINING AND EDUCATION	p. 24
LA9 - Average hours of training per year per employee by gender, and by employee category	p. 24
LA10 - Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p. 25
LA11 - Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	p. 27
DIVERSITY AND EQUAL OPPORTUNITY	p. 28
LA12 - Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p. 28
EQUAL REMUNERATION FOR WOMEN AND MEN	p. 30
LA13 - Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	p. 30
SUPPLIER ASSESSMENT FOR LABOR PRACTICES	p. 31
LA14 - Percentage of new suppliers that were screened using labor practices criteria	p. 31
LABOR PRACTICES GRIEVANCE MECHANISMS	p. 33
LA16 - Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	p. 33

Disclosures on management approach

Employment

L'Oréal has built its human and social project around two priorities: individual performance and social performance, two key factors in the success of the world leader in beauty.

While accelerating the recruitment and development of talents all over the world, in order to ensure sustainable growth, L'Oréal is keen to offer all its employees an environment in which everyone can reveal their talents, improve and thrive and where they all feel that their contributions are recognised and that they receive support.

Thus, L'Oréal's Human Resources policy is founded on:

A vision focusing on performance and individual talent

L'Oréal has always put the human dimension at the centre of the Company by projecting a long-term vision for its talents. The mission of the Human Resources Department is currently to develop the talent of every employee and prepare tomorrow's leaders, by favouring, in particular, the emergence of local talents, to support the Group's ambition to win a billion new consumers.

- Ongoing recruitment of talented individuals.

The Group constantly strives to enhance its pool of talents, in all countries. Recognised as one of the most attractive companies in the world for young graduates and one of the companies that provide the most training with regard to leadership, the Group conducts a diversified recruitment policy, which is based both on partnerships with the best educational institutions in the world and the use of corporate gaming attracting tens of thousands of students from all over the world and a proactive strategy of looking for candidates via digital technologies. L'Oréal also develops its own selection methods to recruit the best talents and those which best represent the diversity of its consumers from among the million spontaneous applications received every year.

- The ambition of putting each employee in a position to develop their career.

Individual performance monitoring and a large number of career development opportunities and training programmes that are accessible to everyone are aimed at allowing each and every employee to develop. The programmes may be rolled out throughout the world, thanks to the international locations of training structures and the use of digital technologies with the "My learning" portal which offers all employees opportunities for online training. The large-scale mobility between jobs and between countries and the many individual promotions made each year attest to the vitality of career management. This management is based on a network of human resources professionals, who are both in tune with employee expectations and aware of the requirements of our business. The close cooperation between these human resources professionals and the operational managers makes it possible to have a two-way perspective with regard to talents and to define the most suitable development opportunities for each of them.

Offering a protective and fulfilling working environment.

L'Oréal pays particular attention to the level of its social performance. The Group has set itself the target of promoting its values by creating a pleasant and conducive working environment, marked by solidarity and respect, and where all employees can fulfil personal development with:

- The desire to recognise the effective contribution made by everyone through a dynamic remuneration policy and short-, medium- and long-term global incentive systems.
- A regular evaluation of the expectations of employees throughout the world through large-scale opinion polls leading to the implementation of action plans.
- The search for a work environment and working conditions that will help everyone to achieve personal satisfaction.
- An active dialogue between management and employees and their representatives at worldwide level.
- An active policy with regard to diversity as a factor of progress, innovation and creation of a social relationship with three global priorities of gender, social origin and disabilities.

L'ORÉAL SHARE & CARE PROGRAM

In 2013, the Group chose to go one step further with regard to social performance with the launch of the "L'Oréal Share & Care" program, an ambitious programme aimed at offering all the Group's employees, in all the countries in which it is located, a set of guaranteed global social measures in four areas: social protection, healthcare, parenthood and quality of life at work. This programme, which will make it possible to address the essential needs of each and every one of our employees and encourage their commitment, will make L'Oréal one of the companies with the best practices in terms of social performance and well-being at work. The L'Oréal Share & Care program falls within the scope of the commitments made by the Group by 2020 in the area of Sustainable Development and social responsibility, under its "Sharing beauty with all" programme. The launch of this programme and its implementation show the strong conviction that social performance and economic performance are not only intimately linked but also provide each other with mutual strength.

► *Labor/Management Relations*

► **DIALOGUE BETWEEN MANAGEMENT AND EMPLOYEES**

The quality of the social climate at L'Oréal is the fruit of an ongoing dialogue between Management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.

Employee representative institutions have been set up in most of the European subsidiaries, the Asian subsidiaries (China, Indonesia, South Korea...), Africa (Morocco, South Africa), and in North and South America (the United States, Canada, Mexico, Brazil and Argentina...), and also in Australia and New Zealand.

In the few cases where there is no employee representative institution (essentially in subsidiaries with a small workforce), the dialogue is conducted directly with the employees, in complete compliance with the principles of transparency and trust that are applied uniformly throughout the Group.

Since 2003, L'Oréal has carried out a global employee opinion poll with the assistance of the international firm of Towers Watson, a survey that was repeated in 2011-2012. The results are shared with the employees and employee representatives. They are the subject of actions plans implemented in a decentralised manner, as closely as possible to the expectations expressed.

► **THE EUROPEAN WORKS COUNCIL**

An agreement signed in 1996 between L'Oréal and French and European trade unions (FECCIA and EMCEF) led to the establishment of the Company's Instance Européenne de Dialogue Social/European Works Council (IEDS/EWC). The initial agreement has been regularly updated, in particular in 2009 to introduce a new information and consultation procedure which applies to transnational projects involving local consultation procedures. This procedure is implemented with the Liaison Secretariat extended to include members from the countries concerned or with the entire IEDS/EWC, depending on the geographic and strategic dimensions of the project. This process allows for the possibility of an opinion from the IEDS/EWC. This revision of the agreement represented an important advance which aims to reinforce social dialogue at L'Oréal while remaining a step ahead of changes in legislation. The agreement has been renewed, unchanged for the period 2013-2016.

The IEDS/EWC contributes to discussions and formal meetings with its members about the Group's current situation and future prospects, on the basis of an agenda prepared with the Liaison Secretariat following a one-day preparatory meeting between the members of this body.

It has 30 members, who receive regular training on economic and social issues.

Today, the IEDS/EWC covers more than 30,000 employees in 26 countries which are part of the European Economic Area; among whom the 16 countries with more than 150 employees are represented.

► **SITUATION WITH REGARD TO COLLECTIVE AGREEMENTS**

The social policy at L'Oréal permits the signature of a certain number of collective agreements in the subsidiaries every year. In 2013, 39 agreements were signed in France and 57 agreements were signed in the rest of the world. In total, the number of agreements in force at December 31st, 2013 was 426.

Occupational Health and Safety

For several years, L'Oréal has applied a well-established policy in the field of health and safety (EHS policy). This defines the Company's commitment to developing, producing, distributing and selling innovative products of the highest quality, while having an ethical conduct and guaranteeing the health and safety of employees, customers and the communities in which L'Oréal performs its activities. This approach is part of an overall environmental, health and safety policy described in the section on Environmental information on pages 212 and seq.

L'Oréal is eager to provide a safe and healthy work environment for its employees. Health and safety are of paramount importance and L'Oréal's ultimate goal is a zero accident rate.

Comprehensive measures have been taken focused on risk reduction and continuous improvement. A safety culture has been instilled, setting high standards and involving employees at all levels of the Company.

Keen to increase safety in the workplace, the General Management has set an ambitious objective to improve the results obtained.

CARE - A PILLAR OF THE "L'ORÉAL SHARE & CARE PROGRAM"

The CARE section of the "L'ORÉAL SHARE & CARE PROGRAM", dedicated to Healthcare, provides for individual and collective prevention actions as well as high-quality medical coverage for everyone, in particular for essential medical care: hospital stays, surgery, maternity, treatment for serious and chronic diseases.

Training and Education

Training is an integral part of employee development policy at L'Oréal. In a continual search for excellence and creativity and the desire to be one step ahead to deal with the growing complexity of the challenges of our business, the "Learning for Development" teams provide employees and managers with ongoing support to help them not only to be high-performing, but also to achieve fulfilment.

Training has always been at the heart of the Human Resources strategy: this enables L'Oréal to attract the best talents, prepare the leaders of the future, but also provide all the employees throughout the world with the best possible response in terms of training. The Group's ambition is to enable the largest possible number of employees, whatever their profession, country or position to have access to development opportunities throughout their working life: this is L'Oréal's vision of "Learning for All".

The training offering is structured into "practices", or fields of expertise (marketing, commerce, research, operations, management, personal development...). Responsibility for each practice is entrusted internally to professionals in this area, whose role is to identify the Group's current and future needs in terms of skills and to design appropriate training solutions.

Employees benefit from 2 individual interviews per year with their manager, one of them being dedicated to identifying development needs. Personal training paths are built on the basis of these exchanges, with the help of Training managers.

Employees then have access to a whole set of development resources with a mix of in-room training, training videos, digital and social experiences and coaching in the work situation. They can thus build their own training experience, while sharing their practices with colleagues all over the world.

Due to the presence of an international network of "Learning for Development" managers, both at the level of the countries, but also in the 5 main regions, L'Oréal ensures global consistency in the major programmes and thus promotes the sharing of the same corporate culture everywhere in the world. This organisation as a network is an essential driver to foster the loyalty of our employees and accelerate their development. It thus makes it possible to respond better to the specificities and regional priorities in terms of skills needs.

The Group also organises large international programmes which make it possible to unite employees from all over the world and thus profit from enriching multicultural exchanges and experience sharing. These moments are essential to understand the Group's culture and its strategy, meet the senior managers and share their challenges, instill a Group spirit and develop an internal international network, which are all key factors for the success of each and every one of them, as well as also being factors for Sustainable Development and long-term success for the Group.

➤ *Diversity and equal opportunities*

For over 10 years, L'Oréal has been engaged in an innovative, ambitious policy in favour of Diversity. The Group has set itself three priorities: gender, disability and socio-cultural and ethnic origin and its actions are more particularly focussed on the areas of human resources, solidarity sourcing and marketing.

Today, with a network of more than 86 Diversity coordinators all over the world, the initiatives conducted by all the Group's subsidiaries make L'Oréal a pioneer and one of the recognised major players in the area of diversity at worldwide level.

- In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.
- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, we jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany. France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

L'Oréal has moreover developed a diversity assessment in France with a hundred or so indicators that together cover the 6 dimensions of Diversity policy. For the same purpose, an automatic Diversity Reporting tool with 30 indicators (recruitment, training, remuneration...) has been made available to all the subsidiaries.

In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.

➤ *Equal Pay for Women and Men*

Equal pay is the rule. The Group's policy is to guarantee equal pay and grades for men and women with the same qualifications.

In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland). In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality. L'Oréal France also received the Professional Equality label.

In addition, INED (National Institute of Demographic Studies) conducted an independent study that shows that the net wage gap between men and women is lower than 4% for categories Frames and Workers. This gap has reduced by nearly one third in recent years since it was 10% in 2007. This same study shows that there is no gap for categories Employees and Agents mastery, which is qualified by the INED «result quite remarkable.» A hiring, equal, the classification level of pay is the same.

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

➤ *Supplier Assessment for Labor Practices*

➤ **LABOR PRACTICES, ONE OF THE DRIVERS BEHIND THE L'ORÉAL BUY&CARE PROGRAMME**

L'Oréal does not simply purchase products and services from its suppliers. Deeply respectful of suppliers' businesses, culture, growth, and the individuals concerned, the Group's action in their regard is driven by a concern for economic, ethical and environmental responsibility. This approach is an integral part of the L'Oréal Buy&Care Programme for Responsible Purchasing.

Thus, the Group's Purchasing policy is aimed at building a balanced, long-lasting relationship with subcontractors and suppliers with respect for social and environmental issues.

L'Oréal actively seeks to work with suppliers who share its values and commitments, particularly in the field of Human Rights, which therefore makes the supplier referencing process a vital part of its policy.

For industrial purchases, dedicated purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy via the "welcome on board" (WOB) supplier referencing process. This makes it possible to make sure that the supplier is of real interest, provide it with all the information, documents and contacts required for it to understand the expectations and processes at L'Oréal, and finally to obtain the supplier's commitment to L'Oréal's values that are shared in this manner.

Following on from this commitment, L'Oréal's "Buy & Care" programme, conveyed by all the Group's, purchasers, contains, since 2002, a section aimed at an audit of this social compliance enabling it to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety and health for their teams in the workplace.

Within the framework of this program, suppliers and subcontractors are asked to comply with the Group's general terms of purchase, which require them to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.

Each new supplier / subcontractor referenced by purchasing teams must commit to these societal terms and accept a social audit can be carried out on its production sites. This commitment by the supplier / subcontractor is materialized by the signing of a letter of ethical commitment.

Thus, subcontractors, wherever they are based in the world, and suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

The social audits are carried out on behalf of L'Oréal by independent external service providers.

The initial audits are financed by L'Oréal and the follow-up audits are paid for by the suppliers.

The audits cover the following 10 chapters:

- child labour;
- forced labour;
- the environment, health and hygiene and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

Since January 2013, the social audits include questions concerning the environment and in particular compliance with regulations.

L'Oréal's social audit is based to a great extent on the internationally recognised SA 8000 standard, but does comprise a few exceptions, particularly with regard to the minimum age for child labour. In this respect, the Group has chosen to set the compulsory minimum age at 16 for all employees working for its suppliers, a higher age limit than that required by the Fundamental Conventions of the International Labour Organisation (ILO).

With regard to the employment of young workers, suppliers and subcontractors may request waivers from the Group Purchasing Director for the use of employees under the age of 16 upon presentation of a complete file (schooling, type of contract, working conditions, type of work). Pursuant to the "Suppliers/Subcontractors and Child Labour" policy, formally laid down in 2011, waivers of this kind are only possible for apprenticeship programmes or for children carrying out light work if this work does not affect their health and safety or their regular attendance at school, where the local law allows it and when the supplier/subcontractor has appointed an internal "tutor" for the children.

Since 2006 when L'Oréal set up a reporting tool, it has conducted social audits at over 3,900 supplier sites.

800 audits ● were carried out in 2013, making more than 5,200 audits of this kind since 2006.

► Labor Practices Grievance Mechanisms

Collective aspects of employment are managed locally according to the laws, regulations, standards, practices and customs in each subsidiary.

A Human Resources department is set up in each subsidiary with responsibility for these subjects, either directly in the smallest subsidiaries or, in larger subsidiaries, through one or more employees dedicated to Labour Relations.

Compliance with law is a key element of L'Oréal's Code of Ethics. The procedures for information and consultation of the employee representatives and/or trade union organisations are complied with and put in place both at the level of each subsidiary and, where applicable, in the *Instance Européenne de Dialogue Sociale*/European Works Council (IEDS/EWC)

The dialogue set up with the employee representatives and/or the trade union organisations in each subsidiary, and individual monitoring of employees by the local Human Resources department, makes it possible to anticipate most potentially critical situations, thus avoiding situations of conflict and potential employment grievances, whether of a collective or individual nature.

Nevertheless, in the event of significant grievances, the Corporate Labour Relations department is informed by the Human Resources department of the subsidiary and the Zone, and takes action to provide its expertise in order to look for appropriate solutions.

Methodological note

SCOPE OF CONSOLIDATION

The workforce indicated in the "Total Workforce" and "Geographic distribution of workforce" charts is the total workforce present at December 31st of the year concerned ⁽¹⁾.

INDICATORS

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

DATA

Four methods are used to collect data for the defined scope:

- Most of the data are collected using the dedicated "Country Reporting" intranet system, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: workforce, ethics, Worldwide Profit Sharing, labour relations, remuneration, Human Resources expenses, recruitment and training, and absenteeism.
At the beginning of each year, the local Human Resources Directors provide the required data for the previous year. When the data are compiled, each country must validate a charter committing to the accuracy of all the data provided.
- Other data are collected by each corporate department concerned (*i.e.* Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach.
- If information is not consolidated for the entire Cosmetics branch scope, it is recognised that it can be extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative ⁽²⁾.
- Lastly, the specific data relating to "executives" are gathered from the "CAROL" online career monitoring system, deployed in all "Cosmetics" subsidiaries. The improvement of the information collection process at consolidated level has made it possible to identify agreements that are in force that have not been taken into account up to the present. The approach to progress in this field is continuing in all the companies of the L'Oréal Group.

A process of continuous improvement of these systems is in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

FOR FURTHER INFORMATION ON METHODOLOGICAL NOTE, SEE IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES SHEET.

⁽¹⁾ Including employees with a permanent or fixed-term contract of employment.

⁽²⁾ In France, the gender distribution of the Cosmetics workforce was extrapolated from the gender distribution of the entities connected to the France HRIS. The extrapolation method concerns 5% of the French workforce, which is not yet connected to the local HRIS.

L'ORÉAL

E/employment

LA1 *Number and rates of new employee hires and employee turnover by age group, gender and region*

Total number of employees hired in 2013

- 11,949 employees hired (on permanent contracts, including conversions of fixed-term contracts to permanent contracts)* ✓
- 18.1% of the workforce at 12/31/2013 ✓

Staff turnover

- 9,006 departures*
- 13.6% of the workforce at 12/31/2013

*excluding The Body Shop

L'Oréal does not have any problems in recruiting either executives or other categories of staff.

L'Oréal is pursuing its active recruitment policy for all its businesses and all categories of staff in the Company.

L'Oréal's aim is to create a durable relationship with its employees in order to enable each and every one of them to develop their potential and to build long-term growth together, become more competitive, and continue geographic expansion and the promotion of innovation.



FOR FURTHER INFORMATION ON RECRUITMENT, SEE SECTION 6.2.2.1. "EMPLOYMENT", PAGE 205 OF THE 2013 REGISTRATION DOCUMENT.

LA2 *Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation*

The following policy applies to the L'Oréal Group as a whole.

