L'ORÉAL

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

ACCORDING TO THE G4 GRI GUIDELINES

2014 ***GRI*** REPORT

General standard disclosures

General standard disclosures

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Strategy and analysis

G4-1 Jean-Paul Agon, Chairman and Chief executive Officer

COULD YOU REMIND US, IN A FEW WORDS, WHAT THE "SHARING BEAUTY WITH ALL" PROGRAMME IS?

It's our programme of sustainable development commitments, launched at the end of 2013, for the period up to 2020.

Our group already had a long tradition of sustainable development initiatives: we were trailblazers in sustainable innovation, and we made substantial advances in green chemistry for example. As for the environmental footprint of our production, in 2005 we set ourselves the target of halving our CO_2 emissions in absolute terms, as well as our water consumption and the volume of our waste per finished unit by 2015. Furthermore, for more than 10 years we have been supporting and implementing the principles of the United Nations Global Compact, a commitment that we renewed in 2014. Our sustainability policy flows from L'Oréal's Code of Ethics and our strong Ethical Principles – Integrity, Respect, Courage and Transparency.

Through "Sharing Beauty with All", we wanted to go even further. Its new commitments, which are both practical and ambitious, cover our entire value chain. Ultimately they will transform our group, and the ways in which we innovate, make our products, communicate with our consumers and share our growth with the communities around us. This represents a profound paradigm shift.

WHY IS IT A PARADIGM SHIFT?

In the 21st century, a company can no longer envision its success and its sustainability exclusively through the prism of financial performance. Nor can it conduct short-term CSR programmes that are disconnected from its business and long-term strategy.

In 2020, for example, 100% of our products will have a demonstrable positive environmental or social benefit. This means that social and environmental criteria will be just as important in evaluating our future products as their efficacy or their contribution to the company's value creation.

Here's another example: by 2020, we will have helped more than 100,000 people from communities in social or financial difficulty to access employment. That means we will be supporting as many people outside the company as we have employees at L'Oréal. This is truly a vision of the company as a driving force for economic and social progress.

All in all, I am convinced that companies have a fundamental role to play in worldwide challenges as complex as global warming, the growing scarcity of resources, and precarious social conditions. Companies can have a really positive impact, not only by their actions but also by the chain reaction they can initiate among all their stakeholders, from suppliers to consumers. At L'Oréal, sustainable development is fully integrated in the company's long-term strategy and its everyday management.

WHY DID YOU DECIDE TO PUBLISH A PROGRESS REPORT THIS YEAR?

When we launched our programme 18 months ago, we committed ourselves to providing regular updates on our progress, and establishing indicators for this purpose.

These updates are essential. For us first of all, to see where we stand each year, and more clearly identify the points on which we need to continue focusing our efforts. But also for those who want to monitor our progress and evaluate the implementation of our programme. The co-construction approach was crucial to defining the commitments: through dialogue with the representatives of civil society we have been able to define the most relevant strategy possible both for the group and for our stakeholders. Now we have entered the programme's implementation phase, it is just as essential to continue to have an outside critical perspective, and to answer questions with facts and figures. Transparency is the true watchword.

It is with this in mind that we set up a "panel of critical friends", a body of independent international experts who will meet once a year to challenge us about the advances we have made on the programme. I was present last September at the panel's first meeting, which was extremely instructive. This process of challenging our environmental approach will drive us to keep on making progress.

IN THIS FIRST YEAR OF IMPLEMENTATION, WHAT ADVANCES HAVE BEEN ACHIEVED?

Thanks to the very determined efforts of our teams all over the world, we have already made significant advances in a number of areas. I would just like to mention three examples.

At the end of 2014, 67% of our new products had an improved environmental or social profile, for example through reducing the water footprint of a new formula or using renewable raw materials. For the first year, this is a significant step forward.

2014 was also a year of significant achievements in sustainable production, especially in terms of reducing CO_2 emissions, because we achieved our -50% objective at the end of 2014. This is the result of efforts made since 2005, but also of projects put in place in 2014 to accelerate our momentum. In September we thus inaugurated a new biomass power plant in our factory in Burgos in Spain. This initiative, an industry first in Spain, means the plant will have a neutral carbon footprint in 2015.

Another major step forward in 2014 was the very good start made by the L'Oréal Share & Care programme, which aims to provide the best social benefits to our employees in all the countries in which we operate by 2015. Let's take two examples: in Malaysia and Dubai, maternity leave has been doubled to 14 weeks on full pay; and in Nigeria, 100% of employees are now insured, and are guaranteed a payment of 2 years of their gross wage in the event of death or disability, when no benefit of this type previously existed. The universalisation of our social policy within the group also enables us to extend social protection worldwide. In my view, this is also the role of major companies.

AND WHAT ARE YOUR NEXT CHALLENGES?

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

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

There is still a long way to go, but our objective is clear: to become one of the most exemplary companies, and one of the leaders of a new economic development model, which is increasingly ecological, responsible and societal. We are all determined to build a more sustainable L'Oréal.

G4 2 *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 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, the Group will innovate so that 100% of products have an environmental or social benefit.

2 - PRODUCING SUSTAINABLY
By 2020, the Group commits to reducing its environmental footprint by 60%, whilst bringing beauty to one billion new consumers.

3 - LIVING SUSTAINABLY
By 2020, the Group will empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet.

4 - DEVELOPING SUSTAINABLY

- **With employees** - by 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world;
- **With suppliers** - by 2020, 100% of the Group's strategic suppliers will be participating in the supplier sustainability programme;
- **With communities** - by 2020, through its actions, the Group will enable more than 100,000 people from underprivileged communities, equivalent to the size of our workforce, to access work.

1. INNOVATING SUSTAINABLY: "BY 2020, WE WILL INNOVATE SO THAT 100% OF PRODUCTS HAVE AN ENVIRONMENTAL OR SOCIAL BENEFIT."

2020 Targets	*2014 Results*
100 % of our products will have a positive environmental or social benefit. Every time we invent or update a product, we will improve its environmental or societal profile against at least one of the following criteria:	**67 %** of new products that have been screened have an improved environmental or social profile [1].
● the new formula uses renewable raw materials that are sustainably sourced or raw materials derived from green chemistry;	**46 %** of new renovated products have an improved social / environmental profile due to a new formula including sustainably sourced renewable raw materials or raw materials respecting the principles of green chemistry.
● the new formula reduces the environmental footprint;	**54 %** of new or renovated products have an improved environmental profile due to a new formula with a reduced environmental footprint.
● the new packaging has an improved environmental profile;	INDICATOR NOT AVAILABLE FOR 2014. Baseline currently being calculated. A strict eco-design policy is developed at all the Group's Packaging Design centres. For example, one of L'Oréal's objectives is for all paper and cardboard packaging to be sourced from sustainably managed forests. In 2014, more than 97.9% of paper and cardboard packaging supplies were certified sustainable in accordance with FSC or PEFC standards.
● the new product has a positive social impact.	**17 %** of new or renovated products have an improved social profile thank to a positive social impact.

2. PRODUCING SUSTAINABLY: "BY 2020, WE WILL REDUCE OUR ENVIRONMENTAL FOOTPRINT BY 60% WHILST BRINGING BEAUTY TO ONE BILLION NEW CONSUMERS."

2020 Targets	*2014 Results*
We will reduce CO_2 emissions at our plants and distribution centres by **60%** in absolute terms, from a 2005 baseline.	CO_2 emissions have been reduced by **50.2%** from a 2005 baseline[2].
We will reduce our water consumption by **60%** per finished product unit, from a 2005 baseline.	Water consumption was reduced by **36%** from a 2005 baseline[3].
We will reduce waste by **60%** per finished product unit, from a 2005 baseline.	Waste generation was reduced by **23.1%** from a 2005 baseline[4].
We will send zero waste to landfill.	Only **3.8%** of waste was sent to landfill [5].
We will reduce by **20%** our CO_2 emissions from transportation of products (in grams in CO_2 per unit of finished product and per km) from a 2011 baseline.	INDICATOR NOT AVAILABLE FOR 2014. The reporting process for this indicator is in progress. Currently being implemented. Figures for 2014 will be consolidated in 2015.

(1) The analysis of new products in 2014 does not include make-up or fine fragrances. All other categories (shampoos, hair care, shower gels, skin care, cleansers, hair colouring, styling, permanents, deodorants, sun care) have been analysed, as they are all formulas produced in the Group's plants in 2014.
(2) The calculation of CO_2 emissions concerns scopes 1 and 2 of plants and distribution centres. The reduction percentage is calculated in absolute value from a 2005 baseline.
(3) The water consumption calculation is based on plants and distribution centres. The reduction percentage is calculated in litre/finished product, from a 2005 baseline.
(4) The calculation of waste generation is based on plants and distribution centres (excluding reusable packaging rotation with returnable packaging calculated at the source). The reduction percentage is calculated in grams of waste per finished product from a 2005 baseline.
(5) The percentage of waste sent to landfill is calculated for the given year, by dividing the quantity of waste sent to landfill (5088 tonnes) by the quantity of transportable waste excluding reusable packaging (96,943 tonnes) and reusable packaging rotation (36,698 tonnes).

3. LIVING SUSTAINABLY: «BY 2020, THE GROUP WANTS TO EMPOWER ALL L'ORÉAL CONSUMERS TO MAKE SUSTAINABLE CONSUMPTION CHOICES.»