➤ **L'ORÉAL SHARE & CARE PROGRAM**

In 2013, the Group chose to go one step further with regard to social performance with the launch of the "L'Oréal Share & Care" program, an ambitious programme aimed at offering all the Group's employees, in all the countries in which it is located, a set of guaranteed global social measures in four areas: social protection, healthcare, parenthood and quality of life at work. This programme, which will make it possible to address the essential needs of each and every one of our employees and encourage their commitment, will make L'Oréal one of the companies with the best practices in terms of social performance and well-being at work. The L'Oréal Share & Care program falls within the scope of the commitments made by the Group by 2020 in the area of Sustainable Development and social responsibility, under its "Sharing beauty with all" programme. The launch of this programme and its implementation show the strong conviction that social performance and economic performance are not only intimately linked but also provide each other with mutual strength.

MANDATORY PROFIT SHARING, INCENTIVE PROFIT SHARING OR WORLDWIDE PROFIT SHARING

For many years, L'Oréal's policy has been to associate employees with the results of the Company aimed at making employees feel that they are part of the Company and enhancing their motivation. This led to a redistribution of €236 million in 2013 at the scale of the Group, on the basis of the income for 2012.

L'Oréal has implemented a Worldwide Profit Sharing Program – WPS since 2001 in all the Group's subsidiaries in which the employees do not benefit from profit sharing arrangements provided for by law. This programme is not applied in the countries which already have a similar system provided for by law, particularly France (see box below).

The amounts paid are calculated locally on the basis of sales and profits generated by each subsidiary as compared to budgeted targets. Implementation of the programme takes place locally and compliance with the principles and rules of the programme is coordinated, at Corporate level, by the International Labour Relations Department.

PROFIT SHARING

<i>In millions of euros</i>	2011	2012	2013
TOTAL	204	210	236 ✓

The comparison between the three years takes into account foreign exchange impacts and structural changes.

FRANCE

A mandatory employee profit scheme was set up in 1968 and an incentive profit sharing scheme has been in force since 1988.

Incentive profit sharing is a system provided for by law but is of a non-mandatory nature. Renegotiated every 3 years, it was the subject of a new Group agreement in 2012.

The incentive amount is proportional to the pre-tax profit on ordinary operations after exceptional items and weighted on the basis of the salary/value added ratio.

The incentive amount is available immediately, but may also be frozen in the Company savings plan for 5 years and benefit from a corresponding tax exemption.

Within the framework of the regulations on sharing profits (Article 1 of French Law No. 2011-894 of July 28th, 2011), L'Oréal proposed the payment in 2013 of a gross additional incentive amount of €1,000 per employee in respect of the "non-mandatory monetary benefits" provided for by the legislation.

L'Oréal chose to propose the payment of an additional incentive amount as it corresponds to the system which is the closest to the notion of "value sharing".

Company-level agreements providing for the payment of an additional incentive amount of €1,000 gross* were thus entered into with the Works Councils of L'Oréal and its subsidiaries in France. It was paid on September 30th, 2013.

The total net amount of incentives allocated in 2013 is €117.5 million, plus the additional incentive payment to "share in profits for 2013" of €12.3 million.

CHANGES IN GROSS INCENTIVE AMOUNT

<i>In millions of euros</i>	2010 ^{(1) (2)}	2011 ^{(1) (2)}	2012 ^{(1) (2)}
	106.9	112.6	117.5

⁽¹⁾ Paid the following year. ⁽²⁾ Amounts after the "forfait social" levy.

<i>For an annual gross salary of</i>	<i>The gross Incentive amount for 2012 paid in 2013 represented</i>	<i>Additional Incentive payment to "share in profits for 2013"</i>	<i>Total</i>
€25 000	€6,450 soit 3,1 mois	€1,000 €	€7,450
€35 000	€7,559 soit 2,6 mois	€1,000 €	€8,559
€45 000	€8,668 soit 2,3 mois	€1,000 €	€9,668
€65 000	€10,886 soit 2,0 mois	€1,000 €	€11,886

* Base temps plein, 12 mois de présence sur 2013.

Mandatory employee profit sharing is a compulsory system in France, introduced in 1968, for all profit-making companies with over 50 employees. Signed for a term of 3 years, the mandatory profit sharing agreement was renewed in May 2012.

Within the framework of this Group agreement, which pools the results of all the companies that are signatories, L'Oréal has made favourable adjustments to the legal formula to take account of the Group's international development.

Mandatory profit sharing is available immediately but may be frozen for 5 years in the Company savings plan or the frozen current account, or invested until retirement in the collective retirement savings plan (PERCO) on which an additional employer contribution is paid equal to +50%, which allows employees to benefit from a tax exemption.

CHANGES IN GROSS MANDATORY EMPLOYEE PROFIT SHARING

<i>In millions of euros</i>	2010 ^{(1) (2)}	2011 ^{(1) (2)}	2012 ^{(1) (2)}
	34.3	32.8	31.5

⁽¹⁾ Paid the following year. ⁽²⁾ Amounts after the "forfait social" levy.

Mandatory profit sharing for 2012 paid in 2013 represented the equivalent of 0.6 month's salary.

For employees who so wish, the amounts paid in respect of incentive and mandatory profit sharing may be invested for a minimum period of 5 years in the Company savings plan which proposes, in particular, an employee investment fund invested in L'Oréal Shares, on which an additional employer contribution of 25% is paid for incentive profit sharing payments.

In 2013, the following amount net of CSG, CRDS and the "forfait social" levy was invested by the employees of L'Oréal and its subsidiaries in France in the fund which is 100% composed of L'Oréal shares, "L'Oréal Intéressement": €51,762,937, plus the net additional incentive amount to "share in profits for 2013" of €5,009,533.

The employer contributions added to these payments were respectively €10,735,991 and €1,032,156, which, at the opening trading price for the L'Oréal share on the date of each of these additional employer contributions, namely €135.35 on April 30th, 2013 for "L'Oréal Intéressement" and €126.95 on September 30th, 2013 for the "Supplément d'Intéressement", represented the equivalent of 87,450 L'Oréal shares.

COMPANY SAVINGS PLAN AND FROZEN CURRENT ACCOUNT

OUTSTANDING BALANCE FOR ALL THE COMPANIES CONCERNED IN FRANCE:

<i>In millions of euros</i>	2011	2012	2013
Company savings plan + Frozen current account + collective retirement savings plan	720	863	985

At December 31st, 2013, 52% of the savings of L'Oréal employees were invested in L'Oréal shares, and 9,974 Group employees in France were shareholders of L'Oréal through the savings plan.

LONG-TERM INCENTIVE PLANS

At worldwide level, in addition to the mandatory profit sharing, incentive profit sharing or Worldwide Profit Sharing programmes for its employees, the Group has for several years granted stock option plans and made conditional grants of shares (ACAs) in an international context, in order to associate those who have made big contributions with the future evolution of the Group's results and help to instil a Group spirit.

In 2009, L'Oréal enlarged its policy by introducing a mechanism for the conditional grant of shares (ACAs), in order to reach out to a broader population of potential beneficiaries thanks to a long-term incentive tool offering greater motivation than stock-options.

The final vesting of these shares is conditional on the achievement of performance criteria.

In 2013, the Group continued its policy for conditional grants of shares:

- 2,092 employees were thus beneficiaries of the April 26th, 2013 Plan (2,177 in 2012);
- 61% of the beneficiaries are outside France (62% in 2012);
- 46% of the beneficiaries are women (45% in 2012).

In total, more than 3,000 employees, i.e. over 12% of the managers worldwide, benefit from at least one stock option plan or plan for the conditional grant of share.

▶ **EMPLOYEE BENEFIT AND PENSION SCHEMES AND OTHER BENEFITS**

Depending on the legislation and practices in each country, L'Oréal adheres to pension schemes, pre-retirement arrangements and Employee Benefit schemes offering a variety of additional coverage for its employees.

In 2002, L'Oréal set up a Supervisory Committee for pension and Employee Benefit schemes offered by its subsidiaries. This committee ensures the implementation and the monitoring of L'Oréal's pension and Employee Benefits policy as defined by the L'Oréal Executive Committee.

This policy provides for general principles in the following areas: definition and implementation of schemes, relations with employees, financing and cost of the schemes, and management of the schemes. Approval must first be obtained from the Supervisory Committee prior to the introduction of any new scheme or the modification of any existing scheme. The Supervisory Committee works together closely with the operational management of the Divisions and Zones.

The characteristics of the pension schemes and other pre-retirement benefits offered by the subsidiaries outside France vary depending on the applicable laws and regulations as well as the practices of the companies in each country.

In many countries, L'Oréal participates in establishing additional retirement benefits for its employees through a whole series of defined benefit schemes and/or defined contribution schemes (e.g. United States, the Netherlands, Belgium, Canada, and South American countries). In some cases, the defined benefit schemes have been closed to new recruits who are offered defined contribution schemes (Germany, Belgium and the United Kingdom). This series of defined benefit and defined contribution schemes makes it possible to share the financial risks and ensure improved cost stability. In defined contribution schemes, the Company's commitment mainly consists in paying a percentage of the employee's annual salary into a pension plan each year.

The defined benefit schemes are financed by payments into specialist funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main funds established, as well as the financial stability rating of the custodians, are regularly reviewed by the Supervisory Committee.

Pensions exceeding the legal minima required by national social security systems are now paid in 80% of L'Oréal's subsidiaries throughout the world. In countries which already offer sufficient social coverage, L'Oréal does not propose company pension schemes. This is also the case in countries which do not have an appropriate legal framework or a long-term investment instrument. The Supervisory Committee continues to be attentive to changes in local situations and, when required, additional employee benefit schemes are put in place.

▶ **FRANCE**

PENSION SCHEMES

In France, L'Oréal has supplemented its retirement plan by creating on January 1st, 2001 a defined benefit scheme with conditional entitlements based on the employee's presence in the Company at the end of his/her career. Then, on September 1st, 2003, a defined contribution scheme with accrued entitlements was introduced.

DEFINED BENEFIT SCHEME

In order to provide additional cover, if applicable, to compulsory pensions provided by the French Social Security compulsory pension scheme, the ARRCO or AGIRC (mandatory French supplementary pension schemes), L'Oréal introduced on January 1st, 2001, a defined benefit scheme with conditional entitlements, the "Retirement Income Guarantee for former Senior Managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants). Prior to this, on December 31st, 2000, L'Oréal closed another defined benefit scheme, also with conditional entitlements, the "Pension Cover of the Members of the Comité de Conjoncture" (Garantie de Retraite des Membres du Comité de Conjoncture).

Access to the "Retirement Income Guarantee for former Senior Managers", created on January 1st, 2001, is open to former L'Oréal Senior Managers who fulfil, in addition to the requirement of having ended their career with the Company, the condition of having had the status of Senior Manager within the meaning of Article L. 3111-2 of the French Labour Code for at least ten years at the end of their career.

This scheme provides entitlement to payment to the beneficiary retiree of a Life Annuity, as well as, after his/her death, the payment to the beneficiary's spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Guaranteed Income is the average of the salaries for the best three years out of the seven calendar years prior to the end of the Senior Manager's career at L'Oréal. The Guaranteed Income is calculated based on the beneficiary's number of years of professional activity in the Company at the date of the end of his/her career at L'Oréal, and limited to a maximum of 25 years, each year leading to a steady, gradual increase of 1.8% in the level of the Guarantee.

At this date, the gross Guaranteed Income may not exceed 50% of the calculation basis for the Guaranteed Income, nor exceed the average of the fixed part of the salaries for the three years used for the calculation basis. A gross annuity and gross Lump Sum Equivalent are then calculated taking into account the sum of the annual pensions accrued on the date when the retiree applies for his/her pension as a result of his/her professional activity and on the basis of a beneficiary who is 65 years of age. The Life Annuity is the result of the conversion into an annuity at the beneficiary's age on the date he/she applies for his/her pension of the gross Lump Sum Equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday and less all salaries paid under an early retirement leave plan, if such lump sum equivalent is the result of these operations. Around 450 Senior Managers are eligible for this scheme, subject to their fulfilling all the conditions after having ended their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" has been closed since December 31st, 2000.

This former scheme granted entitlement to payment to the beneficiary retiree, after having ended his/her career with the Company, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Pension Cover is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The Pension Cover is calculated on the basis of the beneficiary's number of years' service and limited to a maximum of 40 years, it being specified that at the date of closure of the scheme, on December 31st, 2000, the minimum length of service required was 10 years. The Pension Cover may not exceed 40% of the calculation basis for the Pension Cover, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries for the three years used for the calculation basis. Around 120 Senior Managers (active or retired) are eligible for this scheme subject to the proviso, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

DEFINED CONTRIBUTION SCHEME

In September 2003, L'Oréal set up a "defined contribution pension scheme".

A new agreement was signed in December 2007, with effect from January 1st, 2008, as well as a supplemental agreement applicable as from January 1st, 2009.

All executives and sales representatives affiliated with the CIPC-R are beneficiaries of this scheme.

The basis for contributions, which remains unchanged, amounts to between once and 6 times the French social security ceiling, with a contribution of 4% since January 1st, 2008, shared by the Company and the employees.

This scheme grants entitlement to the payment to the beneficiary retiree, after he/she has applied for his/her pension entitlement from the French Social Security compulsory pension scheme, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension. The Life Annuity is calculated on the basis of the capital formed by the contributions made and the financial income on such contributions at the end of the employee's career. The employer's commitment is limited to the payment of the contributions stipulated.

	12.31.2011	12.31.2012	12.31.2013
Number of members	12,594	13,549	13,823
Total net contributions (in € million)	8.74	9.20	9.51

PRE-RETIREMENT ARRANGEMENTS

L'Oréal pays close attention to the retirement conditions of its employees and pre-retirement arrangements that have been in force for a number of years, which have been confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3rd, 2009, which provides in particular for the introduction of a time savings account for older employees:

- the early retirement leave (CFC): this pre-retirement arrangement consists of exempting employees from the requirement to perform their activities; but during this period, they remain employees of L'Oréal and continue to receive their remuneration (within the limit of 9,280 gross/month) as well as mandatory profit sharing, incentive payments and paid leave;
- early retirement leave under the time savings account: this arrangement, linked to the 35-hour working week agreement and the Time Savings Account (Compte Epargne Temps – CET), enables an employee who has saved 3 days' leave per year under the CET since 2001, to benefit from the possibility to terminate his/her activities at least 3 months earlier than scheduled (6 months for sales representatives), and this possibility can be combined with the early retirement leave;
- retirement indemnities: a new scale of indemnities at L'Oréal was implemented by a collective agreement as from 2011, which is more favourable than the French National Collective Bargaining Agreement for the Chemical Industries.

Thus, when he/she retires, an employee may benefit from retirement indemnities ranging from two months' salary for five years' service, to eight months' salary for 40 years' service.

In order to increase the special leave prior to retirement, the employee may opt to convert his/her retirement indemnities into time, or he/she may choose to receive payment of the retirement indemnities which will be made at the time when he/she leaves the Company.

	12.31.2011			12.31.2012			12.31.2013		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Early retirement leave	51	127	178	65	128	193	81	183	264
Compulsory retirement on the Company's initiative			5	3	0	3	2	0	2
Voluntary retirement			162	66	135	201	80	150	230

Source: HR France statistics - 2011, 2012 and 2013.

These commitments are guaranteed partly by external financial cover aimed at gradually building up funds resulting from premiums paid to external organisations.

The commitments net of funds invested and the actuarial differences are booked as a provision in consolidated balance sheet liabilities.

The evaluation method adopted to calculate the retirement and pre-retirement benefit commitments is the retrospective method based on estimated calculations of the final salary.

These commitments take into account the employer's contribution to the healthcare schemes for retirees.

<i>In millions of euros</i>	12.31.2011	12.31.2012	12.31.2013
Provision for pension commitments in consolidated balance sheet liabilities	662.6	706.7	621.3

Source: Administration and Finance Division.

EMPLOYEES BENEFIT SCHEMES IN FRANCE

In addition to the compulsory Lump Sum Death Benefit for executives under Articles 4 and 4 bis of the French National Collective Bargaining Agreement of 1947 (1.5% of Bracket A of income as defined by the French Social Security) and the guarantees accorded under the French National Collective Bargaining Agreement for the Chemical Industries, L'Oréal has set up, in France, under an agreement, an Employee Benefit scheme providing additional collective guarantees to its employees.

All these guarantees are based on the gross income up to 8 times the Social Security ceiling, except for the education annuity which is limited to up to 4 times the ceiling. They are generally financed on Brackets A, B and C of income as defined by the French Social Security, except for the Education Annuity which is based on Brackets A and B, and the surviving Spouse Pension which is based on Brackets B and C.

This Employee Benefit scheme provides guarantees in the event of:

- temporary disability: for all employees, 90% of their gross income limited to 8 times the French Social Security ceiling, net of all deductions, after the first 90 days off work;
- permanent disability: for all employees, a fraction, depending on the extent of the disability, ranging up to 90% of their gross income, limited to 8 times the French Social Security ceiling, net of all deductions;
- death:
 - a) for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death,
 - b) for executives and comparable categories of employees, the payment of a Spouse Pension to the surviving spouse. This ensures the spouse has an income similar to the Spouse Pension that would have been paid by AGIRC if death had occurred at the age of 65,
 - c) for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

The capital for the Spouse Pension is the first to be applied, followed by the Education Annuity; the balance of the basic scheme is then used to calculate the Lump Sum Death Benefit, possibly increased by the minimum guaranteed Lump Sum Death Benefit.

€ thousand	12.31.2011	12.31.2012	12.31.2013
Net Employee Benefit Contributions for the financial year	10,688	11,445	11,900 ⁽¹⁾

⁽¹⁾ Estimated.

MINIMUM GUARANTEED LUMP SUM DEATH BENEFITS

Since December 1st, 2004, and January 1st, 2005 for sales representatives, L'Oréal has put in place an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefits to the extent of three years' average income. A maximum limit is set for this guarantee.

The total amount of the capital needed to fund the surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is also subject to a ceiling.

HEALTHCARE EXPENSES

The employees of L'Oréal parent company and its French subsidiaries benefit from additional schemes covering healthcare costs.

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries.

Employees have the option of including their family members in these schemes.

Contributions are generally individual. The contribution by the employee is partly financed by the Company.

Retirees of L'Oréal S.A. and certain companies can continue to benefit from the healthcare scheme, with a contribution by L'Oréal, subject to a membership duration clause, specified in the regulations for additional defined benefit pensions.



FOR FURTHER INFORMATION ON BENEFITS, SEE THE SECTION ON "COMPANY SAVINGS PLAN AND FROZEN CURRENT ACCOUNT" ON PAGES 202 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT.

Labor/management relations

L'ORÉAL

LA 4 *Minimum notice periods regarding operational changes, including whether these are specified in collective agreements*

To meet the goal of sustainable growth which is the best guarantee it can offer its employees, L'Oréal has to constantly adapt to its environment. This may lead to changes in its organisation structure. Nevertheless, any decision that may affect the working life and jobs of employees is made after in-depth consideration and is the subject of clear, regular communication to employees and an ongoing dialogue with the employees themselves and their representatives, in accordance with L'Oréal's values of integrity and transparency.

L'Oréal complies with the deadlines set by the national laws of each country and, for Europe, applies the consultation procedure provided for by its European agreement concerning the IEDS/EWC (Instance Européenne de Dialogue Social/ European Works Council).

In the event of transnational projects involving local consultations in at least two countries represented on the IEDS/EWC, a transnational procedure for consultation of the Liaison Secretariat, which may potentially be enlarged, is implemented. This consultation is devoted to the transnational aspects of the project being discussed and does not replace national consultations. The procedure, provided for in a European agreement on the subject, consists of three phases:

- 1 - The Liaison Secretariat is notified of the project, depending on its nature, either as soon as the national bodies have been informed, or at the same time.
- 2 - An information and consultation meeting with the Liaison Secretariat is organised as soon as possible within the next 20 days. At the Liaison Secretariat's request, a member of each country concerned by a local consultation will take part in this meeting, thus forming an enlarged Liaison Secretariat.
- 3 - The Liaison Secretariat is able to issue an opinion on behalf of the IEDS/EWC, ensuring that it represents its point of view. In that case, the time within which the opinion is issued is 2 weeks as from the date of the information and consultation meeting.

Under certain conditions, particularly in the event of projects that concern several countries or highly strategic subjects, the information and consultation meeting provided for in phase 2 may be replaced by a special plenary session of the European Works Council or if the schedule drawn up so permits, by part of the ordinary plenary or preparatory session.

This consultation procedure will not overlap, as regards the subjects covered, the local consultations, which take place in accordance with local laws and practices.

The purpose of the European consultation procedure is to explain the relevance of the transnational project. Also of importance is that the representatives of the countries concerned are able to give their views on the project, provide their recommendations and contribute testimony on local management of the project. The representatives of the countries concerned, as well as the members of the Liaison Secretariat, can obviously ask for further details and issue an opinion.

L'ORÉAL

Occupational health and safety

LA 5 *Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs*

L'Oréal's health and safety standards are very strict and often exceed the legal obligations in the different countries. The required indicator is not consolidated in the Group's reporting system. Health and safety issues are nevertheless part of the dialogue with the committees devoted to this topic or else, failing this, with the employee representative bodies.

The Health and Safety Committees and their activities do not necessarily lead to the signature of specific agreements, but rather to joint monitoring of this subject (application of L'Oréal's standards and the legal obligations, analysis of situations, etc...) according to the principle of continuous improvement. 24 agreements have nevertheless been identified as being in force at December 31st, 2013 which deal, totally or partially, with health and safety. This does not include the national sectoral agreements in place in several countries, which often cover the health and safety aspects.

FRANCE

HEALTH AND SAFETY CONDITIONS AT L'ORÉAL - FRANCE

For many years, L'Oréal has been committed to a proactive policy for continuous improvement in the working conditions of its employees, thereby contributing to the development of an environment favoring the quality of life at work.

Within this framework, and beyond the systems that already exist, L'Oréal wished to go one step further firstly by implementing a stress prevention and management programme and secondly by introducing a reflection on the prevention of arduous working conditions pursuant to the provisions of French Law No. 2010-1330 of 9 November 2010.

Attentive to the stress which could be experienced by employees whatever the circumstances, at the start of 2009 L'Oréal undertook a stress prevention and management programme with the support of a network of occupational doctors (7 exclusively dedicated to L'Oréal) and a duly empowered body, the "Intervenant en Prévention des Risques Professionnels" (IPRP).

This programme is based on three main measures:

- A prevention plan including in particular two training modules enabling both employees (1 day) and managers (2 days) to understand stress mechanisms better and give them operational solutions to regulate their impact.
- An individual assessment of the employee's level of stress, anxiety and depression via a questionnaire proposed at the time of the annual employee medical check-up, based on scientifically recognised scales; at the end of the process, results are shared with the occupational doctor.
- An annual analysis of the Company's collective results by the Health, Safety and Working Conditions Committees.

This action plan, which was favourably received by employees, the Health, Safety and Working Conditions Committees and the Works Councils, is effective in all L'Oréal entities in France.

Within the scope of the provisions of French Law No. 2010-1330 of 9 November 2010 and French decrees No. 2011-354 of 30 March 2011 and No. 2011-824 of 7 July 2011, L'Oréal continued its reflections on the way to improve working conditions and the prevention of arduous working conditions with the aim of enabling employees to remain in active employment longer and under better conditions. Although not obligatory, discussions have begun in certain of L'Oréal's business sectors or entities, in conjunction with the Health, Safety and Working Conditions Committees and the EHS teams, in order to prepare action plans for the prevention of arduous working conditions. In application of the French decree of November 5th, 2011 relating to occupational risks, L'Oréal has updated the single document for the evaluation of occupational risks in the Company by including these two points in particular.

In 2013, there were 38 Health, Safety and Working Conditions Committees (CHSCT) and 1 Health, Hygiene and Safety and Working Conditions (SHSCT) at L'Oréal.

An occupational doctor is available for each L'Oréal site in France and seven of these occupational doctors work exclusively for L'Oréal. They are assisted by five dedicated social workers.

MEASURES TAKEN TO IMPROVE SAFETY:

Preservation of the health and safety of employees is a fundamental objective which forms an integral part of the human and social policy. It rests on risk prevention both at an individual level, through screening tests making it possible to provide employees with thorough, adapted individual medical attention, and at collective level through the evaluation and management of occupational risks.

The health and safety policy is part of an overall programme, conducted in close cooperation with the occupational doctors, safety officers and the Health, Safety and Working Conditions Committees.



FOR FURTHER INFORMATION ON THE HEALTH AND SAFETY CONDITIONS, SEE SECTION 6.2.2.4 "HEALTH AND SAFETY" ON PAGES 207 OF THE 2013 REGISTRATION DOCUMENT.





Type of injury and rates of injury; occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender















OCCUPATIONAL DISEASES PER GEOGRAPHIC ZONE (COSMETICS + THE BODY SHOP)

Western Europe	45
North America	46
Asia, Pacific	14
Latin America	0
Eastern Europe	0
Africa, Middle-East	0
Total	105

This concerns less than 0.15% of the Group's employees. The vast majority of reported occupational diseases are musculoskeletal disorders. In order to avoid them, the Group's Health and Safety policy provides for significant attention to ergonomics.

ABSENTEEISM - COSMETICS AND THE BODY SHOP

The overall rate of absenteeism amounts to 4.84% , of which 2.28%  relates to diseases.

	<i>Number of days of absenteeism</i>	<i>% of absenteeism</i>
Western Europe	414,082 	6.4 % 
North America	111,155 	3.4 % 
Asia, Pacific	130,575 	3.6 % 
Latin America	65,804 	3.0 % 
Eastern Europe	87,485 	7.5 % 
Africa, Middle-East	14,266 	4.2 % 
Total	823,367 	4.84 % 

Method of calculation:

Total absenteeism: $B/(A + B)$

Sickness absenteeism: $C/(A + B)$

A = Number of days effectively worked by all employees with contracts, including training days.

B = Number of days of absence (sick leave, occupational diseases, maternity leave, accidents in the workplace and/or travel-to-work accidents or any other absence not provided for by contract).


C = Number of days of sick leave (excluding occupational diseases, maternity leave, accidents in the workplace and/or travel to work accidents...)

For several years, L'Oréal has applied a well-established policy in the field of health and safety (EHS policy). This defines the Company's commitment to developing, producing, distributing and selling innovative products of the highest quality, while having an ethical conduct and guaranteeing the health and safety of employees, customers and the communities in which L'Oréal performs its activities. This approach is part of an overall environmental, health and safety policy described in the section on Environmental information on pages 212 and seq.


L'Oréal is eager to provide a safe and healthy work environment for its employees. Health and safety are of paramount importance and L'Oréal's ultimate goal is a zero accident rate.

Comprehensive measures have been taken focused on risk reduction and continuous improvement. A safety culture has been instilled, setting high standards and involving employees at all levels of the Company. Keen to increase safety in the workplace, the General Management has set an ambitious objective to improve the results obtained.

PERFORMANCE SUMMARY

Overall, 2013 was a good year for the Group as a whole with a healthy improvement at the level of Operations. The distribution centres had an conventional frequency rate (TFC*) < 1.0. The Group's performance improved by 4.7% as compared to 2012. Out of the 195 lost-time accidents (L'Oréal staff and temporary employees)  registered in the Group in 2013, 21.5% occurred at the plants and distribution centres, 31% at administrative sites, 7.5% in Research & Innovation (R&I) laboratories and centres and 40% in sales force and shops.

Sites of plants and distribution centres:

TFC = 1,17  vs. 1,49 in 2012 (- 21,5 %)* ;


Administrative sites and R&I:

TFC = 1,25  vs. 1,28 in 2012 (- 2,3 %)* ;

Sales force & Shops:

TFC = 3,15  vs 2,84 in 2012 (+ 10,9 %)

Group: all sites:

TFC = 1,64  vs. 1,72 in 2012 (- 4,7 %).

* TFC (conventional frequency rate) - Number of lost-time accidents per million hours worked by L'Oréal staff.

NUMBER OF LOST-TIME ACCIDENTS IN THE WORKPLACE IN 2013 BROKEN DOWN BY GEOGRAPHIC ZONE - COSMETICS AND TBS (L'ORÉAL STAFF)

<i>GROUP Factories - Centres - Administrative sites</i>	<i>Number of lost-time accidents at L'Oréal in 2013</i>
Europe	120
North America	38
Asia, Pacific	10
Latin America	18
Africa, Middle-East	2
Total	188

Total number of fatal accidents: 0 (zero)

L'Oréal has responsibility to its staff and its health and safety performance is a key measure of this.

Management plays the guiding role in this change in safety culture, supported and assistance by the EHS network. L'Oréal has put in place the necessary tools and programmes to achieve excellence in this area.

The basic safety improvement programmes rest on the following elements:

- EHS steering committees: overall review of the action plans and the efficiency of the site's EHS programmes by the Management Committee;
- Mesure: periodic safety visit in the field and discussions with a manager;
- SIO (Safety Improvement Opportunities): reporting of situations considered as involving risks by each employee with follow-up by direct management of the corrective measures taken;
- "Constructive Challenge": programme aimed at improving the safety culture and state of mind of each employee so that each and every one of them takes into account both his/her own safety and that of others. The objective of this programme is to cover 100% of the sites in 2020.

The priority areas and EHS focuses for 2014 can be classified in the 8 following areas:

1. Strategy and action plans to achieve the objective for 2020 (TFc < 0.5 for Operations, administrative sites, R&I and sales force & Shops)
2. EHS organisation
3. Commitment and visible participation by management
4. Efficient Health and Safety management systems at all sites
5. Active participation by employees
6. Better sharing of resources and practices
7. Focus on risks
8. Group EHS audits

Safety Training for management:

In 2013, 68 participants from L'Oréal attended seminars open to site managers on the theme of Safety & Leadership, held at the CEDEP, the European Centre for Continuing Education (Centre Européen d'Education Permanente) on the campus of INSEAD in France. The main objectives of these seminars are to change the attitudes of managers with regard to safety, raise their awareness to the crucial problem posed by safety for companies and their management executives, and to increase their ability to have safer behaviour adopted and maintained over the long term.

"Ergonomic Attitude": programme rolled out in the factories and distribution centres aimed at reducing risks and ergonomic-related accidents. 149 people have received ErgoAct training. This training will be more widely developed in 2014.

EHS "Culture Audits": an EHS culture audit of the visible commitment by managers and employees with follow-up of action plans to aim for excellence.

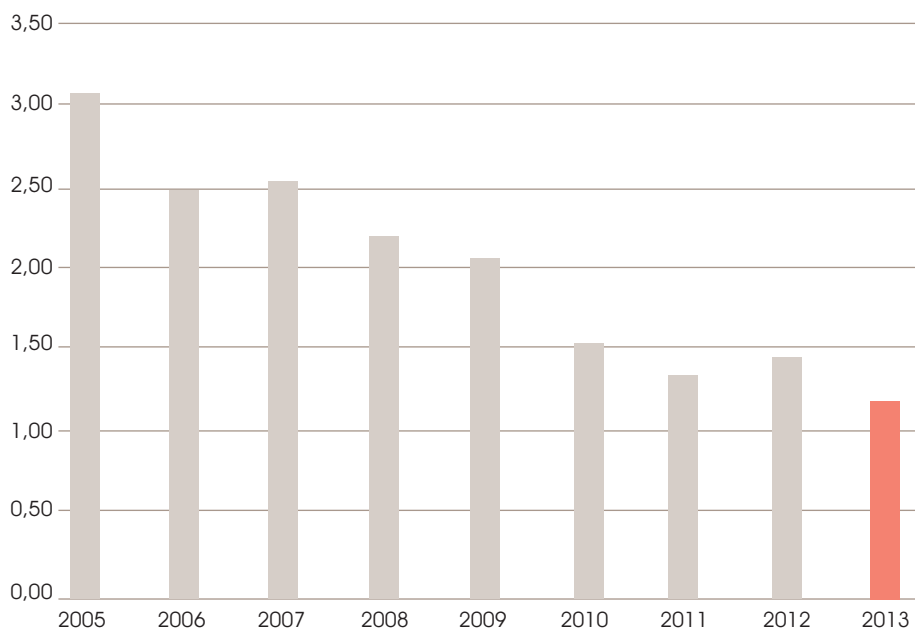
Safety Target for factories and distribution centres

The initial target is an 81% improvement in our safety record by 2015 (base year 2005: TFC = 3.09), representing a TFC of < 0.60.

Performance summary for factories and distribution centres since 2005.

TFC (CONVENTIONAL FREQUENCY RATE) - FACTORIES AND DISTRIBUTION CENTRE

2013 : 1.17 ✓



Target: zero accident in 2013 ⁽¹⁾

Out of 99 factories and distribution centres, 73 recorded zero lost-time accident.

A decreasing accident severity rate

As well as a reduction in the number of accidents, it is also important to note that the accident severity rate has fallen by 57% since 2005. It is 0.06 in 2013.

Millions of hours - L'Oréal staff - without a lost time accident since 2005 - Operational and administrative sites:

- 3 factories, 4 distribution centres and 17 administrative/R&I sites reached or passed the threshold of one million hours worked without a lost-time accident.
- 3 factories, 1 distribution centre and 9 administrative sites have now exceeded 3 million hours.

Number of lost-time accidents in 2013 Cosmetic and TBS (employees outside L'Oréal)

Operations scope:

Number of accidents with lost reassembled: 26

Accidents constantly reassembled: 75

Total: 101

Group scope:

Number of accidents with lost reassembled: 40

Accidents constantly reassembled: 135

Total: 175

⁽¹⁾ L'Oréal permanent staff.

LA 7 *Workers with high incidence or high risk of diseases related to their occupation*

With regard to health and safety, the L'Oréal Group has an overriding concern to provide its employees with a healthy, safe place of work. Exhaustive measures have been taken aimed at reducing risks and ensuring constant improvement.

LA 8 *Health and safety topics covered in formal agreements with trade unions*

L'Oréal's health and safety standards are very strict and often exceed the legal obligations in the different countries. The Health and Safety Committees and their activities do not necessarily lead to the signature of specific agreements, but rather to joint monitoring of this subject (application of L'Oréal's standards and the legal obligations, analysis of situations, etc...) according to the principle of continuous improvement. 24 agreements have nevertheless been identified as being in force at December 31st, 2013 which deal, totally or partially, with health and safety.

This does not include national agreements with regard to particular categories, which exist in various countries and cover health, hygiene and safety issues.

T raining and education

L'ORÉAL

LA 9 Average hours of training per year per employee by gender, and by employee category

Training is an integral part of employee development policy at L'Oréal. On this basis, it is the subject of an individual interview with each member of its staff every year.

L'Oréal regularly provides its staff with personal and professional development opportunities via a training system tailored to their individual needs, everywhere and for all positions. The "Learning for Development" department is completely integrated into the company, enabling staff to derive full advantage from the best practices worldwide and offering a coherent overview of the training programmes.

The number of hours of training provided in 2013 was 1,325,136  for the Group scope.

The number of employees trained in 2013 was 44,936, with each of them having received 29.5 hours of training over the year.

60% of those trained are women.

EMPLOYEES TRAINED BY PROFESSIONAL CATEGORY (COSMETICS SCOPE)

Manual workers	58%
Administrative staff	33%
Supervisors	67%
Executives	73%

In 2013, L'Oréal France devoted 19,232 thousand to professional training for its employees, representing 2.6% of its payroll.