2020 Targets	*2014 Results*
We will use a Product Assessment tool to evaluate the environmental and social profile of 100%l new products and all brands will make this information available to allow consumers to make sustainable lifestyle choices.	The percentage of brands that provide the consumer with information obtained from the Product Assessment Tool in order to allow them to make well-informed consumption choices, and the percentage of new products assessed using the Product Assessment Tool are not available this year. At the beginning of 2014, L'Oréal began to develop a prototype assessment tool for the social and environmental impacts of a cosmetic product. The tool will make it possible to evaluate and improve the (new or renovated) products on the basis of 11 relevant criteria (7 environmental criteria relating to packaging and formula and 4 social criteria). It is tested on 4 pilot brands: Biotherm, Redken USA, La Roche-Posay and Garnier. Within the scope of this process, baselines have been constituted both for formulas and for packaging. Thus, more than 28,000 Formulas and 12,000 packaging have been assessed using the tool's criteria.
All L'Oréal brands will assess where they have the biggest environmental and social impact and make commitments to improve their footprint.	**22%** of the brands have evaluated where they had the biggest social or environmental impact [(1)]. The Biotherm brand has implemented the «*Sharing Beauty With All*» programme in its entirety, evaluating its impact, and building its brand platform around water under the umbrella of the Water Lovers programme. Working groups to conduct a diagnostic review of packaging and formula have been set up withKérastase, Garnier, The Body Shop, La Roche-Posay and at the level of Professional Products Division.
Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.	**25.4%** of the brands have carried out an action to raise awareness among consumers [(1)]. The Biotherm, Garnier, La Roche-Posay, The Body Shop, Kiehl's, Armani brands are already raising awareness among consumers about responsible lifestyle choices through various programs.
Our consumers will be able to influence our sustainability actions through a consumer sustainability panel.	INDICATOR NOT AVAILABLE THIS YEAR. The consumer consultation group for the purpose of influencing our Sustainable Development actions will be set up in 2016.

(1) The percentage of brands in 2014 is calculated based on their share of 2013 consolidated turnover.

4. DEVELOPING SUSTAINABLY

EMPLOYEES - "BY 2020, L'ORÉAL EMPLOYEES WILL HAVE ACCESS TO HEALTHCARE, SOCIAL PROTECTION AND TRAINING, WHEREVER THEY ARE IN THE WORLD."

2020 Targets	*2014 Results*
We will provide health care coverage for employees which is aligned with the best practice of the country they are based in.	**85.3%** of the Group's permanent employees have healthcare coverage reflecting best practices in their country of residence [1].
We will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur.	**70.1%** of the Group's permanent employees receive financial protection in the event of personal injury, such as death or permanent disability [1].
Every L'Oréal employee will have access to at least one training session per year wherever they are in the world.	**81.7%** of the Group's employees attended at least one training session in 2014 [1].

SUPPLIERS - "BY 2020, 100% OF OUR STRATEGIC SUPPLIERS WILL BE PARTICIPATING IN OUR SUPPLIER SUSTAINABILITY PROGRAMME."

2020 Targets	*2014 Results*
All strategic suppliers[2] will be evaluated and selected on social and environmental performance.	**43 %** of the Group's strategic suppliers(1) have been evaluated and selected based on the basis of their environmental and social performance. They represent more than 60% of total direct purchases (raw materials, packaging and subcontracting). Furthermore in 2014, 834 social audits were carried out, making a total of 6129 since 2006.
All strategic suppliers[2] will have completed a self-assessment of their sustainability policy with our support.	**50 %** of strategic suppliers[2] have completed a self-assessment of their sustainability policy with our support. This percentage is based on the calculation of the number of suppliers who, in 2014, were assessed on their social, environmental and ethical policies, as well as assessments conducted at their own suppliers by Ecovadis. Ecovadis provides expertise on social responsibility (CSR) consisting of scorecards covering 150 purchasing categories and 21 CSR indicators.
All suppliers will have access to L'Oréal training tools to improve their sustainability policies.	INDICATOR NOT AVAILABLE FOR 2014. Access to training tools is part of the 2015 action plan.
20% of strategic suppliers[2] will be associated with our *Solidarity Sourcing* programme.	**4 %** of strategic suppliers[2] are involved in the Group's *Solidarity Sourcing* programme.

(1) Indicators calculated according to the Group's global scope (Cosmetics and The Body Shop).
(2) Strategic suppliers are suppliers whose added value is significant for the Group by contributing to the L'Oréal sustainable strategy by their weight, their innovations, their strategic alignment and their geographical deployment.

COMMUNITIES AROUND US - "BY 2020, WE WILL ENABLE MORE THAN 100,000 PEOPLE FROM UNDERPRIVILEGED COMMUNITIES, EQUIVALENT TO THE SIZE OF OUR GLOBAL WORKFORCE, TO ACCESS WORK."

2020 Targets	*2014 Results*
We will enable more than **100,000** people from socially or financially deprived communities to access work through the following programmes:	Over **54,000** people from socially or financially deprived communities has access to work.
● *Solidarity Sourcing*	**52,000** people accessed work through the *Solidarity Sourcing* programme. The Body Shop's Community Fair Trade programme is part of this initiative and helped 25,000 people access work.
● Inclusive distribution	**200** people accessed work as part of an inter-industry, inclusive waste management project in Mumbai, India.
● Beauty professionalisation	**1 400** people accessed work through the Beauty for a Better Life programme.
● Mentoring and community education	INDICATOR NOT AVAILABLE IN 2014.
● Employment of disabled people and under-represented socioethnic groups.	**815** people with disabilities work for L'Oréal[1].

(1) Employees with disabilities present as of 12.31.2014 including employees with permanent contracts, fixed-term contracts, or working as beauty advisors with L'Oréal. This figure only includes those employees wishing to self-declare as having a disability. As self-declaration meets with significant resistance in various cultural contexts, this figure does not encompass the reality of the staff concerned.

Organizational profile

G4 3 Name of the organization

L'Oréal

G4 4 Primary brands, products, and/or servicies

L'Oréal has a portfolio of 32 complementary international brands from different origins

List of Group brands:

- L'Oréal Professionnel
- Kerastase
- Redken
- Matrix
- Decléor
- Carita
- L'Oréal Paris
- Garnier
- Maybelline New York
- Softhseen Carson
- MG
- Essie
- NYX
- Lancôme
- Giorgio Armani
- Kiehl's
- Yves Saint Laurent
- Biotherm
- Ralph Lauren
- Urban Decay
- Clarisonic
- Shu Uemura
- Victor & Rolf
- Diesel
- Cacharel
- Helena Rubinstein
- Yue-Sai
- Vichy
- La Roche Posay
- SkinCeuticals
- Roger & Gallet
- The Body Shop

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 69 countries, with 64.5% of its sales being generated outside Western Europe. Global growth in the cosmetics markets has led L'Oréal to develop its activities in countries falling within the "New Markets" Zone, which represent over 39.6% of its cosmetics sales in 2014. The breakdown and changes in L'Oréal's sales are given in chapter 3, pages 101 et seq. of the 2014 Registration Document.

Besides the currency risks mentioned in chapter 4 of the 2014 Registration Document in note 26.1., "*Hedging of currency risk*" on pages 166 and 167 and in paragraph 1.8.7.2., "*Currency risk*" on page 31, 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

French *Société Anonyme* (SA) with capital of €112,246,077.80

Registered in Paris under number: 632 012 100

Headquarters: 41 rue Martre, 92117 Clichy Cedex – France

Registered office: 14 rue Royale, 75008 Paris – France

ALLOCATION OF THE SHARE CAPITAL AT DECEMBER 31, 2014

33.09% Bettencourt Meyers family

23.14% Nestlé S.A.

41.71% Public

1.25% Treasury stock[1]

0.81% Employees (Company savings plan)[2]

[1] As required by law, treasury stock have no voting rights.

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

G4-8 Markets served

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 five continents. Founded in France in 1909, the Group developed rapidly in Western Europe. In 2014, it made over 35% of its cosmetics sales in the regions in which it has enjoyed a long-standing presence.

In the first half of the 20th century, L'Oréal gained a foothold in North America. Initially, the Group entrusted distribution companies with commercialising its products, these companies being united in 1953 around an exclusive agent, Cosmair. Following the takeover of Cosmair 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), Urban Decay (2012) and NYX (2014) have firmly anchored the Group in North America. In 2014, its sales on that continent increased by 1.1% like-for-like to reach 24.9% of world cosmetics sales.

RAPID DEVELOPMENT OUTSIDE WESTERN EUROPE AND NORTH AMERICA

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.

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.

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 headquartered in Mumbai.

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 six years.

The mid 2000s was a turning point, with the strong acceleration of the development of New Markets leading to a shift in the point of gravity of 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 39.6% in 2014. The percentage of Group sales made in New Markets increased by almost 60% between 2005 and 2014 and this upward trend is expected to continue.

In terms of geographical footprint, the Group's business is evenly spread across most of the world's largest markets.

In autumn 2013, the Group presented its *Sharing Beauty With All* programme and detailed its commitments for 2020 to reduce its environmental impact while confirming its growth ambitions (details of these commitments can be found in chapter 6 on pages 212 et seq. of the 2014 Registration Document and under the G4-2 indicator in this factsheet).

IMMENSE DEVELOPMENT POTENTIAL

Besides the New Markets, L'Oréal has notably identified among its "growth markets" the following countries: Poland, Ukraine, Turkey, Argentina, Colombia, Indonesia, Thailand, Philippines, Egypt, Saudi Arabia, Pakistan, Kazakhstan, South Africa and Nigeria.

In some 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 Group's marketing teams, particularly 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.