- Number of persons trained in 2013: 8,929 or 72.5% of the workforce as at December 31, 2013.
- Number of training actions in 2013: 21,797 representing an average of 2.4 training actions per individual trained.
- Number of hours of training in 2013: 234,696 hours.

The L'Oréal Human Resources intranet site (Profile & My training) provides staff with comprehensive information on the possibilities available to them with regard to professional training and their rights with regard to the Individual Training Entitlement ("D.I.F.")

HOURS OF TRAINING (COSMETICS AND TBS)

2013 Cosmetics + TBS	Number of hours of training recommended	Number of hours of open access training	Total number of hours of training	Number of employees trained	Average number of hours of training per employee trained
Western Europe	605,593	17,193	622,095	20,742	30.0
North America	187,432	4,349	191,568	8,889	21.6
Asia, Pacific	308,019	6,392	314,062	8,437	37.2
Latin America	83,920	6,228	90,048	3,270	27.5
Eastern Europe	76,065	6,300	82,274	2,773	29.7
Africa, Middle-East	24,370	747	25,089	825	30.4
Total	1,285,399	41,209	1,325,136	44,936	29.5

FURTHER INFORMATION ON THE SKILLS DEVELOPMENT PROGRAMMES IN THE L'ORÉAL GROUP AND EMPLOYEE BENEFITS IS AVAILABLE IN LA2, 'BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION' OF THIS FACT SHEET.

FOR FURTHER INFORMATION CONCERNING TRAINING AT L'ORÉAL, SEE SECTION 6.2.2.5. "TRAINING" ON PAGE 209 OF THE 2013 REGISTRATION DOCUMENT.



Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Learning forms an integral part of employee development policy at L'Oréal. As such, it is the subject of an individual interview once a year with each employee. L'Oréal regularly provides its employees with personal and professional development opportunities via a training system tailored to their individual needs, everywhere and for all positions. The "HR Learning" department is completely integrated into the company, enabling staff to derive full advantage from the best practices worldwide and offering a consistent vision of the training programmes.

➤ **TRAINING AND CAREER DEVELOPMENT**

In a continual search for excellence and creativity and the desire to be one step ahead to deal with the growing complexity of the challenges of our business, the "Learning for Development" teams provide employees and managers with ongoing support to help them not only to be high-performing, but also to achieve fulfilment.

Training has always been at the heart of the Human Resources strategy: this enables L'Oréal to attract the best talents, prepare the leaders of the future, but also provide all the employees throughout the world with the best possible response in terms of training.

➤ **AN INDIVIDUAL APPROACH**

"L'Oréal and Me" offers a new international structure for professional assessment, consisting of two meetings per year at which it is possible to identify and discuss career paths, personal development and salary.

From this perspective, the Group regularly provides its staff with personal and professional development opportunities via a training system tailored to their individual needs, everywhere and for all positions. The HR Learning department is completely integrated into the company, enabling staff to derive full advantage from the best practices worldwide and offering a consistent vision of the training programmes. The maximum achievement of each employee's potential is crucial to maintain a sustainable competitive advantage. Since the Group benefits from a system of centralised, dynamic career management, the HR Learning department has developed transition tools intended for managers taking on new responsibilities.

➤ **INTERNATIONAL MOBILITY**

Geographic mobility and career flexibility are beneficial to staff in terms of career development and experience, but are also profitable to the Group in terms of growth and innovation. International mobility also strengthens the Group's diversity policy as its brands are adapted to suit local demand by multicultural teams.

At the end of 2013, 1,076 employees were on long-term international assignments in 58 different countries, representing an increase of +7% as compared to 2012. 40% of these employees were women and 12% were under 30 years of age. Out of the 1,076 expatriates, 251 had the benefit of a package that has been specially designed for junior employees during the first few years of their career.

L'Oréal has revised its international mobility policy to ensure that it meets the needs of its staff and the company. Specific packages have been developed for junior employees, as well as for inter-regional transfers.

In order to encourage this ambitious acceleration of globalisation, the Group seconded its best talents on international programmes, developed in partnership with highly reputed institutions. The programmes provide them with access to the best training resources available worldwide and they are able to share the expertise and experience of L'Oréal's senior managers. These programmes are also aimed at passing on the culture and values specific to L'Oréal as well as contributing to the Group's strategic coherence.

A symbolic seminar, "L'Oréal Insight", brought together 189 young managers of 36 different nationalities in 2013. In total, nearly 500 strategic employees, from countries all over the world, attended at least one of the company's key international seminars in 2013.

» « MY LEARNING »

In 2013, with the aim of "learning for everyone", the HR Learning teams launched a new version of the "My Learning" platform at international level, in 18 languages. It is currently accessible to 45,000 employees in 57 countries. This represented 41,000 hours of remote training (+58% as compared with 2012).

The use of a single platform for the whole of L'Oréal guarantees the sharing of the Group's culture and expertise on a global scale. The "My Learning" platform also promotes knowledge transfer within the Group and aids employee orientation and company initiatives concerning diversity and ethics in particular as well as allowing information to be distributed immediately to staff.

The programme's offering currently consists of over 3,000 educational resources accessible to all employees. The variety of formats available (videos, e-learning modules, archives, readings, web series, ...) makes it possible to use all learning methods and to reach out to the more digital, rather than integrated, generations all over the world.

Employees have access to training and resources in areas such as management, professional expertise, foreign languages and IT skills. The creation of this programme is based on a combination of innovative learning methods and tools ranging from remote training to video demonstrations. This makes it possible to meet the long-term training needs of all L'Oréal's employees.

» SHARING KNOWLEDGE, CULTURE AND VALUES ACROSS THE WORLD

L'Oréal's strategy is to propose a training path dedicated to sharing the company's corporate culture, values and strategy: an intellectual melting pot that trains employees in a common language and promotes an entrepreneurial spirit. Training is mainly conducted through seminars that bring together employees from all over the world. For example, the "Senior Executive Forum" is held for experienced executives and enables them to consider, along with the Executive Committee and the CEO, strategic challenges facing the Group.

This journey through L'Oréal's spirit and culture begins as soon as new employees arrive in the company thanks to a customised induction programme offering a combination of individual interviews, in-person and remote "Discovery" training courses, mentoring or site visits to meet with customers and consumers. The principles of this FIT (Follow-up and Integration Track) programme are consistent worldwide and it is a crucial stage of career development.

Since 2010, the Group's new employees, even in the most far-flung locations, also benefit in particular from two on-line training modules that are an integral part of their personalised induction path:

- "Keys to L'Oréal" is a module available in 12 languages that explains and shares the Group's specific values on subjects such as the entrepreneurial spirit or understanding Beauty.
- "I-Discovery" is an interactive module that helps new employees to learn about brands, strategy and organisation. This on-line format has also been rolled out specifically by division with, in particular, the major launch in 2012 of the Consumer Products Division module.

And to ensure that the Company continues to remain in close proximity to its markets and its employees, L'Oréal develops a wide range of training courses in emerging countries. The "Mastering Business Excellence" seminar trains the new generations of senior managers in a spirit closely resembling that of MBA programmes offered by business schools. The "Culture and Strategy" seminar, which develops new managers' understanding of the Group's strategic vision, sends out a strong signal to the employees who will build L'Oréal of tomorrow.

» FURTHER INFORMATION ON SKILLS DEVELOPMENT PROGRAMMES IN THE L'ORÉAL GROUP, AND EMPLOYEE BENEFITS IS AVAILABLE IN SECTION LA2, « BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION » OF THIS FACT SHEET.

FOR FURTHER INFORMATION CONCERNING TRAINING, SEE:

- SECTION 6.2.2.5. "TRAINING" ON PAGE 209 OF THE 2013 REGISTRATION DOCUMENT.



Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

L'Oréal has always placed the human dimension and individual performance at the centre of the company with a long-term vision. Each employee has a one-to-one end-of-year interview. In most countries, preparation and validation are carried out using the MAP (Managing and Appraising Performance) tool.

MAP is an assessment system that makes it possible to assess and develop the skills and performance of all L'Oréal employees.

MAP covers the following points:

- **Roles**, key responsibilities, targets and skills of the employees
- **Career management**: taking into account the employee's wishes, their assessment and work carried out to date
- **Training decisions** in accordance with the development plan
- **Decisions on salary** (taking into account performance of their key responsibilities and achievement of targets)

The MAP On Line system, which is currently being deployed, is accessible to 37,100 employees worldwide. This year, it was used by 31,439 people in 67 countries. It is planned to extend it to the entire employee population to gradually replace the paper format.

MAP consists of an end-of-year interview and, for most employees, a mid-year interview:

The Mid-Year Interview

The mid-year interview is conducted in the middle of the year; It allows employees to take a step back and think about their day-to-day activities, gauge the progress made with their manager and consider together any support measures that might be necessary.

Aims:

- To conduct a review of the progress made in light of the employee's targets and skills
- To prepare a personalised development plan for the next twelve months
- To enable employees and their managers to agree on a shared vision of the best way to work together

The End-of-Year Interview

Aims:

- To assess performance over the past year
- To set targets and give prospects for the coming year

The End-of-Year Interview offers an opportunity for employees to talk with their level + 1 and level + 2 managers about their performance, targets for the coming year, career aspirations and development needs.

It must take place in a spirit of open dialogue and be objective.

31,439 employees, i.e. 12.8% more than last year, published their report on their end-of-year interview upon completion of the interview campaign at the end of 2013.

Diversity and equal opportunity

L'ORÉAL

LA
12

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

BREAKDOWN OF THE WORKFORCE BY GENDER AND AVERAGE AGE (COSMETICS + TBS - 2013)

	<i>Total</i>	<i>Men</i>	<i>Women</i>	<i>Average age</i>	<i>% of women</i>
Western Europe	30,558	10,000	20,558	38	67%
North America	15,036	4,242	10,794	38	72%
Asia, Pacific	15,033	4,523	10,510	33	70%
Latin America	7,876	2,929	4,947	36	63%
Eastern Europe	4,787	1,611	3,176	34	66%
Africa, Middle-East	1,732	926	806	35	47%
New markets	29,428	9,989	19,439	34	66%
Total	75,022 ✓	24,231 ✓	50,791 ✓	37 ✓	68% ✓

Women account for 68% ✓ of the Group's total workforce,

- 59% of executives
- 62% of executives hired
- 40% of expatriates
- 45% of new expatriates
- 45% of Management Committee members
- 21% of Executive Committee members (3/14)
- 47% of the brands are managed by women (14/34 international brand managers)
- 19 women were appointed to a position of Division Manager in 2013.

GENDER BREAKDOWN BY AGE BRACKET IN THE MANAGEMENT COMMITTEES - WORLD - 2013

	<i>Under 30</i>	<i>30-50</i>	<i>Over 50</i>	<i>Total</i>
Women	1%	84%	14%	100%
Men	1%	77%	22%	100%

BREAKDOWN OF WORKFORCE BY AGE

	<i>Total</i>	< 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	> 60
Western Europe	30,558	3,230	4,731	4,561	4,456	4,204	3,881	3,009	1,960	526
North America	15,036	2,613	2,396	2,007	1,684	1,620	1,543	1,474	1,005	694
Asia, Pacific	15,033	1,632	3,658	4,050	2,810	1,489	765	377	172	80
Latin America	7,876	782	1,532	1,785	1,424	1,056	686	413	150	48
Eastern Europe	4,787	430	1,212	1,234	894	504	238	134	100	41
Africa, Middle-East	1,732	141	487	372	288	210	127	68	32	7
New markets	29,428	2,985	6,889	7,441	8,416	3,259	1,816	992	454	176
Total	75,022 ✓	8,828 ✓	14,016 ✓	14,009 ✓	11,556 ✓	9,083 ✓	7,240 ✓	5,475 ✓	3,419 ✓	1,396 ✓

In light of the lack of a definition and obligation of employment of disabled persons in all the countries in which L'Oréal is present, it is not possible to present an average consolidated rate of employment of the disabled at Group level.

The rate that is usually reported is that for L'Oréal in France, in comparison with the obligation of 6%.

AVERAGE RATE OF DISABLED EMPLOYEES AT L'ORÉAL IN FRANCE

2008	4.22%
2009	4.71%
2010	5.44%
2011	5.08%
2012	5.46%
2013	6.06%



FOR FURTHER INFORMATION CONCERNING THE GOVERNANCE BODIES, SEE PAGES 31 ET SEQ. OF THE 2013 REGISTRATION DOCUMENT OR THE GRI GOVERNANCE FACT SHEET IN THIS REPORT.

E qual remuneration for women and men



Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

This indicator is not consolidated at Group level.

FRANCE

REMUNERATION IN L'ORÉAL SA

Average gross monthly salary of men and women continuously present in the company

The employees concerned are those with permanent employment contracts (excluding senior managers) who have been present for two consecutive years. Employees who have changed category are compared in the category to which they belong in the 2nd year.

	2012			2013			% change in average salary		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	6,453	5,418	5,861	6,760	5,720	6,165	4.8%	5.6%	5.2%
Sup. and tech.	3,197	3,149	3,160	3,321	3,283	3,292	3.9%	4.3%	4.2%
Administrative staff	2,386	2,287	2,325	2,484	2,382	2,422	4.1%	4.2%	4.2%
Manual workers	2,712	2,601	2,673	2,820	2,726	2,787	4.0%	4.8%	4.3%
Sales representatives	4,291	3,804	4,083	4,416	3,944	4,214	2.9%	3.7%	3.2%

EMPLOYER CONTRIBUTIONS

At L'Oréal SA, the annual amount of employer contributions in 2013 totals €219,761,006.

S upplier assessment for labor practices



Percentage of new suppliers that were screened using labor practices criteria

Thus, subcontractors, wherever they are based in the world, and suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

800 audits were carried out in 2013, making 5,295 audits of this kind since 2006

The social audits conducted have enabled L'Oréal to cover 85% of the portfolio of suppliers subject to audit across the world.

In 2013, 50% of these audits were carried out in Asia.

In 2013, there were major instances of non-compliance at 60% of supplier sites that were audited for the first time (initial audits). During follow-up audits, there is no longer any major non-compliance at 56% of the suppliers who were initially non-compliant.

517 audits (about 800) were initial audits (audited for the first time), so 65% of the audits were new supplier sites.

Added to this are the social audits conducted by The Body Shop (TBS). Indeed, since its integration into the L'Oréal Group in 2006, TBS has pursued its longstanding programme of social audits. TBS is one of the founding members of the Ethical Trading Initiative (ETI) and has adopted their "Supplier Code of Conduct". The Body Shop has developed a programme enabling them to support their commitment to responsible sourcing. One of the activities under this programme is control of working conditions, defined in the "Supplier Code of Conduct", on the production sites of their suppliers (67 audits were conducted in 2013).

LA
15

Significant actual and potential negative impacts for labor practices in the supply chain and actions taken

The potential negative impacts related to Human Rights in the supply chain are those described in the management approach, namely:

- Child labour;
- Forced or compulsory labour;
- Environment, Health and Safety;
- Compliance with the laws relating to freedom of association;
- Non-discrimination;
- Disciplinary practices;
- Sexual harassment or a hostile working environment;
- Due payment of wages/compensation and benefits;
- Working time;
- Relations with subcontractors.

In 2013, 800 audits  were carried out, making over 5,200 such audits since 2006.

<i>Breakdown of instances of non-compliance per subject audited</i>	<i>2013</i>
% of non-compliance with regard to wages and compensation	18
% of non-compliance with regard to working hours	21
% of non-compliance related to working, health and safety conditions	37
% of non-compliance with regard to harassment	2
% of non-compliance with regard to disciplinary practices	4

This data can be interpreted as follows: 18% of (major or minor) instances of non-compliance noted in 2013 (out of all the social audits) concerned "Wages and remuneration".

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off business relations or, where applicable, non-referencing of a new supplier.

In 2013, there were major instances of non-compliance at 60% of supplier sites that were audited for the first time (initial audits). During follow-up audits, there is no longer any major non-compliance at 56% of the suppliers who were initially non-compliant.



FOR FURTHER INFORMATION, SEE THE GOVERNANCE SHEET. HUMAN RESOURCES ASPECT, IN THIS REPORT.

Labor practices grievance mechanisms

LA 16 *Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms*

On a collective level, in 2013 no significant complaint was reported to the Corporate Labour Relations Department.

H Human Rights

L'ORÉAL

DISCLOSURES ON MANAGEMENT APPROACH	p. 2
INVESTMENT	p. 9
HR1 - Total number and percentage of significant investment agreements and contracts that include human rights clauses of that underwent human rights screening	p. 9
HR2 - Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	p. 9
NON-DISCRIMINATION	p. 10
HR3 - Total number of incidents of discrimination and corrective actions taken	p. 10
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	p. 12
HR4 - Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	p. 12
CHILD LABOR	p. 13
HR5 - Operations and suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor	p. 13
FORCED OR COMPULSORY LABOR	p. 13
HR6 - Operations and suppliers identified as having significant risk for incidents or forced compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor	p. 13
SECURITY PRACTICES	p. 14
HR7 - Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	p. 14
INDIGENOUS RIGHTS	p. 14
HR8 - Total number of incidents of violations involving rights of indigenous peoples and actions taken	p. 14
ASSESSMENT	p. 15
HR9 - Total number and percentage of operations that have been subject to human rights reviews or impact assessments	p. 15
SUPPLIER HUMAN RIGHTS ASSESSMENT	p. 16
HR10 - Percentage of new suppliers that were screened using human rights criteria	p. 16
HR11 - Significant actual and potential negative human rights impacts in the supply chain and actions taken	p. 17
HUMAN RIGHTS GRIEVANCE MECHANISMS	p. 18
HR12 - Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	p. 18

Disclosures on management approach

L'Oréal became a signatory of the United Nations Global Compact in 2003 and is committed to respecting and promoting the Human Rights.

L'Oréal's Chairman and Chief Executive Officer has given the Senior Vice President, Chief Ethics Officer, the mission of overseeing the respect of Human Rights.

The Chief Ethics Officer reports regularly to the Chairman and Chief Executive Officer. He informs the Board of Directors and the Executive Committee.

Country Managers are in charge of implementing the Human Rights policy in their country. The Group's Chief Ethics Officer meets systematically with each Country Manager in order to raise their awareness in particular on Human Rights issues and corruption prevention.

L'Oréal ensures that these conventions are observed with regard to its employees thanks to the actions taken by the Human Resources functions and at its suppliers and subcontractors thanks to the actions taken by the Purchasing function (see the section on "Societal Information", paragraph on "Subcontracting with suppliers" for further details).

L'Oréal sets out its Human Rights policy in documents such as "The L'Oréal Spirit" or the Code of Business Ethics.

In the "As an Employer" section of "The L'Oréal Spirit", the Group describes its principal commitments to its staff, namely in terms of diversity. Its commitments on the abolition of child labour and forced labour are set out in the "As a Responsible Corporate Citizen" section of that document.

Furthermore, several chapters of the Code of Business Ethics are devoted to the practical implementation of respect for Human Rights: health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers.

All new employees receive a copy of the Code of Business Ethics, which is available in 35 languages (43 versions) and in Braille in French and English. This Code of Business Ethics is available on the www.loreal.com website.

Every year, L'Oréal organises an Ethics Day in order to ensure ongoing internal communication on this topic. In 2013, all the Group's employees were able to ask L'Oréal's Chairman and Chief Executive Officer questions which he answered during a live webchat. All Country Managers also had the opportunity to discuss ethics with their employees. More than half the Group's employees took part in this dialogue and over 3,200 questions were asked worldwide.

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

Investment

L'Oréal considers Human Rights issues in its economic decision-making, particularly when such decisions concern countries where the protection of Human Rights is a concern.

This process of taking into account Human Rights issues is formally provided for with respect to proposed acquisitions, framework agreements with key suppliers and real estate projects.

Within the scope of the legal due diligence reviews carried out prior to proposed acquisitions, the Group's Legal Department includes an "ethics and Human Rights questionnaire" prepared by the Ethics Department. The answers to this questionnaire are intended to identify, within the internal control system existing in the target company, whether the risks of non-compliance with Human Rights (abolition of child labour and forced labour, etc.) have been taken into account.

Framework agreements signed with suppliers/subcontractors contain a societal clause providing for the same commitments as those set out in the Fundamental Conventions of the International Labour Organisation (ILO).

In choosing a property to buy or lease off-plan within the scope of a real estate project, L'Oréal applies the Guide to Sustainable Construction and Design, which requires it to ensure that the seller is the due and proper owner and has compensated any tenants/users in accordance with international regulations.

To help employees take into account Human Rights issues in carrying out their work, training on ethical standards covers Human Rights matters among other topics. An e-learning module on ethics was rolled out to all countries in October 2013.

L'Oréal also organises training for positions more particularly concerned by Human Rights, especially purchasers. Training on Responsible Purchasing, on the "Buy & Care" programme and on social audits is a compulsory part of induction training for all new purchasers. In 2013, a specific e-learning module was launched on the social audit programme.

Non-discrimination

For over 10 years, L'Oréal has been engaged in an innovative, ambitious policy in favour of Diversity. The Group has set itself three priorities: gender, disability and socio-cultural and ethnic origin and its actions are more particularly focussed on the areas of human resources, solidarity sourcing and marketing.

Today, with a network of more than 86 Diversity coordinators all over the world, the initiatives conducted by all the Group's subsidiaries make L'Oréal a pioneer and one of the recognised major players in the area of diversity at worldwide level.

- In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.
- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, the Group jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany. France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

L'Oréal has moreover developed a diversity assessment in France with a hundred or so indicators that together cover the 6 dimensions of Diversity policy. For the same purpose, an automatic Diversity Reporting tool with 30 indicators (recruitment, training, remuneration...) has been made available to all the subsidiaries.

In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.

➤ **EQUAL PAY FOR MEN AND WOMEN**

Equal pay is the rule. The Group's policy is to guarantee equal pay and grade for men and women with the same qualifications.

In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland).

In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality.

L'Oréal France also received the Professional Equality label. The INED (National Institute of Demographic Studies) conducted an independent study that shows that the net wage gap between men and women is lower than 4% for categories Frames and Workers. This gap has reduced by nearly one third in recent years since it was 10% in 2007. This same study shows that there is no gap for categories Employees and Agents mastery, which is qualified by the INED «result quite remarkable.» A hiring, equal, the classification level of pay is the same.

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with International Labour Organisation (ILO) conventions C100 and C111 on non-discrimination.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractors will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with discrimination issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Freedom of Association and Collective Bargaining*

In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal ensures that other modes of dialogue exist with its employees enabling them to report any concerns they have (see also Labour Practices – Aspect: Labour/Management Relations – Management approach – Social dialogue).

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C87 and C98 on the freedom of association.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with freedom of association issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Child Labor*

Concerning the abolition of child labour, all L'Oréal entities are required to verify the age of their new employees when they are hired.

L'Oréal has chosen to set a compulsory minimum age of 16 for its entire staff, a minimum age which is higher than that required by the International Labour Organisation.

In light of their young age, employees who are between 16 and 18 years old are subject to specific measures and in particular: no night work, no overtime, no work involving the use of hazardous substances or tools, no carrying of heavy loads, the implementation of a reinforced training programme, appointment of an internal "tutor" and inclusion on a special register. In 2013, 570 employees aged between 16 and 18 worked within the Group's entities.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C138 and C182 on child labour.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with child labour issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Forced or Compulsory Labor*

Concerning the elimination of all forms of forced or compulsory labour, recourse to prison labour is possible when it is voluntary within the scope of a professional reinsertion programme, and paid at market price. Suppliers or subcontractors must request the authorisation of L'Oréal before they have recourse to this form of labour.

Furthermore, all Group entities are required to ensure that none of their employees are subject to the retention of identity papers or travel documents, or are obliged to pay recruitment fees or to deposit money in order to be able to leave their employment.

L'Oréal's suppliers and subcontractors are asked to comply with Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C29 and C105 on forced labour.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with the issue of forced labour.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Security Practices*

Circulated at the end of 2013, L'Oréal's new Security Code of Conduct emphasises the following issues:

- In conducting its business, L'Oréal constantly seeks to provide all its employees with the safest possible working and living environment and to protect the Group's tangible and intangible assets.
- The Group's Safety and Security Division helps draft policies and procedures and choose relevant standards. It also ensures that the Group has the appropriate human and material resources in this respect, and is involved in assessing risk and launching awareness-raising initiatives aimed at all employees. Risk assessment is reviewed on a continuous basis. The Division relies on a network of Safety and Security officers and managers, particularly in countries where the risk of malicious acts against L'Oréal is considered the highest. In carrying out its business activities, the Group seeks to ensure the safety and security of its employees at all times.

➤ *Indigenous Rights*

Consideration for the rights of indigenous peoples is embedded in various operating procedures.

For example, in choosing a property to buy or lease off-plan, L'Oréal applies the Guide to Sustainable Construction and Design, which requires it to ensure that the seller is the due and proper owner and has compensated any tenants/users in accordance with international regulations.

In accordance with the requirements of the Convention on Biological Diversity which L'Oréal signed up to in 2005, the Group's respect for the rights of indigenous peoples leads it to obtain a preliminary agreement as well as a guarantee as to the fair return of resources to local populations as part of its responsible approach to sourcing raw materials.

Since 2006, and regardless of whether the countries from which the raw materials originate comply with the protocol on Access to genetic resources and Benefit-Sharing (ABS), L'Oréal puts in place "ABS-type" approaches which seek to respect the rights of indigenous peoples at each stage in the process, by taking account of the ecological, economic and social issues at stake. This ensures it adopts a sustainable development approach throughout the raw materials supply chain.

All of the Group's renewable raw materials undergo a strict examination in light of biodiversity protection criteria, which takes into account the ecological status of the resources and/or their ecosystem, any measures taken to protect such resources, the impact of production on natural environments, and so on. This includes respect for the rights of indigenous peoples who are often heavily dependent on biological resources.

Depending on the product sourced, suppliers therefore assess:

- the significance of the plant in terms of income and jobs for the local community and the degree to which the resources are returned to the local populations in that particular sector;
- the recognition of time-honoured uses and knowledge, which are taken into account in managing all aspects relating to intellectual property;
- the access of local populations to the raw materials in order to keep up traditional usages, i.e., for food, fuel, fodder, medicine, construction materials that are difficult to replace and/or the cultural importance of the raw materials;
- any changes in land use likely to result from producing the raw material. Particular attention is given to land used initially for food.

Since 2010, a systematic study of the patents filed by the Group ensures that it respects traditional know-how and gives local populations free access to their resources. The same requirements apply to patents filed by suppliers.



FOR FURTHER INFORMATION, SEE THE ENVIRONMENT FACT SHEET, ASPECT: BIODIVERSITY, INDICATOR EN14.

The Group's Chief Ethics Officer who is responsible for Human Rights issues must be informed of all alleged violations of the rights of indigenous peoples.

Assessment

The treatment of Human Rights issues at all Group sites is analysed using an ethics-based self-assessment tool which allows Country Managers to assess any ethical risks (including those relating to Human Rights) in their country and take the necessary measures to mitigate these risks.

An annual ethics-based reporting system covers all of the issues dealt with in the Code of Ethics. The information captured by this system enables the Group's performance in terms of Human Rights to be assessed.

In 2014, all factories and distribution centres will be audited by external auditors, mainly as regards compliance with ILO Fundamental Conventions.

Supplier Human Rights Assessment

L'Oréal works with thousands of suppliers throughout the world to cover its needs in terms of packaging, raw materials, subcontracting, production equipment, promotional and advertising items, and non-production-related products and services (commonly referred to as indirect).

The global volume of purchases directly related to production (packaging, raw materials and subcontracting) represented €3.69 billion in 2013 (Cosmetics scope, excluding The Body Shop).

Thus, the Group's Purchasing policy is aimed at building a balanced, long-lasting relationship with subcontractors and suppliers with respect for social and environmental issues.

The Group actively seeks to work with suppliers who share its values and commitments, particularly in terms of Human Rights. Referencing such suppliers is therefore a vital part of the policy.

For industrial purchases, dedicated purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy via the "Welcome On Board" (WOB) supplier referencing process. This makes it possible to make sure that the supplier is of real interest, provide it with all the information, documents and contacts required for it to understand the expectations and processes at L'Oréal, and finally to obtain the supplier's commitment to L'Oréal's values that are shared in this manner.

In order to embed social, ethical and environmental concerns within its supply chain, in 2002 L'Oréal launched the "Buy & Care" programme, adhered to by all the Group's purchasers. Within the framework of this programme, L'Oréal asks its suppliers and subcontractors to comply with the Group's General Terms of Purchase, which require them in turn to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.

Each new supplier/subcontractor referenced by Purchasing teams must respect these societal clauses and accept that a social audit may be performed at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

Following on from this commitment, L'Oréal's "Buy & Care" programme consists, since 2002, of a section aimed at an audit of this compliance with social legislation enabling it to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety for their teams and health and hygiene in the workplace.

Subcontractors, wherever they are based in the world, along with suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

The social audits are carried out on behalf of L'Oréal by independent external service providers. The initial audits are financed by L'Oréal and the follow-up audits are paid for by the suppliers.

The audits cover the following **10 chapters**:

- child labour;
- forced labour;
- the environment, health and hygiene and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

Since January 2013, the social audits include questions concerning the environment and in particular compliance with regulations.

L'Oréal's social audit is based to a great extent on the internationally recognised SA 8000 standard, but does comprise a few exceptions, particularly with regard to the minimum age for child labour. In this respect, the Group has chosen to set the compulsory minimum age at 16 for all employees working for its suppliers, a higher age limit than that required by the Fundamental Conventions of the International Labour Organisation (ILO).

Since 2006 when L'Oréal set up a reporting tool, it has conducted more than 5 200 social audits at over 3,900 supplier sites.

Added to this are the social audits conducted by The Body Shop (TBS). Indeed, since its integration into the L'Oréal Group in 2006, TBS has pursued its longstanding programme of social audits. TBS is one of the founding members of the Ethical Trading Initiative (ETI) and has adopted their "Supplier Code of Conduct". The Body Shop has developed a programme enabling them to support their commitment to responsible sourcing. One of the activities under this programme is control of working conditions, defined in the "Supplier Code of Conduct", on the production sites of their suppliers.

Human Rights Grievance Mechanisms

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

External stakeholders (e.g., suppliers and local communities) may also consult the Chief Ethics Officer.

All concerns regarding Human Rights are related to the Chief Ethics Officer who is in charge of Human Rights policy.

HR1

Total number and percentage of significant investment agreements and contracts that include human rights clauses of that underwent Human Rights screening

All framework agreements signed with suppliers/subcontractors in 2013 contain a societal clause providing for compliance with the Fundamental Conventions of the International Labour Organisation.

An "ethics and human rights questionnaire" was applied to all acquisitions carried out in 2013.

HR2

Total hours of employee training on human rights policies or procedures concerning aspects of Human Rights that are relevant to operations, including the percentage of employees trained

Since training on Human Rights issues is included in more general training programmes, L'Oréal does not specifically monitor the number of hours devoted to Human Rights training.

At Corporate level, the Ethics Department gave 23 training sessions to 669 employees, representing a total of 1,474 training hours.

A specific e-learning programme on ethics to all employees and covering topics including Human Rights (health, hygiene and safety, diversity, harassment and sexual harassment, respect for private life) was rolled out in all countries in October 2013.

In 2013, 116 purchasers were trained in Responsible Purchasing. In all, 75% of the Group's purchasers have been trained in Responsible Purchasing since the training programme was launched.

Furthermore, in 2013, 92% of the Group's countries included subjects related to Human Rights (health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers) in their local training programmes. 100% of the countries communicated on at least one of these topics.

N

on-discrimination

L'ORÉAL

HR

3 Total number of incidents of discrimination and corrective actions taken

Diversity is one of L'Oréal's core values and accompanies its employees and consumers across the globe on a journey towards the 'universalisation' of beauty. The diversity of L'Oréal's teams at all levels and in all fields leads to greater creative thinking, tighter social cohesion and a better understanding of consumers, allowing the Group to develop products meeting the needs of all. L'Oréal stands firmly against all notions or practices of discrimination between people. It has made disability, socio-professional equality and socio-ethnic origin the cornerstone of its collective commitment to non-discrimination, which is reflected in daily human resources practices across the globe, along with responsible marketing and sourcing policies.

Group employees were asked to complete the "Pulse" questionnaire in 2007 and then in 2011/2012. The findings of the 2012 study showed that 77% of employees based in over 65 countries representing all five geographic zones welcome and support L'Oréal's strong commitment to managing diversity embedded in its Human Resources policy and in its value of respect for the individual.

Strong commitments:

In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.

DISABILITY OUTREACH

- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, we jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany. France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

➤ RAISING AWARENESS AMONG L'ORÉAL EMPLOYEES

In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.

➤ EQUAL PAY FOR MEN AND WOMEN

Equal pay is the rule. The Group's policy is to guarantee equal pay and grade for men and women with the same qualifications.

In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland).

In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality.

L'Oréal France has also been awarded the Gender Equality label. The INED (National Institute of Demographic Studies) conducted an independent study that shows that the net wage gap between men and women is lower than 4% for categories Frames and Workers. This gap has reduced by nearly one third in recent years since it was 10% in 2007. This same study shows that there is no gap for categories Employees and Agents mastery, which is qualified by the INED «result quite remarkable.» A hiring, equal, the classification level of pay is the same.

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C100 and C111 on equal remuneration.

Framework agreements signed with the Group's main suppliers all contain a societal clause taking up the same commitments (for more information, see the HR1 indicator in this fact sheet).

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with discrimination issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 2.6% of the cases of non-compliance identified related to discrimination issues. All concerned practices that could encourage discrimination in hiring. Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.



FOR FURTHER INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE SECTION 6.2.2.7, "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

L'ORÉAL

F

Freedom of association and collective bargaining.....

HR

4 *Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights*

Even though no L'Oréal sites have been identified in which there is a substantial risk that freedom of association and/or collective bargaining rights may be violated, all L'Oréal sites across the globe are required to submit an annual report on such issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including as concerns the right to exercise freedom of association and collective bargaining.

RELATIONS WITH SUPPLIERS

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C87 and C98 on freedom of association.

Framework agreements signed with the main suppliers all contain a societal clause providing for the same commitments (see HR1).

Each new supplier/subcontractor referenced by Purchasing teams must respect these societal clauses and accept that a social audit may be performed at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

Furthermore, all of the Group's social audits deal with freedom of association issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 2% of the cases of non-compliance identified related to freedom of association.

Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.

FOR MORE INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

C

Child labor

L'ORÉAL

HR

5 *Operates and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor*

Although no substantial risks relating to child labour have been identified at L'Oréal sites, all Group sites across the globe are required to report on these issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including on child labour issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, four supplier sites in Asia were found to employ children under 16. All of these children were 15 years of age.

One of the Group's suppliers has accepted to put in place a corrective action plan, under which the child returns to school, his or her salary is maintained within the family, and a process is introduced to verify the age of employees on hiring. An unannounced audit was performed to verify that this plan was effectively in place.

L'Oréal has decided not to work with the three other suppliers concerned.

FOR MORE INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

F

orced or compulsory labor

HR

6 *Operations and suppliers identified as having significant risk for incidents or forced compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor*

Even though no substantial risks relating to forced labour have been identified at L'Oréal sites, all L'Oréal sites across the globe are required to submit an annual report on such issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including on forced labour issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 5% of the cases of non-compliance related to forced labour issues. Virtually all cases of non-compliance concerned workers' ID papers or the lack of any employment contract.

Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.

S

ecurity practices

HR

7 *Percentage of security personnel trained in the organization's Human Rights policies or procedures that are relevant to operations*

L'Oréal does not directly employ any security personnel.

The Group thoroughly screens its contracts with security service providers acting for or in the Group's environment. This involves verifying qualifications, official and international accreditations, compliance with Human Rights, personnel training. Approval from the Group's Safety and Security Division must be sought before choosing a new service provider or renewing an agreement with a current service provider. In particular, L'Oréal favours security personnel that have adhered to the International Code of Conduct for Private Security Service Providers developed on the basis of the Montreux Document, an official document of the United Nations.

I

ndegenous rights

HR

8 *Total number of incidents of violations involving rights of indigenous peoples and actions taken*

The Chief Ethics Officer was not informed of any alleged violation of the rights of indigenous peoples in 2013.

A

ssessment

HR

9 *Total number and percentage of operations that have been subject to Human Rights reviews or impact assessments*

In all, 38% of countries carried out a self-assessment of ethical risks in 2013, and the aim is for the self-assessment to be performed in all countries in 2014. An action plan is rolled out for any areas needing improvement as identified by the self-assessment.

All countries completed an annual ethics report. The countries will be informed of any areas needing improvement by the Ethics Department.

The risk analysis for suppliers and subcontractors is performed by the Purchasing Department, notably by means of social audits.

In 2013, social audits were performed of suppliers in 45 countries on all continents. However, Asia accounted for half of the audits performed. Since 2006, supplier audits have been performed in 76 countries.

S upplier Human Rights assessment

HR

10 *Percentage of new suppliers that were screened using Human Rights criteria*

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.


The "Buy & Care" programme includes a section aimed at an audit of this compliance with social legislation enabling the Group to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety and health for its teams in the workplace.

Subcontractors, wherever they are based in the world, and suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

In 2013, 800 audits were carried out – on a par with 2011. The number of audits reached a peak in 2012 (1,120 audits performed) after the audit scope was extended to include the POS advertising/Promotional items business in the Asia and Africa/Middle East Zones.

The social audits carried out to date have enabled the Group to cover 85% of the eligible supplier portfolio.

BREAKDOWN OF L'ORÉAL SOCIAL AUDITS BY GEOGRAPHIC ZONE

<i>Zones</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Europe	86	119	134	191	167
NAZ	5	2	9	49	29
ZAL	36	84	65	152	172
ZAMO	4	23	73	118	30
Asia, Pacific	305	339	512	610	402
TOTAL	436	567	793	1,120	800 

ZAL: Latin America Zone - ZAMO: Africa, Middle East Zone - NAZ: North America Zone

A total of 67 audits were also carried out by The Body Shop in 2013.



Significant actual and potential negative human rights impacts in the supply chain and actions taken

The potential negative impacts related to Human Rights issues in the supply chain are those described in the management approach, i.e.:

- child labour and forced labour;
- environment, health and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

FOLLOWING CASES OF NON-COMPLIANCE WERE IDENTIFIED AS A RESULT OF THE SOCIAL AUDITS CARRIED OUT IN 2013

<i>Audit findings</i>	<i>2012</i>	<i>2013</i>
Access refused	4%	2%
Zero tolerance	1%	4%
Satisfactory or ongoing improvement	50%	47%
Immediate action necessary	45%	47%

<i>Breakdown of cases of non-compliance by audited issue</i>	<i>2012</i>	<i>2013</i>
% of cases of non-compliance relating to child labour	5	4
% of cases of non-compliance related to wages/ remuneration	22	18
% of cases of non-compliance related to working hours	23	21
% of cases of non-compliance related to working conditions, health and safety	40	37
% of cases of non-compliance related to audited issues	9	18

These findings can be summarised as follows: 18% of cases of non-compliance identified in 2013 (from all social audits) relate to remuneration.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

In 2013, there were major cases of non-compliance found at 60% of supplier sites that were audited for the first time (initial audits). During follow-up audits, there was no longer any major non-compliance at 56% of the suppliers who were initially non-compliant.

H Human Rights grievance mechanisms.....

HR 12 *Number of grievances about Human Rights impacts filed, addressed, and resolved through formal grievance mechanisms*

In 2013, the Chief Ethics Officer analysed a situation regarding the protection of Human Rights.

Society

DISCLOSURES ON MANAGEMENT APPROACH	p. 2
LOCAL COMMUNITIES	p. 6
SO1 - Percentage of operations with implemented local community engagement, impact assessments, and development programs.....	p. 6
ANTI-CORRUPTION	p. 8
SO3 - Total number and percentage of operations assessed for risks related to corruption and significant risks identified	p. 8
SO4 - Communication and training on anti-corruption policies and procedures	p. 9
SO5 - Confirmed incidents of corruption and actions taken	p. 9
PUBLIC POLICY	p. 9
SO6 - Total value of political contributions by country and recipient/beneficiary.....	p. 9
ANTI-COMPETITIVE BEHAVIOR	p. 10
SO7 - Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	p. 10
COMPLIANCE	p. 11
SO8 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.....	p. 11
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY.....	p. 11
SO9 - Percentage of new suppliers that were screened using criteria for impact on society.....	p. 11
SO10 - Significant actual and potential negative impacts on society in the supply chain and actions taken	p. 11
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY	p. 12
SO11 - Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	p. 12

Disclosures on management approach

L'ORÉAL

L'Oréal's societal commitments are described in the "L'Oréal Spirit" on the first page of L'Oréal's Code of Business Ethics available on the www.loreal.com website.

The paragraph "As a Business" provides a description of the commitments with regard to respect of the laws and the fight against corruption. The paragraph "As a Responsible Corporate Citizen" describes the commitments concerning the communities in which L'Oréal is present.

Local Communities

The L'Oréal Group is a leading economic player in all the geographical zones where it is established. On this basis, L'Oréal contributes to local employment and thus participates in regional development. Within the framework of the "Sharing beauty with all" program, L'Oréal has made a commitment in favour of the surrounding communities, in particular to provide access to work for 100,000 people from communities in social or financial difficulty by 2020.

Due to its many industrial and administrative sites all over the world, the L'Oréal Group is strongly involved, in the vicinity of its sites, in the life of the surrounding local communities. A company committed to demonstrating good corporate citizenship, L'Oréal makes a contribution to many local projects. As a general rule, L'Oréal's establishments and its subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to limit the impact of their activities on the environment and to provide exemplary working conditions for their employees. The internal competitions – Environment, Health & Safety – Civic Initiative Prizes recognise, by awarding a prize, the commitment, mobilisation and involvement of a site (factory, distribution centre or administrative site) with regard to the community in which it operates. Awards are presented for the best local initiatives conducted each year in partnership with local authorities, local residents and schools in the fields of solidarity, education or the environment. By these initiatives, L'Oréal is eager to demonstrate its good citizenship, and to show that it firmly respects the ethical values of the surrounding community.



FOR FURTHER INFORMATION, SEE THE 2013 REGISTRATION DOCUMENT, PAGE 221 - SECTION 6.4.1. "TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF ACTIVITIES".

Anti-corruption

COMMITMENT

L'Oréal is a signatory of the United Nations Global Compact, supports the fight against corruption, abides by the United Nations Anti-Corruption Convention of October 31st, 2003 and undertakes to respect all applicable laws, including anti-corruption laws.

This commitment is supported at the highest level of the Company by L'Oréal's Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission and a member of Transparency International France.

POLICY

L'Oréal's Code of Business Ethics publicly states a zero-tolerance policy on corruption. It applies to all employees, executive officers and directors, members of the Group's Executive and Management Committees and those of its subsidiaries worldwide.

This document has been translated into 35 languages and each employee receives a copy.

In 2013, a specific anti-corruption guide was rolled out throughout the Group. This guide, which underlines the need both to respect local practices and regulations and also comply with the Group's ethical commitment, addresses relations with each of L'Oréal's stakeholders and in particular public authorities and intermediaries.

This practical Guide is intended to specify the Group's standards and to assist employees to handle situations which they may encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors. This policy posted online on L'Oréal's website (www.loreal.com) restates the following principles:

- the zero-tolerance policy on corruption;
- the prohibition on facilitation payments;
- the prohibition on all contributions to political parties or politicians with the aim of obtaining a commercial advantage;
- the prohibition on giving and accepting gifts and/or invitations that might influence or be perceived as influencing a business relationship;
- communication of the commitment to preventing corruption to our business partners;
- compliance with these commitments by intermediaries or agents representing L'Oréal, particularly in countries where there is a high corruption risk.

Other policies such as "The Way We Buy", a practical and ethical guide on the relationships between suppliers and all employees involved in purchasing decisions, also address these issues. This document currently exists in 12 languages.

► IMPLEMENTATION

The corruption prevention policy is revised periodically by the Executive Committee and presented to the Board of Directors.

The Director of the Risk Management and Compliance Department is in charge of developing the anti-corruption system.

Country Managers or, for Corporate or Zone staff, the members of the Group Executive Committee to whom they report, are responsible for the proper deployment of the corruption prevention programme and are guarantors of compliance with the anti-corruption policy.

Employees may, in particular, go to their management, their Legal Director, their Administrative & Financial Director, or their Ethics Correspondent if they have questions about the respect of this commitment.

To ensure that no concern regarding corruption prevention remains unanswered, employees and other stakeholders may contact the Chief Ethics Officer, to whom authority is delegated by the Chairman.

All concerns raised are thoroughly examined, so that appropriate measures can be taken, where applicable.

In a spirit of transparency and in order to exchange ideas, we regularly communicate, internally and externally, on the implementation of our anti-corruption policy and programme.

► *Public Policy*

Being an active member of professional associations in the countries where its industry is represented, L'Oréal plays an active role in the ongoing dialogue with the national or regional authorities in charge of the specific regulations governing the products in its industrial sector in order to prevent or accompany any risks that may result from changes in regulations.

As a leader in the cosmetics industry, L'Oréal considers that it has a duty to be proactive and to take part in discussions around the formulation of local regulations in the countries in which it operates.

It is for this reason that the Group is active within the organization Cosmetics Europe, the PCPC the US cosmetics industry association, Japan Cosmetics Industry Association (JCIA), CAFFCI-China Association of Fragrance Flavour and Cosmetic Industries, ISTMA - Indian Soap and Toiletries Mfrs Association, PERKOSMI (Persatuan Kosmetika Indonesia), Korea Cosmetic Association, The Cosmetic & Perfumery Association of Hong Kong, Taipei Cosmetic Industry Association and Vietnam Oil, Aromatherapy & Cosmetics Association in Asia, and CASIC and CONARS (in the field of self-regulation and responsible advertising) in South America.

L'Oréal's Directors of Public Affairs are in charge of these contacts in their respective geographic zones, accompanied in the working groups by scientific and regulatory experts on the subjects handled.

From 1976 to 2013, the basic legislative text relating to cosmetic products was Council Directive 76/768/EEC of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products (the "Cosmetics Directive").

The legal instrument chosen at the time by the European authorities, the directive, gradually proved to be insufficient to ensure the freedom of circulation of its products on the internal market. Indeed, a directive sets a certain number of precise objectives to be met, but Member States have a certain amount of leeway in the choice of the means enabling them to achieve this objective. On the other hand, a regulation has to be applied directly and uniformly in all Member States.

Regulation (EC) No 1223/2009 of 30 November 2009 on cosmetic products (the "Cosmetics Regulation"), all the provisions of which came into effect on July 11, 2013, was adopted in order to simplify the Cosmetics Directive and to put an end to the disparities in legislation related to the differences in transposition from one Member State to the next.

L'Oréal, like all cosmetics industry players (Cosmetics Europe, competitors, national associations) and a certain number of NGOs had replied to the call for contributions issued by the European Commission at the time of preparation of this regulation ⁽¹⁾.

The Group was associated with the official press statement by Cosmetics Europe ⁽²⁾ and is pleased with the adoption of this regulation, which imposes a harmonised legal framework on the entire territory of the European Union, a harmonisation that has been long desired by the cosmetics industry.

➤ FOR RESPONSIBLE ADVERTISING AND COMMUNICATION, IN ACCORDANCE WITH THE STRONG COMMITMENTS MADE THROUGH THE SELF-REGULATION CHARTER

L'Oréal recognizes the importance of responsible advertising and marketing communication as essential means of informing consumers on the characteristics and qualities of cosmetic products.

In this respect, L'Oréal, as a member of Cosmetics Europe, signed in 2012 the charter on responsible advertising and marketing communication of cosmetic products ⁽³⁾.

The purpose of this charter is to set the cosmetics industry common ground towards responsible cosmetics advertising and marketing communication in Europe.

This charter was endorsed by Cosmetics Europe members, on the basis that it is a fair and honest representation of their commitment. Cosmetics Europe members encourage the respect of its principles.

This charter is completed by a framework including the European Commission list of common criteria and the Cosmetics Europe self-regulation guiding principles on responsible advertising and marketing communication.

This charter makes it possible to ensure that advertising and marketing communication:

- are in compliance with the relevant European and national regulations and the applicable self-regulatory framework;
- are sincere, truthful and not misleading advertising;
- enable consumers to make informed choices;
- are socially responsible.

L'Oréal is also a member of the French Union of Advertisers (*Union Des Annonceurs* or "UDA") and contributed to preparation of the charter on responsible communication. The Group reports on its actions in this field every year. Since 2012, L'Oréal has set up a training programme for employees in marketing to raise their awareness to good communication practices. At the end of 2013, 750 employees had received this training.

(1) Our Group is indeed mentioned on the European Commission website, alongside other stakeholders, as one of the organisations that responded to the public consultation relating to the new cosmetics regulation: http://ec.europa.eu/consumers/sectors/cosmetics/documents/revision/index_en.htm

(2) Press release of Cosmetics Europe, Cosmetics Europe welcomes application of EU Cosmetics Regulation, 11 July 2013: <https://www.cosmeticseurope.eu/downloads/6447.html>

(3) Cosmetics Europe charter for responsible advertising and marketing communication: http://www.febea.fr/uploads/media/2012_10_02_-_FEBEA_-_RECOMMANDATION_CHARTRE_PUBUCITE_01.pdf

➤ *Anti-competitive Behavior*

In the ordinary course of its business, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. It is also the subject of proceedings initiated by national competition authorities, in particular in European countries .

In order to better prevent these risks, the Group's Legal Department has introduced a training session on competition law for the employees concerned. In 2011, it also distributed an ethical and legal guide on the conditions of fair competition, called "The way we compete".

A provision is set aside in the parent company and consolidated financial statements whenever the Group has an obligation towards another party and will have to face a probable outflow of economic resources whose cost can be reliably estimated.

➤ *Compliance*

The purpose of the Risk Management & Compliance department, created in 2013, is to identify, evaluate and prioritise risks, with all those concerned, and to update the risk maps.

It is aimed at promoting the optimal use of resources to minimise and control the impact of adverse events and maximise the realisation of opportunities.



FOR FURTHER INFORMATION, SEE SECTION 2.5.3. "THE PLAYERS", PARAGRAPH ON "THE RISK MANAGEMENT & COMPLIANCE DEPARTMENT" ON PAGE 79 OF THE 2013 REGISTRATION DOCUMENT.

➤ *Supplier Assessment for Impacts on Society*

The Group's suppliers' footprint on the environment and on society is part of L'Oréal's wider footprint.

In this respect, through its Sharing Beauty with All programme, the Group has made a commitment to having 100% of its strategic suppliers participate in its sustainable development programme intended for suppliers.

Suppliers will be assessed and selected on the basis of their social and environmental performance.

➤ *Grievance Mechanisms for Impacts on Society*

L'Oréal attaches crucial importance to the dialogue with its stakeholders.

Initiated in 2011, this dialogue is conducted in the form of discussion forums across the globe, enabling representatives of civil society, NGOs or associations to talk and discuss their expectations with the Group's internal experts.

In 2013, an online platform was set up for stakeholders allowing organisations to continue their exchanges following the Stakeholder Forums. Through this platform, L'Oréal is able to consider its sustainable development strategy in light of the main CSR issues defended by stakeholders.

This platform for dialogue allows those organisations who so wish to put questions to Group experts and get answers in real time. This offers a way of keeping in touch with expectations and is part of an ongoing initiative of listening and improvement.

Furthermore, L'Oréal has also included a page on the loreal.com website which permits anyone who wishes to ask questions relating to sustainable development:

www.loreal.com, section "Contact Us", "Environment and Sustainable Development".

L/ocal communities

L'ORÉAL

SO₁

Percentage of operations with implemented local community engagement, impact assessments, and development programs

SOLIDARITY SOURCING

All over the world, L'Oréal purchases goods and services: raw materials, packaging, promotional and POS advertising materials, real estate, travel services, IT equipment, packing items, etc. Through its "L'Oréal Buy & Care" programme, the Group has endeavoured for several years to develop its responsible purchases and create sustainable relations with its suppliers, based on respect for the environment, social development and economic progress.

L'Oréal has decided to go further. Because a company's purchasing power is an economic development and societal impact factor, L'Oréal has decided to make its purchases a novel way of promoting social inclusion. The Group thus created a global solidarity purchasing programme in mid-2010: "Solidarity Sourcing".

Its aim is to help to give people from economically vulnerable communities durable access to employment and income.

In 2013, the global Solidarity Sourcing programme continued to be rolled out within the Group's different teams. Monitoring and reporting systems have been put in place via an intranet platform accessible to all employees. The various purchasing teams have now been given objectives with regard to this programme, particularly with respect to the number of beneficiaries. In 2013, the Programme offered access to work to 22,000 people all over the world (excluding The Body Shop purchases).

Since 2012, the internal auditors have included the Solidarity Sourcing programme in their audit scope with the aim of continuous improvement. Audits have thus been conducted in China, Switzerland and South Africa.