Organizational profile

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

North America

+ 1.1% sales growth in 2014 [1]

Western Europe

+ 2.4 % sales growth in 2014 [2]

New Markets

+ 6.9% sales growth in 2014 [1]

Asia, Pacific

+ 5.3% sales growth in 2014 [2]

Eastern Europe

+ 6.0% sales growth in 2014 [2]

Latin America

+ 10% sales growth in 2014 [2]

Africa, Middle East

+ 13.5% sales growth in 2014 [2]

[1] On a like-for-like basis
[2] Ibid

FOR FURTHER INFORMATION ON THE MARKETS SERVED, SEE SECTION 1.4., "INTERNATIONALIZATION AND THE COSMETICS MARKET" ON PAGES 12 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

G4 9 Scale of the reporting organization

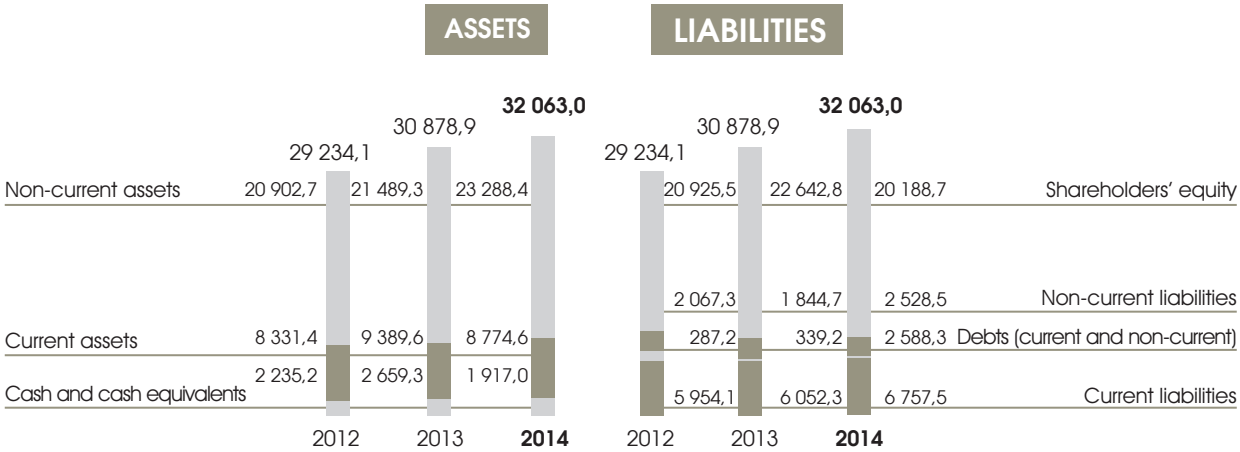
- Number of employees: 78,611
- Consolidated sales: €22.53 billion (+1.8%)
- Net profit excluding non-recurring items attributable to owners of the Company: €3,125 million

Debt/equity breakdown

This can be presented as follows:

- Shareholders' equity: €20,189 million at December 31, 2014
- Total current and non-current debt: €2,588 million
- **Total balance sheet: €32,063 million**

A SOLID BALANCE SHEET[1] (€ millions)



[1] *The balance sheet at 12.31.2012 has been restated to allow for the change in accounting method relating to revised IAS 19.*

FOR FURTHER INFORMATION CONCERNING THE BALANCE SHEET AT DECEMBER 31, 2014, SEE SECTION 3.2, CHAPTER 3, "KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR" ON PAGES 107 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

G4 10 Workforce

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, 2014.

CHANGES IN GROUP WORKFORCE TRENDS BY GEOGRAPHIC ZONE AS PUBLISHED
(data for proportionately consolidated companies is based on their percentage of consolidation)

	Cosmetics			*The Body Shop*			*Dermatology*			*Group*		
	2012	*2013*	*2014*	*2012*	*2013*	*2014*	*2012*	*2013*	*2014*	*2012*	*2013*	*2014*
Western Europe	24,598	25,128	25,789	5,149	5,430	5,291	1,052	1,236		30,798	31,794	31,080 ✓
North America	12,814	12,318	12,797	2,878	2,718	2,644	488	461		16,180	15,497	15,441 ✓
Asia, Pacific	12,985	14,322	15,683	720	711	803	319	349		14,024	15,382	16,486 ✓
Latin America	5,758	7,869	8,344	5	7	178	282	304		6,045	8,180	8,522 ✓
Eastern Europe	4,328	4,787	5,241				45	60		4,373	4,847	5,241 ✓
Africa, Middle East	1,203	1,732	1,841				16	21		1,218	1,753	1,841 ✓
Total	**61,685**	**66,156**	**69,695**	**8,752**	**8,866**	**8,916**	**2,200**	**2,430**		**72,636**	**77,451**	**78,611** ✓

All the other social indicators set out in this chapter relate to "Cosmetics" and "The Body Shop"[1].

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

COSMETICS + TBS WORKFORCE – HISTORICAL TREND

	Total Cosmetics + TBS		
	2012	*2013*	*2014*
Western Europe	29,715	30,525	31,080 ✓
North America	15,692	15,036	15,441 ✓
Asia, Pacific	13,701	15,033	16,486 ✓
Latin America	5,759	7,868	8,522 ✓
Eastern Europe	4,324	4,784	5,241 ✓
Africa, Middle East	1,203	1,732	1,841 ✓
Total	**70,394**	**74,978**	**78,611** ✓

COSMETICS + TBS WORKFORCE: BREAKDOWN BY GENDER AND AVERAGE AGE – 2014

	Total	*Men*	*Women*	*Average age*	*% of women*
Western Europe	31,080	9,842	21,238	39	68 %
North America	15,441	4,187	11,254	37	73 %
Asia, Pacific	16,486	4,967	11,519	34	70 %
Latin America	8,522	3,098	5,424	35	64 %
Eastern Europe	5,241	1,720	3,251	35	67 %
Africa, Middle East	1,841	955	886	35	48 %
Total	**78,611** ✓	**24,769** ✓	**53,842** ✓	**37**	**68 %** ✓

(8) Excluding Galderma and Innéov.

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

	Part-time			*Full-time*		
	2012	*2013*	*2014*	*2012*	*2013*	*2014*
Western Europe	6,360	6,927	6,501	23,387	23,631	24,579
North America	3,233	3,110	3,626	12,459	11,926	11,815
Asia, Pacific	78	220	349	13,626	14,813	16,137
Latin America	0	2	112	5,763	7,874	8,410
Eastern Europe	15	23	22	3,215	4,764	5,219
Africa, Middle East	2	2	1	2,299	1,730	1,840
Total	**9,688**	**10,284**	**10,611**	**60,749**	**64,738**	**68,000**

COSMETICS + TBS WORKFORCE: BREAKDOWN BY PART-TIME/FULL-TIME CONTRACT – 2014

	Part-time			*Full-time*			*Total*
	Men	*Women*	*Total*	*Men*	*Women*	*Total*	
Western Europe	382	6,119	6,501	9,460	15,119	24,579	31,080
North America	251	3,375	3,626	3,936	7,879	11,815	15,441
Asia, Pacific	43	306	349	4,924	11,213	16,137	16,486
Latin America	6	106	112	3,092	5,319	8,410	8,522
Eastern Europe	0	22	22	1,720	3,499	5,219	5,241
Africa, Middle East	0	1	1	955	885	1,840	1,841
Total	**682**	**9,929**	**10,611**	**24,087**	**43,914**	**68,000**	**78,611**

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

	Temporary			*Permanent*		
	2012	*2013*	*2014*	*2012*	*2013*	*2014*
Western Europe	2,116	2,181	2,526	27,631	28,377	28,554
North America	199	198	450	15,493	14,838	14,991
Asia, Pacific	3,608	4,195	5,191	10,097	10,838	11,295
Latin America	698	343	419	5,065	7,533	8,103
Eastern Europe	185	191	288	3,045	4,596	4,953
Africa, Middle East	31	127	143	2,270	1,605	1,698
Total	**6,837**	**7,235**	**9,017**	**63,601**	**67,787**	**69,594**

COSMETICS + TBS WORKFORCE: BREAKDOWN BY TEMPORARY/PERMANENT CONTRACT –2014

	Temporary			*Permanent*			*Total*
	Men	*Women*	*Total*	*Men*	*Women*	*Total*	
Western Europe	449	2,077	2,526	9,393	19,161	28,554	31,080
North America	116	334	450	4,071	10,920	14,991	15,441
Asia, Pacific	1,584	3,607	5,191	3,383	7,912	11,295	16,486
Latin America	150	269	419	2,947	5,156	8,103	8,522
Eastern Europe	117	171	288	1,603	3,350	4,953	5,241
Africa, Middle East	54	89	143	901	797	1,698	1,841
Total	**2,470**	**6,547**	**9,017**	**22,298**	**47,296**	**69,594**	**78,611**

COSMETICS + TBS WORKFORCE: % OF EXECUTIVES (CADRES)

	% Of executives		
	2012	*2013*	*2014*
Western Europe	39 %	39 %	40 %
North America	32 %	34 %	35 %
Asia, Pacific	36 %	36 %	35 %
Latin America	34 %	33 %	35 %
Eastern Europe	50 %	51 %	48 %
Africa, Middle East	62 %	61 %	62 %
Total	**38 %**	**38 %**	**38** %

NB : The definition of professional grades was revised in 2014. The figures for 2012 and 2013 have therefore been recalculated to reflect the new definition.

YOU CAN FIND THIS INFORMATION ON THE GROUP'S WORKFORCE IN THE "LABOUR PRACTICES AND DECENT WORK" FACTSHEET INCLUDED IN THIS REPORT AND IN SECTION 6.2.2.1, "EMPLOYMENT" ON PAGES 218 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

G4 11 Percentage of total employees covered by collective bargaining agreements

In 2014, 43% of the Group's employees (Cosmetics & TBS) are officially covered by collective bargaining agreements (national and/or industry-specific and/or company-specific). 96% of these are covered by company-specific collective bargaining agreements.

Worldwide, 78% 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 2014, 224 agreements ✓ were signed in France and 88 agreements ✓ were signed in the rest of the world. In total, the number of agreements in force worldwide at December 31, 2014 was 765 ✓, including 477 in France ✓.

FOR FURTHER INFORMATION CONCERNING LABOUR RELATIONS, SEE SECTION 6.2.2.3, "LABOUR RELATIONS" ON PAGE 226 OF THE 2014 REGISTRATION DOCUMENT.

SEE ALSO THE "LABOUR PRACTICES AND DECENT WORK" FACTSHEET, DISCLOSURES ON MANAGEMENT APPROACH, IN THIS REPORT.

G4 12 Organization supply chain

L'Oréal produces 86.7% of its products in its own factories[1]. 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, vac trays, cases, etc.); and
- **production equipment**: manufacturing equipment (manufacturing skids, weighing equipment, washing equipment), packaging machines (filling, labelling, dispensing, and bundling machines, etc.) and industrial tools (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 €3.64 billion in 2014 (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

Acting on the authority given to him by the Board of Directors' meeting of April 17, 2014, the Chairman noted that the share capital at December 31, 2014 amounted to €112,246,077.80 and was divided into 561,230,389 shares.