In 2013, over 110 suppliers were involved in the programme. The purchases concerned were made from the Group's traditional suppliers or suppliers within its Solidarity Sourcing programme who have deployed solidarity actions in their respective fields. Certain traditional suppliers have moreover applied this approach in their own supply chain.



FOR FURTHER INFORMATION CONCERNING SOLIDARITY SOURCING, SEE THE ARTICLE DEVOTED TO THIS PROGRAMME ON PAGE 41 OF THE 2013 SUSTAINABLE DEVELOPMENT REPORT.

FAIR TRADE

Since its acquisition by L'Oréal in 2006, The Body Shop has worked in close cooperation with some of the Group's other brands, which in 2013 used eight fair trade ingredients in their products including soya, babassu, aloe vera, and olive and sesame oil.

Argan oil: in Morocco since 2011, for purchases of argan oil, 6 women's cooperatives have received support from the L'Oréal Group and working conditions, pay or access to healthcare and education have been improved for nearly 300 women.

Shea butter: shea butter is part of the composition of nearly 1,200 of L'Oréal's skin care and personal hygiene products and makeup. It is currently among the top 10 plant raw materials it uses and purchase volumes of this ingredient never stop growing. For this emblematic raw material, L'Oréal has chosen to implement sustainable procurement with local communities.

This programme has been set up in Burkina Faso, one of the countries in West Africa with the most naturally growing shea trees and where the populations are among the most fragile in the world, particularly women in rural areas. It has a threefold objective: ensure fair revenue is generated, without any intermediaries, for the women who collect the shea nuts; create value locally, thanks to training courses; and have a favourable impact on the environment, by preserving shea trees.

The Body Shop Community Fair Trade programme

In 2013, The Body Shop collected the prestigious BITC International Responsible Business Award in recognition of its pioneering Community Fair Trade programme. Under this programme, The Body Shop buys ingredients, gifts and accessories supporting the lives of over 25,000 small-scale farmers and workers and benefiting over 320,000 people. These projects are rolled out in the wider supplier community and offer simple but life-changing benefits such as clean drinking water, educational materials, medical infrastructure and fair income.

The Community Fair Trade programme is certified by the Institute for Market Ecology (IMO) and is governed by the principles set out in the Community Fair Trade Charter (available at <http://thebodyshop.com/content/pdf/cft-charter.pdf>). These principles define how suppliers are selected, their commitments with respect to The Body Shop and the benefits they receive in return. The impact on the suppliers and their wider communities is assessed once a year using supplier self-assessments, every two years through on-site visits and every three years by audits carried out by the IMO, backed where appropriate by more in-depth impact assessments.

The Body Shop's commitment to Community Fair Trade has not stopped growing: over 93% of its products contain fairly-sourced ingredients, up from 85% on 2011.

The Body Shop, founding member of the Ethical Trading Initiative

The Body Shop is one of the founding members of the ETI (Ethical Trading Initiative), an alliance of companies, NGOs and trade unions that work together to improve the working conditions of poor, vulnerable people all over the world.

Through its membership of the ETI, The Body Shop has developed its Ethical Trade programme which requires its entire supply chain to undertake to work within the framework of its Supplier Code of Conduct. By involving its suppliers in its programme, The Body Shop measures working conditions in factories and actively looks for areas of sustainable improvement. Through its training sessions in factories, conferences with suppliers and field experts who handle specific issues, The Body Shop continues to be recognised by the ETI as one of its most active members.

The programme covers all the products sold in its network of shops throughout the world.

The Ethical Trade programme is the responsibility of each and every employee of The Body Shop and the teams are regularly trained in the different processes and the consequences that their procurement practices may have on working conditions in the supply chain.



FOR FURTHER INFORMATION CONCERNING ETHICAL TRADE, SEE THE [HTTP://WWW.ETHICALTRADE.ORG/WEBSITE](http://www.ethicaltrade.org/website).

A GLOBAL ANNUAL SOLIDARITY DAY: CITIZEN DAY

Held for the first time in 2009 at the time of L'Oréal's centenary, Citizen Day is the day every year when all L'Oréal's staff throughout the world are able to carry out voluntary work for associations, on public utility projects and projects providing support to their surrounding communities, while receiving their normal remuneration for the day from the company. Citizen Day enables the L'Oréal Group to involve all its teams in its citizenship initiatives, armed with the conviction that each and every one of its employees has the ability to play a role, and persuaded of the collective impact of the action taken together. The teams are offered a very wide choice of social or environmental actions conducted with hundreds of partner associations all over the globe, or developed with municipal and local authorities close to the Group's sites. This leads to a wealth of initiatives based around six main themes: young people, the fight against exclusion, the environment, the disabled, professional reinsertion and intergenerational solidarity. The programme includes: cleaning beaches, picking up waste, renovating schools, acting as blood donors, visiting orphanages and retirement homes, going to meet people who live on their own or are in a fragile situation and a lot of other initiatives. In 2013, over 20,000 people in 61 countries took part in the 5th edition of this event, which has become a real, federating occasion inside the Group and which means a lot to its employees.



FOR FURTHER INFORMATION ON CITIZEN DAY, SEE THE 2013 SUSTAINABLE DEVELOPMENT REPORT, PAGE 36.

Anti-corruption

SO₃

Total number and percentage of operations assessed for risks related to corruption and significant risks identified

Corruption risk is included in the risk assessment at Group level: Country Managers have access to a tool which enables them to assess the potential ethical risks (including corruption) locally and to take the necessary measures to overcome them.

L'Oréal's commitment is backed up by its Human Resources procedures. Thus, the competency "Obtains results with integrity" is now included in the annual appraisal system for all employees.

Within the framework of L'Oréal's "Open Talk" policy, employees are encouraged to express any concerns they have and a dedicated website provides a secure mechanism for asking questions or raising concerns directly with the Group's Senior Vice President & Chief Ethics Officer who has access to all the documents and information concerning the Group's activities and can rely on the Group's teams and resources to conduct his assignment successfully.

Any concerns raised in good faith are examined in detail and appropriate measures are taken, where applicable. L'Oréal guarantees that no reprisals will be taken against employees who have reported their concerns in good faith.

The Group's Internal Control system provides for control procedures for operational activities and in particular with regard to separation of tasks.

L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during internal audit assignments, through individual interviews with regard to Ethics.

These interviews include questions specifically concerning corruption and are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.

Within the scope of the legal due diligence reviews carried out prior to acquisitions, the Group's Legal Department includes an "ethics questionnaire" prepared by the Ethics Department. The answers to this questionnaire are intended to identify, within the internal control system existing in the target company, whether corruption risk prevention has been taken into account.

L'Oréal wants to share its anti-corruption commitment with its business partners and the requirement of compliance with the law is included in the Group's General Terms of Purchase.

L'Oréal reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

A decision was made in 2013 not to work with 2 suppliers following allegations of attempted corruption by the external auditors responsible for the social audits.

SO₄ *Communication and training on anti-corruption policies and procedures*

L'Oréal's Code of Business Ethics publicly states a zero-tolerance policy on corruption. It applies to all employees, executive officers and directors, members of the Group's Executive and Management Committees and those of its subsidiaries worldwide.

This document has been translated into 35 languages and each employee receives a copy.

In 2013, a specific anti-corruption guide was rolled out throughout the Group

This practical Guide is intended to specify the Group's standards and to assist employees to handle situations which they may encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors. This policy posted online on L'Oréal's website (www.loreal.com).

L'Oréal wants to share its anti-corruption commitment with its business partners and compliance with the law is included in the Group's general terms of purchase. The communication of this commitment to partner L'Oréal is one of the principles of prevention policy above.

L'Oréal's commitment is supported by Human Resources procedures. Thus, a "Obtains results with integrity" competence is now included in the annual appraisal system for all our employees.

At Corporate level, the Ethics Department led 23 training sessions for 669 employees, representing 1,474 hours of training.

SO₅ *Confirmed incidents of corruption and actions taken*

Within the framework of L'Oréal's "Open Talk" policy, employees are encouraged to express any concerns they have and a dedicated website provides a secure mechanism for asking questions or raising concerns directly with the Group's Senior Vice President & Chief Ethics Officer who has access to all the documents and information concerning the Group's activities and can rely on the Group's teams and resources to conduct his assignment successfully.

Any concerns raised in good faith are examined in detail and appropriate measures are taken, where applicable. L'Oréal guarantees that no reprisals will be taken against employees who have reported their concerns in good faith.

L'Oréal wants to share its anti-corruption commitment with its business partners and compliance with the law is included in the Group's general terms of purchase. The communication of this commitment to partner L'Oréal is one of the principles of prevention policy above.

L'Oréal reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

A decision was made in 2013 not to work with 2 suppliers following allegations of attempted corruption by the external auditors responsible for the social audits.

P/ublic policy

SO₆ *Total value of political contributions by country and recipient/beneficiary*

L'Oréal prohibits all contributions to political parties or politicians with the aim of obtaining a commercial advantage.

In 2013, L'Oréal USA paid the Political Action Committee of the Personal Care Product Council of the States of New York and California an amount of US\$5,000. This type of payment is authorised by local law and is made completely transparently.

Anti-competitive behavior

SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

The Group considers that there is currently no exceptional event nor any governmental procedure, legal or arbitration proceeding which has recently materially affected, or is seriously likely to materially affect, the financial situation, assets or operations of the Company and the L'Oréal Group.

See "Provisions for Liabilities and Charges" on page 147 of chapter 4 "2013 Consolidated financial statements" of the 2013 Registration Document.

€ millions	12.31.2013	12.31.2012	12.31.2011
Non-current provisions for liabilities and charges	182.7	181.7	226.1
Other non-current provisions ⁽¹⁾	182.7	181.7	226.1
Current provisions for liabilities and charges	557.8	552.3	500.7
Provisions for restructuring	100.1	129.4	93.6
Provisions for product returns	251.0	226.3	219.2
Other current provisions ^{(1) (2)}	206.6	196.6	187.9
TOTAL	740.5	734.0	726.8

⁽¹⁾ This item includes provisions for tax risks and litigation, industrial, environmental and commercial risks relating to operations (breach of contract), personnel-related costs and risks relating to investigations carried out by competition authorities.

⁽²⁾ Investigations have been launched into the cosmetics sector by national competition authorities in several European countries.

Each of the proceedings is at a different stage:

- in Spain, the case was heard by the Court of First Instance and a fine handed down. L'Oréal has filed an appeal against this fine, which continues to be covered by a provision in its books;
- in Italy, the case was heard by the Court of First Instance and the resulting fine was paid in order to avoid any late-payment penalties. The appeal decision handed down in April 2012 reduced the fine by 25% but the case is still pending before the High Court;
- in France, the case regarding vertical pricing arrangements in the luxury perfume and cosmetics industry ended with the ruling of June 12, 2013 by France's highest civil court (the Cour de Cassation) upholding the decision issued in 2006 by the French Competition Council. The resulting financial penalties were already covered by a provision and have been paid by L'Oréal. A statement of objections was received from the antitrust authorities in 2013 concerning the consumer products sector in France. No provision has yet been booked in this respect. L'Oréal has challenged these objections and the case is currently under review;
- in Belgium, the proceedings are in progress;

The proceedings brought in Germany in 2008 in the bodycare and personal care sector are still in progress and an appeal has been lodged against the ruling of the Court of First Instance of March 14, 2013. Accordingly, the €9.7 million fine has not yet been paid.

The provisions relating to these litigations amount to €43.0 million at December 31, 2013 compared with €45.0 million at December 31, 2012 and €35.1 million at December 31, 2011.

C/ompliance

SO₈ *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations*

Concerning the amount of the substantial fines for non-compliance with laws and regulations, see response SO7 in this sheet.

S/upplier assessment for impacts on society

SO₉ *Percentage of new suppliers that were screened using criteria for impact on society*

SO₁₀ *Significant actual and potential negative impacts on society in the supply chain and actions taken*

GLOBAL RESPONSE

L'Oréal does not measure its suppliers' negative impacts on society. The Group has nevertheless implemented programmes to enable suppliers to have a positive impact on society. This is the case, for example, of the Solidarity Sourcing programme described in SO1.

Grievance mechanisms for impacts on society

SO
11

Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

No grievances have been reported on the Stakeholder Platform; the exchanges essentially concerned L'Oréal's sustainable development strategy.

P Product responsibility

DISCLOSURES ON MANAGEMENT APPROACH p.2

CUSTOMER HEALTH AND SAFETY p.5

- PR1 - Percentage of significant product and service categories for which health and safety impacts are assessed for improvement p.5
- PR2 - Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes p.8

PRODUCT AND SERVICE LABELLING p.9

- PR3 - Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements . p.9
- PR4 - Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes p.10

MARKETING COMMUNICATIONS p.10

- PR6 - Sale of banned or disputed products p.10
- PR7 - Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes p.10

CUSTOMER PRIVACY p.11

- PR8 - Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data p.11

COMPLIANCE p.11

- PR9 - Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services p.11

D L'ORÉAL Disclosures on management approach

➤ *Customer health and safety*

Customer safety is an absolute priority for L'Oréal: the Group considers that as a responsible corporate citizen, its duty is to provide consumers across the globe with safe cosmetic products. This commitment also meets regulatory requirements in most parts of the world. The safety of cosmetic products destined for consumers is a sensitive issue with a strong media impact and is an important part of the company's corporate image.

Safety assessment is therefore at the centre of development of new products and a prerequisite before any product is launched on the market.

For this purpose, the Group has set up an International Product Safety Assessment Department within its International Research and Innovation Division, consisting of a team of nearly 100 employees across three continents.

The L'Oréal Group has introduced a process assessing safety at each stage, from design to market launch. This process seeks to ensure that all products developed, whatever the geographical location of the laboratory in charge of the project, are subject to a rigorous safety evaluation. This approach also enables L'Oréal to meet the safety requirements of the national regulations of all the countries in which the Group's products are put on sale.

L'Oréal's added value in terms of the safety assessment of its ingredients and finished products lies in its investment for over 20 years in the development of predictive methods and tissue engineering. For many years, L'Oréal has thus been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works with all the international stakeholders involved in relevant industries on developing alternative multidisciplinary solutions in the field of safety assessment.

Thanks to this longstanding commitment, the Group was able to comply with the latest regulatory requirements which prohibit the offering for sale on the European market of cosmetic products containing any ingredient that has been tested on animals after March 11, 2013.

The safety assessor must issue its approval before any new products can be manufactured. The raw materials used in the manufacture of cosmetic products have to meet strict specifications defined in conjunction with safety assessors. The quality of the raw materials has to meet the requirements defined by the safety assessor in order to guarantee the safety of the manufactured product, as well as existing safety regulations. If deemed necessary, the safety assessor may require specific conditions of use and/or warnings to be displayed. Such information must be easily available to the consumer and appear on the packaging.

L'Oréal has set up customer service departments to handle any product-specific issues that arise when the products are sold. Any incidents are thus identified and promptly resolved. Internal procedures exist for identifying and resolving quality incidents so that the appropriate measures can be taken to ensure that products continue to be safe for consumers. In the event that one of the Group's products is found to have an impact on consumer's health, the customer service department calls on the cosmetic surveillance, or 'cosmeto-vigilance' network which takes charge of the case in order to identify the nature of the problem. The data compiled is analysed so that the appropriate measures can be put in place where needed. Finally, all of the information relating to such incidents is used to enhance the Group's knowledge about products and ingredients with a view to improving products and/or processes.

Furthermore, L'Oréal's ethics principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations can be altered by removing and/or replacing the substances that are the subject of concern.

All in all, L'Oréal's products continually evolve in step with technological innovations, but constantly aim to guarantee the highest level of safety for both consumers and professionals.

➤ *Product and service labelling*

L'Oréal has set up a Worldwide Regulatory Affairs Division (DIAR) responsible for ensuring that products are compliant with regulations across the globe. This organisation meets a two-fold objective. On the one hand, the growing complexity of international regulatory issues requires better management and greater anticipation as part of a coherent, structured approach. On the other hand, the increasing international dimension of research means that functional research units at corporate level need to be more transparent and efficient.

The responsibilities of DIAR teams include verifying that ingredients, raw materials and finished products comply with local regulations. Furthermore, teams based in countries where L'Oréal has research centres monitor products as from the design stage. L'Oréal therefore complies with national regulations in every country in which its products are sold.

To help launch products on the market that are compliant with the different regulations in force, the Group has developed in-house expert systems concerning cosmetic ingredients which are updated to reflect the latest regulatory developments across the globe. These systems are accessible at the level of the formulation laboratories and are used as from the new product design stage in order to ensure that the products being developed comply with the regulations in the countries in which they are intended to be sold.

By incorporating regulatory issues into the very first stages of product development projects, the L'Oréal Group is able to ensure that the products to be placed on the market will be compliant with regulations, including in terms of labelling. Compliance is verified in each country before the product begins to be marketed and sold by local regulatory specialists based in over 50 countries.

➤ *Marketing communications*

L'Oréal recognises the essential importance of responsible advertising and marketing communications in informing consumers about the characteristics and properties of cosmetic products.

Around 10 years ago, L'Oréal set up a department responsible for pre-approving advertising and marketing communications for all products marketed and sold by the Group around the world. This central department is staffed with teams of experts boasting extremely precise knowledge both of L'Oréal's product performance and of advertising regulations. These expert teams carry out an upstream analysis of the advertising and marketing communications submitted to them by the Group's various marketing entities in light of their knowledge of regulations, legislation and self-regulation practices. This organisation is rolled down worldwide in the Group's subsidiaries which have a scientific department and, in some cases, specialists in advertising claims who are responsible for ensuring that advertisements and marketing communications in their country are compliant with the local laws. This acts as a guarantee to consumers, not only that the Group systematically makes true and fair claims but also that those claims are compliant with local rules on self-regulation.

As a member of Cosmetics Europe, L'Oréal signed the Charter on responsible advertising and marketing communications in 2012.

The purpose of this Charter is to set the cosmetics industry common ground towards responsible cosmetics advertising and marketing communications in Europe. This Charter was endorsed by Cosmetics Europe members, on the basis that it is a fair and honest representation of their commitment. Cosmetics Europe members encourage the respect of its principles. This Charter is completed by a framework including the European Commission list of common criteria and the Cosmetics Europe self-regulation guiding principles on responsible advertising and marketing communications.

This charter makes it possible to ensure that advertising and marketing communications:

- are in compliance with the relevant European and national regulations and the applicable self-regulatory framework;
- are sincere, truthful and not misleading advertising;
- enable consumers to make informed choices;
- are socially responsible.

L'Oréal is also a member of the French Union of Advertisers (*Union Des Annonceurs* or "UDA") and contributed to preparation of the Charter on responsible communication. The Group reports on its actions in this field every year. Since 2012, L'Oréal has set up a training programme for employees in marketing to raise their awareness to good communication practices. At the end of 2013, 750 employees had received this training.

➤ *Customer privacy*

The development of innovative products and their adaptation to market needs is an ongoing priority for the Group.

If the Group fail to anticipate and interpret the changing expectations of consumers and new trends, sales could be affected.

The development of digital communications and e-commerce creates a strengthened cooperation between L'Oréal and its consumers, thanks to the establishment of support services to the decision to purchase the products and use.

➤ *Compliance*

L'Oréal has set up a Worldwide Regulatory Affairs Division (DIAR) responsible for ensuring that products are compliant with regulations across the globe. This organisation meets a two-fold objective. On the one hand, the growing complexity of international regulatory issues requires better management and greater anticipation as part of a coherent, structured approach. On the other hand, the increasing international dimension of research means that functional research units at corporate level need to be more transparent and efficient.

The responsibilities of DIAR teams include verifying that ingredients, raw materials and finished products comply with local regulations. Furthermore, teams based in countries where L'Oréal has research centres monitor products as from the design stage. L'Oréal therefore complies with national regulations in every country in which its products are sold.

To help launch products on the market that are compliant with the different regulations in force, the Group has developed in-house expert systems concerning cosmetic ingredients which are updated to reflect the latest regulatory developments across the globe. These systems are accessible at the level of the formulation laboratories and are used as from the new product design stage in order to ensure that the products being developed comply with the regulations in the countries in which they are intended to be sold.

By incorporating regulatory issues into the very first stages of product development projects, the L'Oréal Group is able to ensure that the products to be placed on the market will be compliant with regulations, including in terms of labelling. Compliance is verified in each country before the product begins to be marketed and sold by local regulatory specialists based in over 50 countries.

Customer health and safety

L'ORÉAL

PR₁

Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

The L'Oréal Group is wholly committed to meeting the international regulations with regard to assessment of the safety of cosmetic products and their ingredients. For example, at European level, it complies with the requirements of Regulation (EC) No. 1223/2009 and the European REACH regulation (Regulation (EC) No. 1907/2006). Beyond these regulatory requirements, the Group has had a procedure for systematically assessing all products placed on the market worldwide for more than a decade, including in regions where regulations are light or even non-existent.

1. ASSESSING SAFETY IS AT THE CENTRE OF THE NEW PRODUCT DEVELOPMENT PROCESS

Safety assessment of products destined for consumers is a prerequisite before any product is launched on the market by the L'Oréal Group.

Assessments are not made only on a single occasion but are carried out throughout the product's development - from the design stage to its life on the market - to evaluate the safety of product ingredients and of the finished product.

Assessing the safety of product ingredients from design to market

Safety assessors have a say in the decision of whether to introduce new raw materials in the manufacture of cosmetic products. They can impose quality standards - for example in terms of unavoidable trace levels - which will then be applied at the factories when sourcing the raw materials concerned.

Each substance introduced in a cosmetic product (all substances) is assessed in terms of safety.

As a first step, the safety assessor analyses all of the information available about this substance (physico-chemical properties, bibliographic and experimental data), in order to determine its toxicological profile. If necessary, the toxicologist decides to generate new data in order to supplement the existing file (see the section discussing L'Oréal's commitment to predictive methods).

The safety assessor takes into account consumers' potential exposure. This exposure is related to the percentage content of the ingredient in the cosmetic product and to the type of cosmetic product concerned (this will determine inputs such as exposed surface area, the length of time the product is in contact with the skin, sun exposure, etc.).

The same ingredient is assessed for safety each time it is put to specific use in a finished product. For example, the use of an ingredient, at the same concentration, in a mascara and in a sunscreen product results in very different human exposure. Safety assessment teams also consider other aspects in the product's life cycle, such as the time during which the ingredient stays on the skin, its exposure to the sun, the risk of an allergic reaction, possible misuse and so on.

This information makes it possible to determine at what concentration the given substance can be used safely. This concentration corresponds to a level of use of the ingredient which is generally at least 100 times lower than that considered safe in experimental conditions, taking into account the toxicological profile and exposure to the substance. All of this data forms an essential part of the product information file prepared for regulatory purposes.

This assessment process accompanies the development of all new products. Safety assessments begin as soon as the Company considers using the ingredient in a future product. At this stage, the formulator (i.e., the person making these future cosmetic products) asks his or her safety assessor if the substance is safe to be introduced in the product for the end consumer. The same checks are made at each stage of development and may lead to modifications in product formulas.

Assessing the safety of finished cosmetic products ahead of their market launch

Safety assessors also evaluate tolerance of the finished cosmetic product for the consumer. This assessment is made as soon as the product formulation is established. Safety assessors have the necessary expertise to identify any interaction or potentiation between substances as soon as the formula has been defined on paper.

This evaluation is based on existing bibliographic and experimental data and may call for new studies to be carried out where necessary. These new studies can be in vitro tests or clinical trials involving volunteers. Clinical trials involving volunteers are only carried out when there is sufficient evidence to demonstrate adequate product safety for the volunteers, since the trials are aimed at ensuring the products are well tolerated by the target population before being placed on the market.

A safety certificate signed by a safety assessor is issued for each product launched on the market. Since July 11, 2013, the date when European Regulation (EC) No. 1223/2009 came into full application, this safety certificate has been replaced by a very detailed cosmetic product safety report containing all the necessary information and documenting the procedures that have been implemented to ensure the safety of the products launched, which is signed by a safety assessor.

Cosmeto-vigilance and impact on safety assessment

After launching the product on the market, L'Oréal continues to assess the use and tolerance of its products sold across the globe through the international cosmeto-vigilance network. This network compiles, validates and analyses any adverse effects related to use of the product based on rigorous, proven methodologies.

This tool helps to identify any exceptionally 'abnormal' reactions to the product on the market. In such cases, additional investigations can be proposed to the consumers affected. The product information file is then re-examined in order to identify the cause of the reaction and to take any measures that may be needed such as printing new labels if the previous label was not appropriate, affixing warning labels or possibly altering the composition of the formula.

This information is used to update the product files with details of the substances concerned (if any) and the cosmetic products to which they relate.



FOR FURTHER INFORMATION CONCERNING COSMETO-VIGILANCE AT L'ORÉAL, SEE CHAPTER PR2 OF THIS FACT SHEET.

2. L'OREAL'S COMMITMENT IN THE FIELD OF PREDICTIVE EVALUATION

For over 20 years, the L'Oréal Group has invested in the development of new approaches to assess the safety of ingredients and cosmetic products without using animal testing. These so-called 'predictive methods' are used very early on to help select new cosmetic ingredients which are initially chosen because they do not pose a risk to humans or the environment.

Predictive methods use a combination of data and tools to predict the safety of ingredients and formulas.

L'Oréal's added value in terms of evaluating the safety of its ingredients and finished products lies in its investment in tissue engineering, combined with a range of predictive methods that include statistical and mathematical models, *in silico* methods and QSAR (quantitative structure-activity relationship) models, developed in-house or as part of external initiatives. These are used in combination with one another to optimise the predictive capacity.

Thanks to this long-standing commitment, the Group was able to comply with the latest regulatory requirements which prohibit the offering for sale on the European market of cosmetic products containing any ingredient that has been tested on animals after March 11, 2013.

Key milestones in the development of L'Oréal's expertise in safety assessment using predictive methods:

- **1995:** ECVAM/COLIPA in vitro phototoxicity validation study. Amathée prize for alternative methods (OPAL).
- **1997:** Acquisition of EpiSkin SNC, industrial centre for cutaneous engineering. Introduction of Langerhans cells in reconstructed skin (EU 4th Framework Programme).
- **1998:** EpiSkin model validated to assess skin corrosion.
- **2005:** Participation in SENS-IT-IV assessment of alternatives for allergens (EU 6th Framework Programme). Founding member of the EPAA (European Partnership for Alternative Approaches to Animal Testing).
- **2006:** SkinEthic RHE model validated to assess skin corrosion.
- **2006:** Acquisition of SkinEthic, leader in the production and sale of reconstructed skin.
- **2007:** EpiSkin model validated for skin irritation.
- **2008:** SkinEthic RHE model validated for skin irritation.
- **2010:** SkinEthic RHE and EpiSkin models for skin irritation are implemented in the new OECD TG 439 guideline.
- **2011:** 130,000 units of reconstructed biological tissue (skin and cornea epithelia) produced at Gerland.
- **2012:** 150,000 units of reconstructed biological tissue (skin and cornea epithelia) produced at Gerland.
- **2013:** 140,000 units of reconstructed biological tissue (skin and cornea epithelia) produced at Gerland.



FOR FURTHER INFORMATION CONCERNING PREDICTIVE EVALUATION AT L'ORÉAL, VISIT: [HTTP://WWW.LOREAL.COM/ARTICLE.ASPX?TOPCODE=CORPTOPIC_RI_SECURITY_PREDICTIVEASSESSMENT&](http://www.loreal.com/article.aspx?TOPCODE=CORPTOPIC_RI_SECURITY_PREDICTIVEASSESSMENT&)

The predictive capacity of these methods is enhanced by new technologies arising from tissue engineering, modern biology, mathematical modelling, computing power and the use of the safety databank.

The Group now plans to devise an integrated safety assessment strategy and be a part of 21st century toxicology by continuing to develop and improve these tools.

In 2013, L'Oréal presented its evaluation strategy along with the associated tools and methods at various congresses including those held by the Chinese Society of Toxicology (Gangzhou), the San Antonio SOT and the 2nd Skin Metabolism in France. Its strategy was also presented in five articles published by the Group (sometimes in conjunction with Cosmetics Europe) in international reviews (Toxicology in vitro, Contact Dermatitis, Mutation Research, Toxicological Sciences).

Reconstructed tissue

L'Oréal's research teams have been conducting research into cellular biology and tissue engineering for many years now, with a view to reconstructing various models of human skin and tissue.

The different models have four main aims:

- developing knowledge about skin without having to perform invasive clinical trials;
- developing predictive methods and evaluating the effectiveness of new active substances (e.g., sun screens, photo-protection);
- helping to assess the safety of raw materials and finished products;
- creating, validating and standardising new alternative predictive tests for assessing product safety.

In 2013, the sale of reconstructed tissue models for use to assess the safety of ingredients and formulas continued.

Assessing skin irritation

R&I teams have developed four proven methods to assess skin irritation and corrosion, developed with skin models (EpiSkin and SkinEthic-RHE). These methods form part of the existing assessment system architecture and help expand the knowledge of ingredients and enrich the databanks as well as the relevant regulatory product information files.

Assessing eye irritation

The SkinEthic reconstructed HCE cornea model is currently going through scientific approval procedures. In 2010, a published study demonstrated the reliability of the protocol developed by L'Oréal which has been tested on over 400 ingredients. New ingredients are tested whenever necessary using a combination of complementary *in vitro/in silico* models.

PR₂ *Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes*

The Group has not learnt of any incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of its products.

In August 2013, the L'Oréal Group voluntarily choose to stop distributing INOA Ultra Blond and to recall the product from the market. INOA Ultra Blond is a blonde hair colour and lightening care kit produced for hair salons and was launched on the market in the spring of 2013. The recall decision was taken after the product was found to cause hair breakage with no risk for human health. The INOA Ultra Blond product information file was examined by the French authorities and no cases of non-compliance with Regulation (EC) No. 1223/2009 were identified. As is usual in such circumstances, the French authorities submitted an Article 11 RAPEX notification which was published on the European Commission website.

L'Oréal has a cosme-to-vigilance network with teams based in most of its markets, including in those with no cosme-to-vigilance requirements. This network is designed to compile information on and analyse all adverse effects linked to the use of products placed by the Group on the market.

In 2013, no cases of non-compliance with regulations governing product safety and consumer health were identified by the network.

The L'Oréal Group set up the cosme-to-vigilance network more than 25 years ago and it now forms an integral part of the Group's policy. This strategic activity is carried out by dedicated teams, the international post-marketing surveillance department at Group level and local international multi-disciplinary networks. In total, cosme-to-vigilance teams comprise around 80 people (including around 20 doctors) spanning 85 countries.

The aim of this organisation is to analyse and use post-marketing surveillance data for all L'Oréal products placed on the market in order to optimise their safety profile and correct use, both for the long-term benefit of consumers and for the purposes of compliance with applicable regulations.

As well as working closely with both national and international consumer relations departments, the main responsibilities of the post-marketing surveillance network is to compile and analyse any adverse effects spontaneously reported by consumers, to evaluate each case reported and to determine the causal link to the product involved. Analysing post-marketing surveillance data helps flag up areas of concern and enables risks to be anticipated and prevented. It also provides guidance for teams in charge of pre-marketing safety.

P Product and service labeling

PR3

Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements

Information that appears on the labels of cosmetic products sold by the L'Oréal Group is compliant with regulatory requirements. This information includes a list of the product's ingredients, the contents, the instructions for using the product correctly (particularly precautions for use, etc.), the type of packaging material used, and so on.

In some countries, packaging also displays the green dot symbol indicating that L'Oréal pays a contribution to environmental organisations that finance the collection of household packaging, in accordance with the Extended Producer Responsibility principle.

All products placed by the L'Oréal Group on the market have informative labelling meeting the relevant local regulatory requirements in countries across the globe (see above). Precautions for use only feature on product labels when appropriate.

L'Oréal seeks to meet the expectations of the highest possible number of consumers and therefore develops specific products with much sought-after properties which it displays on the product packaging. On some of its products, L'Oréal may therefore indicate that they do not contain certain substances such as parabens and sulphates, or that the product has been certified by an independent body (e.g. Ecocert for organic products developed by Mixa Bio, Sanoflore, Ushuaia Bio, etc.)

L'Oréal may also highlight some products' eco-design credentials.

Garnier indicates on virtually all of its cardboard packaging that the cardboard has been certified by the Forest Stewardship Council (FSC), and includes an explanation to help consumers understand what the FSC does.

Other brands such as Kiehl's, Fructis in the USA and Lancôme Arôme Blue indicate on their packaging that it was made wholly or partly from recycled materials.

Lastly, some brands such as Fructis in France and Ushuaia encourage consumers to go through their personal care products so that recyclable packaging can be sorted and then re-used.

L'Oréal Group brands also have websites where consumers can find additional information on product properties and quality.

In 2012, L'Oréal took part in the eco-labelling initiative as part of the Grenelle environmental law in France. Garnier assessed the environmental impact of 12 of its Ultra-Doux shampoos based on three impact indicators: CO₂ emissions, water consumption and aquatic pollution. The conditions of this experiment required that the relevant data would be made available to consumers. The information was therefore published on Garnier's website, and for six of the shampoos, also on Carrefour's website.



FOR ADDITIONAL INFORMATION CONCERNING GARNIER'S ECO-LABELLING EXPERIMENT, VISIT:
[HTTP://WWW.GARNIER.FR/_FR/_FR/ENGAGEMENTS-GARNIER/](http://www.garnier.fr/_FR/_FR/ENGAGEMENTS-GARNIER/)

PR

4 *Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes*

Authorities in several countries (India, Taiwan, Indonesia, Germany, Italy, Sweden, Bulgaria, Switzerland, Poland, Ukraine, etc.) have asked questions about the information made available to consumers on labels. These questions concerned for example the size of font on the label, the consistency of the information shown on primary and secondary packaging, the language used, the dates shown on the packaging, and the absence of regulatory information. All questions were systematically answered by local regulatory teams.

In nine cases, the related incidents were punished by fines. In Indonesia, the authorities issued warnings in respect of 13 products.

In France, the Group was obliged to modify its packaging when a distributor informed it of a case of non-compliance.

L'Oréal was also informed of an issue raised by a self-regulation body which asked the Company to change its packaging.

Marketing communications

PR

6 *Sale of banned or disputed products*

L'Oréal does not sell any banned products on the market and never breaks the law in the countries in which its products are sold.

L'Oréal's products may sometimes be the subject of disputes with stakeholders. This is described in the responses to PR1, PR2 and PR3.

Regarding customer claims, each of the Group's products displays a dedicated consumer hotline number on its packaging. By calling his hotline, the customer can obtain answers to questions as well as any assistance that may be needed.

PR

7 *Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes*

In 2013, following the review of 112 product information files by both legal and self-disciplinary advertising oversight authorities, L'Oréal was obliged to make changes to or to withdraw adverts for which it received 47 claims, representing less than 0.5% of the marketing communications recorded in the database kept by our internal advertising oversight teams in 2013.

Customer privacy

PR8 *Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data*

To the best of its knowledge, the Group was not the subject of any such complaints or incidents.

Compliance

PR9 *Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services*

L'Oréal does not sell any banned products on the market and never breaks the law in the countries in which its products are sold.

L'Oréal's products may sometimes be the subject of disputes with stakeholders (safety of products and ingredients, advertising claims, etc.). This is described in more detail in the responses to PR1, PR2 and PR3.

Regarding customer claims, each of the Group's products displays a dedicated consumer hotline number on its packaging. By calling this hotline, the customer can obtain answers to questions as well as any assistance that may be needed.

The Group is not aware of any incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of its products.