SIGNIFICANT EVENTS OF 2014

- On January 9, L'Oréal obtained the approval of the Ministry of Commerce of the People's Republic of China to proceed with the acquisition of all the shares of Magic Holdings International Ltd., a company listed on the Hong Kong stock exchange. On April 8, 2014, the acquisition of Magic Holdings was finalized. This move marks L'Oréal's largest investment to date in the Chinese beauty market.
- On February 11, L'Oréal and Nestlé announced a strategic transaction under which L'Oréal was to buy 48.5 million of its own shares from Nestlé (representing 8% of L'Oréal shares), on the condition precedent of the sale by L'Oréal of its stake in the pharmaceutical laboratory Galderma. The sale was completed on July 8, 2014 and results in a capital gain net of tax of about €2 billion in the second half.
- On February 19, L'Oréal and Shiseido signed the contract for the acquisition by L'Oréal of Decléor and Carita. On April 30, 2014, the acquisition was finalised.
- On April 17, 2014, the Annual General Meeting of L'Oréal shareholders renewed the tenure of Mr. Jean-Paul Agon as Director. The Board of Directors, which met at the end of the Annual General Meeting, decided to renew the duties of Mr. Jean-Paul Agon as Chairman and Chief Executive Officer.
- On June 18, 2014, L'Oréal announced the signing of a definitive agreement to acquire NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles. On July 30, 2014, the acquisition was finalised.
- On October 20, L'Oréal USA announced the acquisition of Carol's Daughter, an American multi-cultural beauty brand with a pioneering heritage in the natural beauty movement. The brand caters to a diverse, rapidly growing market and has established a loyal consumer following throughout the United States. The company reported sales of US$ 27 million in the 12 months to September 30, 2014.
- On November 27, L'Oréal and Nestlé announced their project to end the operations of their joint venture Innéov in the first quarter of 2015.
- On December 18, L'Oréal stated that it had been informed of the French Competition Authority's decision to rule against manufacturers of household and hygiene products concerning events which took place in the early 2000s. L'Oréal has appealed this decision.
- Currently undergoing finalisation in the first half of 2015, the acquisition of Niely Cosmeticos, announced on September 8, 2014, has been approved by the Brazilian regulatory authorities. Niely Cosmeticos is the largest independent hair colour and haircare company in Brazil, with net revenue of €140 million in 2013.

FOR FURTHER INFORMATION CONCERNING 2014 HIGHLIGHTS, SEE SECTION 3.3.1, "SIGNIFICANT EVENTS OF 2014" ON PAGES 114 AND 115 OF THE 2014 REGISTRATION DOCUMENT.

G4-14 Precautionary approach

At the request of the Chairman and Chief Executive Officer, the Administration and Finance Division compiled the information contained in the report on Internal Control procedures and risk management based on the different types of work carried out by departments in charge of Group Internal Control and risk management aimed at covering the main operational, legal, industrial, environmental, economic and financial risks described in section 1.8., "Risk factors" on pages 25 et seq. of the 2014 Registration Document.

After mentioning these considerations, the following 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. Through its *Buy & Care* programme, 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.

Since this programme was set up, nearly 6,100 social audits have been carried out at 4,200 sites operated by the Group's suppliers. The objective is not to impose sanctions on suppliers but to help them improve their safety standards and their environmental and social performance. 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, the Group took the initiative of using local suppliers who make commitments in favour of minorities: disabled workers or workers from deprived backgrounds. They may also use 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 for the Group's suppliers in 2012 in order to encourage them to develop the same approach with their own suppliers.

The *Solidarity Sourcing* programme is an integral part of the Group's *Sharing Beauty With All* CSR programme and meets the challenges of the fourth pillar ("Sharing our growth with communities"), which aims to enable more than 100,000 people from underprivileged communities to access work by 2020. In 2014, 52,000 people accessed work through the *Solidarity Sourcing* programme.

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 ON SOLIDARITY SOURCING, PLEASE REFER TO THE EC7 INDICATOR IN THE "ECONOMY" FACTSHEET CONTAINED IN THIS REPORT, AND TO PAGE 25 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT ON "PROMOTING INCLUSION IN OUR COMMUNITIES".

FOR FURTHER INFORMATION ON L'ORÉAL'S HEALTH AND SAFETY POLICY, PLEASE REFER TO THE LA6 INDICATOR IN THE "LABOUR PRACTICES AND DECENT WORK" FACTSHEET CONTAINED IN THIS REPORT.

ENVIRONMENTAL PROTECTION AT THE HEART OF PRODUCTION

In the field of sustainable production, the Group's environmental policy is aimed both at rolling out the best practices with regard to energy efficiency, efficient resource consumption, waste reduction and the best possible waste treatment and at implementing breakthrough projects in an ongoing quest for operational performance combined with environmental performance.

Through the "Commitments for 2020" undertaken as part of its *Sharing Beauty With All programme*, the Group carries on with the approach initiated in 2009 aiming at reducing the environmental footprint of its factories and distribution centres. The pledge to reduce by 50% CO_2 emissions in absolute terms (both direct and indirect), water consumption and waste generation per finished product (FP) unit, by 2015 from a 2005 baseline, is now a pledge for a 60% reduction by 2020 from a 2005 baseline (see the Disclosures on Management Approach and the corresponding indicators in the "Environment" factsheet contained in this report for more detailed information on the measures taken by the Group to reduce carbon emissions, water and energy consumption and waste production). Furthermore, the environmental impacts related to packaging, transport and buildings are also taken into consideration.

(1) European sustainability rating agency.

Initiatives to choose the alternative energy sources that are most suited to the local ecosystem are being introduced at the Group's sites: geothermal energy in Vichy (France), photovoltaic panels in Mexico, biomethanation in Belgium, phytorestoration in Mourenx (France), a new biomass facility in Burgos in 2014, to name but a few. In 2014, L'Oréal obtained from the Carbon Disclosure Project very high scores of A for performance and 98 for transparency (its score was A 93 in 2013) and received a prize for the *Best performer in Climate Change Leadership*. Details of these scores are set out in chapter 6, page 243 of the 2014 Registration Document.

MEASURES ADOPTED WITH REGARD TO CONSUMER HEALTH AND SAFETY

Policy

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

The same safety requirements are applied throughout the world so that consumers from all over the globe have access to the same quality of products.

The Group has set up an International Product Safety Assessment Department ("Worldwide Safety Evaluation") consisting of a team of nearly 100 employees across three continents.

Implementation

The L'Oréal Group has set up a process 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. The evaluations by L'Oréal's International Safety Assessment Department (Worldwide Safety Evaluation), based on a multidisciplinary scientific approach, are carried out at all stages of the product life cycle. 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.

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 report is issued for each cosmetics product launched on the market in accordance with the requirements of Regulation (EC) 1223/2003.

Moreover, 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 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 closely with all international stakeholders involved in relevant industries in order to advance the development of alternative multidisciplinary solutions in the field of safety assessment.

This longstanding commitment means that the Group no longer carries out animal testing in laboratories for any of its products or ingredients, anywhere in the world. The Group also does not delegate responsibility for doing so to anyone else. An exception could be tolerated if an authority so requires for safety or regulatory reasons.

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

YOU CAN FIND THIS INFORMATION ON PRODUCT QUALITY AND SAFETY IN:
- THE PR1 INDICATOR IN THE "PRODUCT RESPONSIBILITY" FACTSHEET CONTAINED IN THIS REPORT;
- SECTION 6.4.3., "MEASURES ADOPTED WITH REGARD TO CONSUMER HEALTH AND SAFETY" ON PAGES 249 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

ANIMAL TESTING: BALANCING ETHICS AND INNOVATION

To respond to the essential requirements of harmlessness of their innovations, in the 1980s the Research team embarked on developing alternative methods to animal testing for the evaluation of the safety of its products and active principles. Major 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.

To date, 12 reconstructed skin and corneal tissue models have been developed. 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 tested on animals after March 11, 2013.

This law has not had any impact on the innovation efforts made by the Group, which has no longer conducted animal testing anywhere in the world since March 2013 and which does not delegate this responsibility to anyone.

Episkin in China

In four decades of international scientific cooperation, the Group has built genuine expertise in this area. This ethical commitment led to validation of several alternative methods before it shifted into the era of predictive evaluation. This led to the creation of a subsidiary, Episkin, which produces and sells validated skin models in Lyon. Its engagement became international, following the changes in the legislation and regulations in Brazil, India, China, and so on. It is with this objective in mind that production of restructured Asian skin in China started in 2008; the marketing of these skins by the recently formed company, Shanghai Episkin Biotechnology Co. Ltd, can now be envisaged.

Validations in progress

L'Oréal is participating in the validation of several alternative methods. In Europe, for ocular sensitisation and irritation and in Japan, for ocular corrosiveness and irritation. In China, in partnership with the authorities, L'Oréal is participating in pre-validation of an alternative method for skin irritation using a Chinese Episkin model.

YOU CAN FIND THIS INFORMATION ON THE HARMLESSNESS OF PRODUCTS IN THE PR1 INDICATOR IN THE "PRODUCT RESPONSIBILITY" FACTSHEET CONTAINED IN THIS REPORT.

G4 15 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses

L'Oréal became a signatory of 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, PLEASE REFER TO THE ANNUAL REPORT ON THE GLOBAL COMPACT:
HTTP://WWW.LOREAL.COM/GOVERNANCE/ACTING-ETHICALLY/LOREAL-SUPPORTS-THE-UNITED-NATIONS-GLOBAL-COMPACT.ASPX

In 2014, the Chairman and Chief Executive Officer signed, on behalf of L'Oréal, the Women's Empowerment Principles, UN Women and UN Global Compact an initiative, which aims to promote gender equality and for the empowerment of women in the workplace, marketplace and community.

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, which is the organisation almost always cited, named or active as the spokesperson with regard to stakeholders, but also 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 developing and exchanging tools and knowledge in the field of 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";
- 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 Association
- Institute of Business Ethics
- European Business Ethics Network
- Transparency International France
- *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:

1 - gender;
2 - disability outreach;
3 - socio-cultural and ethnic origin.

The Group's actions are more particularly focused on the areas of human resources, solidarity sourcing and marketing.

At December 31, 2014, with a network of more than 96 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 nine charters in all (Germany, Austria, Belgium, Italy, Poland, Spain, Finland, France and Sweden), five 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 2012.

- In the field of **socio-professional gender equality**, in 2010 L'Oréal was awarded the first European gender equality label, the "Gender Equality European Standard" (GEES) for its entities in Europe.

Summary of GEES certifications:

- 2010 (initial audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
- 2012 (initial audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.
- 2013 (mid-term audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
- 2014 (initial audit): Austria, Finland, Sweden, The Netherlands, Croatia, Bulgaria, Slovenia and Romania.
- 2014 (mid-term audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.

In all, 24 entities of the L'Oréal Group have obtained the label and are regularly audited to measure their progress.

These efforts have been recognised by the Arborus Fund, the founding organisation for the GEES label. In November 2014, L'Oréal received a special award for the most extensive certification network in Europe.

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.

Finally, seven countries (Australia, Brazil, Canada, the United States, India, Philippines and Russia) started the EDGE (Economic Dividend for Gender Equality) process to obtain certification with regard to social and professional equality of men and women in the world in 2014.

L'Oréal USA ✓✓ obtained the EDGE label in summer 2014. The other six countries ✓✓ are finalising the evaluation stage in order to receive the certification.

In addition, L'Oréal obtained the Vigeo prize for its actions in favour of women and L'Oréal USA was recognised as one of the "Top 10 Champions of Global Diversity".

- With regard to disability, L'Oréal has been developing a global policy in favour of professional insertion of the disabled in the Company since 2008. This policy focuses on five priorities:
  1 - raising awareness;
  2 - accessibility to information and infrastructures;
  3 - partnerships;
  4 - recruitment; and
  5 - maintenance in employment.

To accelerate the mobilisation of its subsidiaries, in 2008 L'Oréal put in place 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. Finally, in 2014, 65 countries in the Group showed their commitment to this initiative by submitting 80 projects ✓✓.

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 on the organisation committee.

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. As a result of this partnership, 2013 saw the joint creation of 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. The first award-winner has been working in close collaboration with L'Oréal Austria since 2014. In 2014, L'Oréal actively supported the launching of the second edition of the award, to be presented in March 2015.

December 3rd is the International Day of Persons with Disabilities declared by the United Nations. A communication kit was sent to all the Group's subsidiaries in November 2014 in order to help them to organise a day or a whole week to raise awareness with regard to disability. To date, five Group subsidiaries have gone into action and created events to raise awareness among their employees: Brazil, United States, Mexico, China and Uruguay. France also mobilised the head office teams to raise awareness on this topic.

- Finally, 28 countries focused part of their **diversity strategy on social and ethnic origins**. With regard to recruitment, 59 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. In 2014, L'Oréal once again hosted the ENAR conference in order to explore best corporate practices to address the question of ethnic and cultural origin in the workplace.

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

FOR MORE INFORMATION ABOUT GEES, PLEASE VISIT:
HTTP://WWW.BUREAUVERITAS.FR/WPS/WCM/CONNECT/BV_FR/LOCAL/SERVICES+SHEET/GENDER-EQUALITY-EUROPEAN-STANDARD

FOR MORE INFORMATION ABOUT THE EVE PROGRAMME, PLEASE VISIT:
HTTP://WWW.EVEPROGRAMME.COM/

Identified material aspects and boundaries

G4 17 Entities included in the organisation's consolidated financial statements or equivalent documents

Present in 130 countries, the Group has attracted nearly one billion customers over the first 100 years of its existence, representing around 15% of the world's population. 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 one billion new consumers in the next 10 to 15 years.

L'Oréal SA is a French company with its registered office in France, which carries out a commercial business specific to that country. In parallel, L'Oréal SA acts as a holding company and provides strategic, scientific and industrial coordination of the L'Oréal Group on a global basis. Most of the subsidiaries have a role of developing and marketing the products manufactured by the Group's factories. L'Oréal wholly owns the vast majority of its subsidiaries.

The Cosmetics Divisions represented around 96% of consolidated sales in 2014 and are organised into four operational Divisions present in every zone and in every country, each corresponding to a specific marketing channel:

- **Professional Products Division: Offering the best of professional beauty.**

In all its historical categories (haircare, hair colours, styling and shaping), the Division has built a unique brand portfolio: luxury hair care (Kérastase, Shu Uemura Art of Hair), general premium brands (L'Oréal Professionnel, Redken), an affordable professional brand (Matrix), and a handful of specialist brands.

In order to further strengthen its brand leadership, develop markets, and accelerate the conquest of new professional hair salons, the strategy is organized:

- by region: accelerating growth in the New Markets (promotion of the profession through education, development of a customised offering of both products and services, leveraging complementary distribution channels), revitalising growth in mature countries by making the hair salon experience more engaging (e-motion concept, exclusive new professional services, development of expert fashion assistance provided by hairdressers);
- by category: by enlarging its professional expertise to two new segments (nail care and colour, Decléor and Carita skincare): these new activities, which are highly complementary to the profession of hairdresser, will make it possible to enhance the authority of the Division over the professional beauty business as a whole, in hair salons and beauty institutes.

- **Consumer Products Division: Innovations in cosmetics that are affordable to all.**

The Consumer Products Division has built its development around the deployment of its three main global brands (L'Oréal Paris, Garnier, Maybelline), accompanied by several specialist or regional brands (Magic, Essie, Dark and Lovely, Nice & Lovely, Vogue, LaScad brands: Dop, Narta, Mixa, etc.).

With the aim of accelerating its growth, the Consumer Products Division rolls out its strategy:

- by region: defending and increasing its already strong positions in Western Europe, pursuing the winning momentum in North America, speeding up growth in the New Markets;
- by category: accentuating its leadership in make-up and hair colours, to achieve the necessary critical mass thresholds in every location where the Division is present, and developing the growth driver categories (men's cosmetics, deodorants) to prepare for its future growth.

- **L'Oréal Luxe: Creating exceptional experiences.**

L'Oréal Luxe orchestrates in a large number of countries a unique portfolio of 17 prestigious brands: emblematic general brands, aspirational designer brands and alternative or specialist brands. L'Oréal Luxe's strategy revolves around a vision:

- by region: accelerating in Asia and in Travel Retail – the leading growth drivers for L'Oréal Luxe, consolidating its leadership in Western Europe, strengthening its positions in the United States, and developing new growth areas (Russia, Middle East).

- by category: giving priority to skincare with three multi-category brands and four specialist brands, acceleration in make-up with, in particular, global deployment of the recently acquired specialist Urban Decay brand, and optimisation of growth in fragrances by winning major positions in women's perfumes and consolidation of its leadership in the men's category.

- **Active Cosmetics Division: Helping everyone in their quest for beauty and skin health.**

With a portfolio of very complementary brands, strongly anchored in science and working closely with healthcare professionals all over the world, the Active Cosmetics Division is the leader in dermocosmetics.

In a perfect position to respond to the growing demand for advice, efficacy and safety from consumers, the Division deploys its global brands: Vichy, La Roche-Posay, and SkinCeuticals.

The Division implements its strategy by adapting its business model to the realities and opportunities of the healthcare channels in each of the major regions:

- pharmacies and chemists in Western Europe;
- drugstores in North America and in the New Markets;
- e-commerce on all markets, focusing on personalised advice.

The Group leadership of the Selective Divisions (Luxe, Active Cosmetics, Professional Products, The Body Shop), created in 2013, aims to accelerate the Group's development in all these distribution channels, by using its know-how in each of its selective sales networks.

Travel Retail: the "travellers' channel" is a booming channel that conveys an image. Already the leader in this channel, the Group decided to create the Group Travel Retail Division Worldwide, including multi-Division activities. This division's ambition is to continue to widen the gap, with a "global shopper" strategy: a personalised, custom-tailored approach, according to languages, cultures and beauty rituals, which makes it possible to respond to the aspirations of this new generation of travellers.

- **The Body Shop**

Founded in 1976 in Great Britain by Dame Anita Roddick, The Body Shop represented nearly 4% of consolidated sales in 2014. The mission of this strongly committed brand is to have a positive impact on the life of men and women of all origins. A growing number of consumers, in all countries, are looking for products that combine efficacy with natural inspiration, proposed by brands with an ethical business model. The Body Shop's deployment strategy combines:

- pioneering, innovative products based on the highest quality natural ingredients;
- a tone of communication with a strong personality;
- a personalised purchasing experience in stores or online.

On the New Markets where the Brand has a particular resonance, the launch of The Body Shop through the acquisition of Emporio Body Store in Brazil is a tremendous opportunity for development in a market in tune with its vision of beauty, its sensorial products and its values.

Several specialist Divisions provide their expertise and support to the operational Divisions and other businesses:

- the Research and Innovation Division, in charge of fundamental and applied research;
- the Digital Division, which has the mission of accelerating the Group's digital transformation by helping the brands to create new territories for expression and helping the teams to build more interactive, more personalised, closer relationships with consumers, while taking advantage of the business development opportunities offered by Digital as a distribution channel;
- the Operations Division, in charge of coordination of production and the supply chain;
- the Human Resources 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, relations with shareholders and investors, and forward-looking strategy;
- 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.

Identified material aspects and boundaries

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 the "Governance" factsheet, indicators G4-24 to G4-27, for an identification of stakeholders and the type of engagements 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 enabled 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 four phases:

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

PHASE 1 - IDENTIFICATION AND PRIORITISATION OF STAKEHOLDER EXPECTATIONS

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

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, living 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.

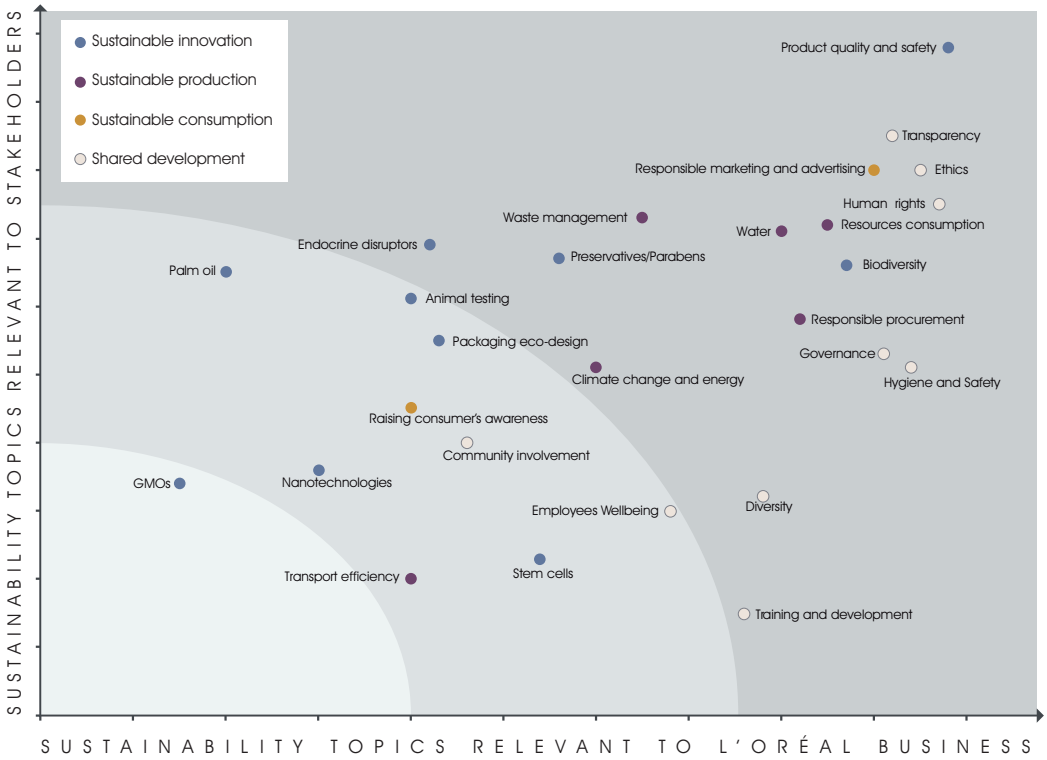
PHASE 2 - IDENTIFICATION AND PRIORITISATION OF SUSTAINABLE DEVELOPMENT ISSUES FOR L'ORÉAL

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 for example.

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 four 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 ….

Identified material aspects and boundaries

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

	Environmental	*Human Rights*	*Labour Practices and Decent Work*	*Society*	*Economy*	*Product Responsibility*
High	Climate change Water Effluents and waste Materials Biodiversity Compliance	Supplier Human Rights Assessment Non-discrimination Responsible Purchasing Child Labour Forced or Compulsory Labour Assessment	Employment Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labour Practices	Local Communities Anti-corruption Public Policy Anti-competitive Behaviour Compliance	Economic Performance Market Presence Procurement Practices	Customer Health and Safety Product and Service Labelling
Medium	Energy Emissions Transport Products and Services Supplier Environmental Assessment Environmental Grievance Mechanisms General Issues	Human Rights Grievance Mechanisms Investment Freedom of Association and Collective Bargaining Rights of Indigenous Peoples Security Practices	Labour Practices Grievance Mechanisms Labor/ Management 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 factsheets is part of a global process also involving the publication of the CSR section included in chapter 6 of the Registration Document. This 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 living sustainably and sharing growth. The report also includes a summary of the key indicators included in the CSR chapter of the Registration Document and in the GRI factsheets. A certain number of these indicators are audited by the Statutory Auditors.

In 2014, L'Oréal published its first ever Progress Report on *Sharing Beauty With All*, the Group's CSR and sustainable development programme. This report sets out the Group's four "Commitments for 2020" as well as its performance in terms of key indicators in 2014. The report also describes the achievements and best practices of certain sites, brands and countries. You will find the four "Commitments for 2020" along with details of the Group's CSR performance in 2014 in the G4-2, "General Information" factsheet contained in this report.

Identified material aspects and boundaries

On page 258 of the 2014 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, along with their review report on a selection of such information identified by the sign ✓. This selection is supplemented by an additional review of the information relating to scope 3 (Carbon Assessment data).

In 2014, the Statutory Auditors once again stressed the relevance of the reporting, its indicators and its main impacts.

The information that was the subject of a review by the Statutory Auditors in chapter 6 of the Registration Document is indicated by ✓ for moderate assurance and ✓✓ for reasonable assurance.

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

Choice of indicators

Concerned to regularly add to information brought to the attention of all stakeholders, the Group decided to compile the indicators reflecting its activity in the 2014 report.

Social/societal indicators

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

Priority focus on the Group'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, respect and attention to others, underpinned by:

- the desire to recognise the effective contribution made by everyone through a dynamic remuneration policy and short-, medium- and long-term global incentive and profit sharing 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 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 talented employees 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, grow and thrive and where they all feel that their contributions are recognised and that they receive support.

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 one billion new consumers.
- Ongoing recruitment of talented individuals.
  The Group constantly strives to enhance its talent pool, in all countries. Recognised as one of the most attractive companies in the world for young graduates and one of the companies that provides 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, 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 one 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, to complement classroom training options, 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 on talents and to define the most suitable development opportunities for each of them.

- Offering a solidarity-based, 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 and profit-sharing 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.

SHARE & CARE

In 2013, the Group chose to go one step further with regard to social performance with the launch of the L'Oréal *Share & Care* programme, which reinforces the commitments already made by the Group in the area of Sustainable Development and Corporate Social Responsibility, with its *Sharing Beauty With All* programme.

This programme offers the Group's employees all over the world, before the end of 2015, a set of guaranteed global social measures in four areas:

- **PROTECT** (social protection), to provide employees with effective support, particularly of a financial nature, for major life risks. This involves, for example:
  - guaranteeing a capital sum equivalent to at least two years' salary in case of natural or accidental death or disability.
- **CARE** (health cover), to provide employees and their families with access to a high-quality healthcare system which is among the top performers on the local market. This involves, for example:
  - offering employees medical cover providing for reimbursement of at least 75% of healthcare costs related to the main medical risks: hospital stays, surgery, maternity, drugs for chronic and serious conditions;
  - within the framework of prevention, each subsidiary will be required to implement, at least once a year, a health prevention action of a collective nature (concerning melanoma, HIV, diabetes, obesity, etc.), as well as an individual action (medical check-up, online risk assessment, etc.).
- **BALANCE** (parenthood), to enable employees to live important life moments to the full, such as motherhood and fatherhood, while pursuing their careers. This involves, in particular:
  - providing 14 weeks' maternity leave and a minimum of 3 days' paternity leave, with full pay;
  - ensuring that all women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the company.
- **ENJOY** (quality of life at work), to enable employees to benefit from a high quality of life at work. This involves, for example:
  - flexible working time arrangements;
  - a stress prevention programme.

This programme, which will make it possible to respond to the essential needs of each and every one of our employees and anchor 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 launch and implementation of this programme demonstrate a strong conviction, whereby social performance and economic performance are not only intimately linked but they also serve to reinforce one another.

FOR FURTHER INFORMATION ON THE GROUP'S HUMAN RESOURCES POLICY, PLEASE REFER TO THE "LABOR PRACTICES AND DECENT WORK" FACTSHEET INCLUDED IN THIS REPORT.

Environmental indicators

Through the "Commitments for 2020" undertaken as part of the *Sharing Beauty With All* programme, the Group is continuing with the approach initiated in 2009 aimed at reducing the environmental footprint of its factories and distribution centres. The pledge to reduce by 50% carbon emissions in absolute terms (scopes 1 and 2), water consumption and waste generation per finished product (FP) unit by 2015 from a 2005 baseline, has now become a pledge for a 60% reduction by 2020 from a 2005 baseline:

- 60% reduction of greenhouse gas emissions in absolute terms (scopes 1 and 2);
- 60% reduction in waste generation per finished product unit;
- 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 CO_2 emissions from transportation of finished products by 20% per FP/km from a 2011 baseline (transportation under the control of L'Oréal).

Global industrial policy also demands all sites to:

- ensure compliance with the regulations;
- apply best practices in energy efficiency and efficient consumption of resources, waste reduction and the best possible waste treatment;
- 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 2014, four plants remained to be certified: Kaluga (Russia), Cairo (Egypt), San Luis Potosi (Mexico) because of the recent start-up of their operations, along with Rio for which certification will be renewed in 2015. An ISO 50001 (Energy management) certification programme was launched in 2014, and the first factory (SICOS France) was certified in December. This programme will gradually be extended to the Group's other factories.

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, notably the "Panel of Critical Friends" (see Governance factsheet, "Stakeholder Engagement" paragraph).

Further, 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 2014, risk audits were carried out at six factories, ten distribution centres, two administrative sites and two research centres.

FOR FURTHER INFORMATION CONCERNING THE EHS AUDITS, SEE SECTION 6.3, "WORLDWIDE AUDIT PROGRAMME" PARAGRAPH ON PAGE 233 OF THE 2014 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: SCOPE OF CONSOLIDATION OF DATA, 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 31 of the year concerned[1].

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

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.

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, 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 the corporate department concerned (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 can be extrapolated from the results available for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative;
- lastly, the specific data relating to "executives" (cadres) 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.

(1) Excluding Galderma (dermatology).

The monitoring of training at Group level does not take into account all the hours of training in 2014 such that the number of hours of training and the number of employees trained are higher than the figures published in this report. An action plan is currently under way in order to cover all employees and in particular those who hold certain external or travelling positions.

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 SOCIAL DATA REPORTING METHODOLOGY, PLEASE REFER TO THE "METHODOLOGICAL NOTE" ON PAGE 232 OF THE 2014 REGISTRATION DOCUMENT.

ENVIRONMENTAL DATA

Scope of consolidation

The environmental indicators set out relate to the sites of the "Cosmetics" and "The Body Shop" Branches: factories and distribution centres.

Following the sale of the Galderma laboratories in 2014, the data relating to their business activities were excluded from the 2014 data published by the Group.

The Safety reporting scope is defined in the methodological note at the end of the social data chapter.

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 two years to connect to the environmental reporting systems. For the 2014 financial year, 93% of the factories and distribution centres participated in the reporting system. Data pertaining to six sites recently integrated into the Group are not yet included in the published data: (Baddi (India), Kenya, Vogue (Colombia), Magic Holding 1 (China), Magic Holding 2 (China), Decléor (France).

Out of concern for comparability, data communicated on CO_2 emissions for the 2005 baseline have been updated in light of the GHG protocol rules (recalculated based on a constant scope).

Data

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

The data are collected using the dedicated intranet-based site reporting system, available in all countries in which there is a L'Oréal subsidiary. This system covers several topics: quality, process performance and 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 definition, and enhancing the communication, monitoring and control process.

Average **biodegradability** is calculated on the basis of sales volumes, which is why reporting is carried out on the basis of 2013, as the 2014 consolidated sales figures will be available in mid-February and the analysis of overall biodegradability of the products sold in 2014 will be completed by March 2015.

FOR FURTHER INFORMATION REGARDING THE ENVIRONMENTAL DATA REPORTING METHODOLOGY, SEE THE "METHODOLOGICAL NOTE" ON PAGE 245 OF THE 2014 REGISTRATION DOCUMENT.

HEALTH AND SAFETY DATA

Scope of consolidation

The safety indicators set out relate to the sites of the "Cosmetics" and "The Body Shop" Branches: factories and distribution centres as well as the administrative sites and research centres.

Safety reporting covers 93% of factories and distribution centres and over 74% 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 two years to connect to the environmental and safety reporting systems. In accordance with this rule, the data of six sites that recently became part of the Group are not integrated in the Group's EHS reporting for 2014: Baddi (India), Kenya, Vogue (Colombia), Magic Holding 1 (China), Magic Holding 2 (China), Decléor (France).

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 quality 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. These 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 processes.

FOR FURTHER INFORMATION REGARDING THE HEALTH AND SAFETY DATA REPORTING METHODOLOGY, SEE THE "METHODOLOGICAL NOTE" ON PAGE 232 OF THE 2014 REGISTRATION DOCUMENT.

SOCIETAL DATA

Scope of consolidation

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

Data

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

- the data relating to Ethics is collected by the Ethics Department using the Annual Ethics Reporting platform. A certain amount of data is collected by the Country reporting intranet system for the collection of Human Resources data (see the Human Resources data reporting methodology described above;
- 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 SOCIETAL DATA REPORTING METHODOLOGY, PLEASE REFER TO THE "METHODOLOGICAL NOTE"

Stakeholder engagement

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

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

G4 26 *Report the organisation'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 2014.

Stakeholder	*Type of engagement*	*Examples of achievements in 2014*
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". Many opinion surveys have since been conducted at country level. Around 7,000 employees have been able to discuss issues with the Chief Ethics Officer thanks to country visits.
	Platforms for dialogue between HR and employees.	"L'Oréal & Me" platform launched in 2008, accessible to all Group employees and available in 15 languages. Through the Yammer social media network, employees also have the opportunity of discussing with HR.
	Webchats allowing 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 70 countries and more than 4,000 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 1,599,705 training hours were given in 2014, a 21% increase on 2013. In parallel, a specific, compulsory e-learning course dealing with ethics is being rolled out to all countries. At December 31, 2014, over 43,000 employees had completed this course.
	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 2014, the representative bodies are: 1 CCE, 3 CEs, 11 CHSCTs and 10 DPs. In 2014, there were: 48 CE meetings, 9 CCE meetings (more than the 2 meetings required by law), 122 DP meetings, 103 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.	224 new collective agreements signed in 2014.

Stakeholder	Type of engagement	Examples of achievements in 2014
SUPPLIERS	"Business Reviews": annual meetings between L'Oréal and its strategic suppliers.	In 2014, more than 171 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.	The Body Shop organised a "Suppliers' Day" in 2014, bringing together 20 suppliers, i.e., around 35 participants.
	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 and CDP Water Supply Chain alongside L'Oréal.	In 2014, out of 215 suppliers invited by L'Oréal, 192 joined the CDP Supply Chain. Regarding the CDP pilot Water Supply Chain project launched in 2013, 18 out of 26 suppliers invited agreed to participate in this programme in 2014.
	Social audits.	834 social audits were carried out at L'Oréal's suppliers in 2014.
	Assessment of L'Oréal's relationship with suppliers.	834 social audits were carried out at L'Oréal's suppliers in 2014.

Stakeholder	Type of engagement	Examples of achievements in 2014
CONSUMERS	Consumer awareness initiatives by Group brands as regards sustainable development	The brands demonstrate their tangible commitment through initiatives such as: ● Biotherm's Water Lovers programme, which aims to raise consumers' awareness of their "water footprint" and help them understand how they can be a responsible consumer and better preserve the planet's resources; ● the "Become a SkinChecker" campaign launched by La Roche Posay, a brand which has been engaged in the fight against skin cancer for over 10 years, which encourages people to check their moles and those of their family.
	Interaction via social networks.	L'Oréal's Twitter page has 55,000 followers.

Stakeholder	Type of engagement	Examples of achievements in 2014
SHAREHOLDERS	Meetings with shareholders and the Shareholder Consultation Committee.	6,000 contacts in 2014 including 10 shareholder meetings and 4 Shareholder Consultation Committee meetings. Participation in the Actionaria trade fair for the 11th year running.
	Organisation of company-focused events.	In 2014, 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.	1,785 shareholders attended the AGM on April 17, 2014.
	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.	4 newsletters in 2014.

Stakeholder	Type of engagement	Examples of achievements in 2014
CUSTOMERS	Bilateral dialogue to prepare sustainable development projects.	Carrefour/Garnier Ultra-Doux eco-labelling initiative since July 1, 2011.

Stakeholder	Type of engagement	Examples of achievements in 2014
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 2014, L'Oréal was in contact with 17 international NGOs as regards the sustainable sourcing of palm oil, the fight against deforestation, biodiversity and microplastics.
	Meetings with local NGOs and other associations in connection with raw material sourcing 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.).

Stakeholder	*Type of engagement*	*Examples of achievements in 2014*
SUSTAINABILITY RATING AGENCIES AND INVESTORS	Financial information meetings (earnings presentations); analyst and investor trips.	A financial information meeting was held at L'Oréal's headquarters and a trip organised for analysts and investors with 50 participants.
	Investor telephone conferences.	3 telephone conferences.
	Meetings with sustainability rating agencies regarding year-end ratings.	In 2014, 5 sustainable ratings questionnaires were completed. L'Oréal is a member of Transparency International France and works with SHIFT on Human Rights issues.

Stakeholder	*Type of engagement*	*Examples of achievements in 2014*
ACADEMIA AND THE SCIENTIFIC COMMUNITY	Joint scientific projects, seminars, congresses and publications.	**L'Oréal actively participated (with oral presentations or posters) in 4 international scientific conferences:** Society of Environmental Toxicology and Chemistry in Basel, Switzerland (May 2014), The International Federation of Societies of Cosmetic Chemists in Paris (November 2014), Fish & Amphibian Embryos as Alternative Models in Toxicology and Teratology/ International Symposium and workshop in Aulnay-sous-Bois (December 2014) and the IUPAC Conference on Green Chemistry in Durban (August 2014). **L'Oréal also actively participated in 5 professional bodies/associations on the issue of sustainable innovation:** ● The Sustainability Consortium 2014 Workshops and Summit (Berlin, Oct. 2014) ● ADEME/AFNOR platform on Eco-labelling ● Cosmetics Europe SCT – DD ● FEBEA – Environment and Biodiversity business groups ● ISO 16128 draft guidelines - Organic and natural ingredients and products in cosmetics – 2014 workshops.

Stakeholder	Type of engagement	Examples of achievements in 2014
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. In 2014, over 250 scholarships were awarded (including 20 in France) to young researchers from around the world to enable them to pursue their research within prestigious universities.
	[1] *For more information, visit: http://www.loreal.com/_en/_ww/for-women-in-science.aspx*	
	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 student teaching.	Talks on business ethics at the Lille EDHEC business school, Sciences Po Paris, PUC Rio (Brazil), American University of Beirut (Lebanon), MM University of Indonesia (Indonesia), American University of Sharjah (Saudi Arabia) and Xavier University (Ohio). *University of Beirut* (Liban), *MM University of Indonesia* (Indonésie), *American University of Sharja* (Arabie Saoudite) et *Xavier University* (Ohio).

Stakeholder	Type of engagement	Examples of achievements in 2014
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 (64)), 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 ADEME/AFNOR working groups 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 also actively participated in 5 professional bodies/associations on the issue of sustainable innovation:** ● The Sustainability Consortium 2014 Workshops and Summit (Berlin, Oct. 2014) ● ADEME/AFNOR platform on Eco-labelling ● Cosmetics Europe SCT – DD ● FEBEA – Environment and Biodiversity business groups ● ISO 16128 draft guidelines - Organic and natural ingredients and products in cosmetics – 2014 workshops.
	Participation in summits organised by intergovernmental organisations.	Participation in the UN Global Compact's Leaders Summit.

Stakeholder	*Type of engagement*	*Examples of achievements in 2014*
STUDENTS AND YOUNG GRADUATES	Present through competitions and campus managers.	In 2014, 13,000 students worldwide took part in the Brandstorm[1] competition
	[1] *For more information, visit: http://www.brandstorm.loreal.com*	

Stakeholder	*Type of engagement*	*Examples of achievements in 2014*
CIVIL SOCIETY	Dialogue with people made particularly vulnerable by sickness, precarious living conditions or isolation.	3,100 people benefited from the actions of the L'Oréal Foundation's "Reaching out through Beauty" initiative.
	Specialised training centres for economically or socially vulnerable populations[2].	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 15 students.
	Involvement of Group employees in the community.	"Citizen Day", held each year and involving over 24,000 employees from more than 62 countries in 2014, a 20% increase on 2013. Some 32,000 people around the world benefited from this initiative.
	Promoting jobs in the community through *Solidarity Sourcing*.	Access to jobs for 27,000 people as part of the *Solidarity Sourcing* programme (excluding The Body Shop).
	[2] *For further information: http://www.loreal.fr/foundation/Article.aspx?topcode=Foundation_GenerousBeauty_ForBetterLiving* [3] *For more information, please see the EC8 criterion on the "Economic" factsheet.*	

L'Oréal has other means of engagement and communication with all of its stakeholders, including the "Contact Us" tab on the website www.loreal.com

G4 27 *Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.*

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.

As the importance and handling of the challenges related to corporate social and societal responsibility differ from one country to the next, 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, forums have been held for which 754 organisations have been contacted in all, and in which 232 have taken part.

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.

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. The Group is responding to this concern through the commitment to "Living sustainably" undertaken as part of its *Sharing Beauty With All* programme. By 2020, L'Oréal will give all of its consumers the possibility of making eco-friendly choices. Understanding expectations, evaluating the footprint of its products, and rolling out initiatives or awareness campaigns have been identified as the means to achieve this aim. In 2014, 25.4% of the Group's brands carried out an action to raise awareness among consumers. Moreover, 22% of the Group's brands assessed their environmental or social impact in 2014 and made a commitment to reduce their footprint and report on progress.

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

Bilateral meetings and participation in public forums also enable L'Oréal to exchange views with stakeholders on key topics. Furthermore, L'Oréal makes available to its stakeholders a dedicated information and dialogue platform which makes it possible to view the CSR commitments and interact with experts on an online forum.

Finally, since the announcement of the "*Sharing Beauty With All*" programme, an external governance body called the "Panel of Critical Friends", consisting of major international environmental and societal experts, has been set up to guarantee the sincerity of the process adopted by L'Oréal, and challenge the Group on its progress once a year. The first meeting of this panel was held on September 19, 2014 in Clichy, in the presence of Jean-Paul Agon. All the topics and progress made in the programme were discussed. In France in 2014, L'Oréal replied favourably to the initiative by Committee 21 which invited major players – companies, stakeholders, third-party facilitators, trade unions, researchers – to undertake a collective reflection on stakeholder dialogue. L'Oréal participated in the various stages: working sessions, open online consultation with practitioners, wider consultation for preparation of the text defining the main principles. A signature of these principles by all players involved is scheduled for the beginning of 2015.

FOR MORE INFORMATION ON THE DIALOGUE WITH CONSUMERS, PLEASE REFER TO "RAISING CONSUMER AWARENESS ABOUT LIVING SUSTAINABLY" ON PAGE 20 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT. TO FIND OUT MORE ABOUT THE "PANEL OF CRITICAL FRIENDS", PLEASE SEE THE "ZOOM" SECTION ON PAGE 26 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT.

Report profile

G4 28 Reporting period

In 2014, L'Oréal published its first ever *Sharing Beauty With All* Progress Report which replaces the Sustainable Development Report. The report is prepared based on an analysis of ongoing progress and a review of the recommendations of stakeholders, international institutions and specialist organisations such as the United Nations, the OECD, the European Commission and the WBCSD. Now that the *Sharing Beauty With All* programme is in its implementation phase, the Group uses this new report to describe the progress achieved through a series of indicators. Regarding its expert report (expert factsheets can be downloaded from http://www.sharingbeautywithall.com/en) the Group followed the guidelines published by the Global Reporting Initiative for the analysis of its sustainable development performance.

For the second consecutive year, L'Oréal has decided to follow the GRI 4 guidelines. This version of GRI shows that the Group listens to its stakeholders. Adopting version 4 of the GRI guidelines 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 2014.

SCOPE OF APPLICATION OF DATA RELATING TO:

- Environmental performance;
- Social and societal 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, PLEASE REFER TO THE G4–18 INDICATOR IN THE "IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES" FACTSHEET CONTAINED IN THIS REPORT.

G4 29 Date of most recent previous report

- The *Sharing Beauty With All* 2014 Progress Report was published in April 2015 and is available at http://www.sharingbeautywithall.com/en
- The 2014 Registration Document (chapter 6, "Corporate, social, environmental and societal responsibility") was published in March 2015 and is available at: http://www.loreal.fr/groupe/publications.aspx

G4 30 Reporting cycle

This report covers all of L'Oréal's activities for the financial year from January to December 2014.

G4 31 Contact point for questions regarding the report or its contents

L'Oréal welcomes your opinion on its sustainable development performance and reports. Please send any comments, questions or suggestions to www.loreal.com, Contact Us (bottom of page, without Quick access)/Environment and Sustainable Development.

G4 32 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.

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	Fiche Stratégie de l'organisation G4-1 p.4 - p.5	
G4-2	Fiche Stratégie de l'organisation G4-2 p.5 - p.10	
ORGANIZATIONAL PROFILE		
G4-3	Fiche Profil de l'Organisation G4-3 p.11	
G4-4	Fiche Profil de l'Organisation G4-4 p.11	
G4-5	Fiche Profil de l'Organisation G4-5 p.11	
G4-6	Fiche Profil de l'Organisation G4-6 p.12	
G4-7	Fiche Profil de l'Organisation G4-7 p.12	
G4-8	Fiche Profil de l'Organisation G4-8 p.13 - p.14	
G4-9	Fiche Profil de l'Organisation G4-9 p.15 et document de référence 2014 chapitre « chiffres clés et commentaires sur l'exercice 2014 » p.101	Fiche profil du rapport G4-33 p.90 - p.93
G4-10	Fiche Profil de l'Organisation G4-10 p.16 - p.18 et document de référence 2014 rubrique 6.2.2.1. "L'emploi" p.218	Fiche profil du rapport G4-33 p.90 - p.93
G4-11	Fiche Profil de l'Organisation G4-11 p.19 et document de référence 2014 rubrique "Le bilan des accords collectifs" p.226 et fiche Emploi, Approche managériale	Fiche profil du rapport G4-33 p.90 - p.93
G4-12	Fiche Profil de l'Organisation G4-12 p.19	
G4-13	Fiche Profil de l'Organisation G4-13 p.20 et document de référence 2014 3.3.1. "Faits marquants de l'année 2014" p.114 et 115.	
G4-14	Fiche Profil de l'Organisation G4-14 p.21 - p.23 et document de référence 2014 6.4.5. "Loyauté des pratiques" p.252 et suivantes et 1.8.1.2. "Qualité et sécurité des produits" p.25, 1.5.4. "Test sur l'animal : éthique et innovation réconciliés" p.18.	
G4-15	Fiche Profil de l'Organisation G4-15 p.24	
G4-16	Fiche Profil de l'Organisation G4-16 p.24 - p.26 et http://www.bureauveritas.fr/wps/wcm/connect/bv_fr/local/services+sheet/gender-equality-european-standard et http://www.eveprogramme.com/	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Fiche Aspects et périmètres pertinents identifiés G4-17 p.27	-
G4-18	Fiche Aspects et périmètres pertinents identifiés G4-18 G4-19 G4-20 G4-21 p.29	-
G4-19	Fiche Aspects et périmètres pertinents identifiés G4-18 G4-19 G4-20 G4-21 p.29	-
G4-20	Fiche Aspects et périmètres pertinents identifiés G4-18 G4-19 G4-20 G4-21 p.29	-
G4-21	Fiche Aspects et périmètres pertinents identifiés G4-18 G4-19 G4-20 G4-21 p.29	-
G4-22	Fiche Aspects et périmètres pertinents identifiés G4-22 G4-23 p.35 et « Note méthodologique » en pages 232/245/255 du document de référence 2014.	-
G4-23	Fiche Aspects et périmètres pertinents identifiés G4-22 G4-23 p.35 et « Note méthodologique » en pages 232/245/255 du document de référence 2014.	-
STAKEHOLDER ENGAGEMENT		
G4-24	Fiche implication des Parties Prenantes G4-24 G4-25 G4-26 p.38	-
G4-25	Fiche implication des Parties Prenantes G4-24 G4-25 G4-26 p.38	-
G4-26	Fiche implication des Parties Prenantes G4-24 G4-25 G4-26 p.38	-
G4-27	Fiche implication des Parties Prenantes G4-27 p.45	-
REPORT PROFILE		
G4-28	Fiche profil du rapport G4-28 p.47	
G4-29	Fiche profil du rapport G4-29 p.47	
G4-30	Fiche profil du rapport G4-30 p.47	
G4-31	Fiche profil du rapport G4-31 p.47	
G4-32	Fiche profil du rapport G4-32 p.48	
G4-33	Fiche profil du rapport G4-33 p.90 - p.93	

GOVERNANCE		
G4-34	Fiche Gouvernance G4-34 G4-35 G4-36 G4-37 G4-38 p.95 - p.99 et document de référence 2014 p.57 et p. 58 concernant les exemples de travaux du Conseil axés sur l'activité et la stratégie, p.35 et suivantes concernant la structure de la gouvernance de L'Oréal, la rubrique 6.4.2. p.247 et suivantes, la fiche Implication des Parties Prenantes au sein de ce rapport et la p.26 du Rapport d'Avancement *Sharing Beauty With All* 2014.	
G4-35		
G4-36		
G4-37		
G4-38		
G4-39	Fiche Gouvernance G4-39 p.101 et document de référence 2014 paragraphe 2.2.1.1. « Modalité d'Exercice de la Direction Générale » p.39.	
G4-40	Fiche Gouvernance G4-40 p.101 - p.103, et document de référence 2014 rubrique 2.2.1.2. "Mandataires sociaux" en p.40 et suivantes.	
G4-41	Fiche Gouvernance G4-41 p.103 et document de référence 2014 2.2.2.3. « L'activité des Comités du conseil d'administration » p.58 et suivantes.	
G4-42	Fiche Gouvernance G4-42 p.104	
G4-43	Fiche Gouvernance G4-43 p.105	
G4-44	Fiche Gouvernance G4-44 p.106 et document de référence 2014 rubrique 2.2.2.4. « Auto évaluation du Conseil d'administration » p.62 et p.63.	
G4-45	Fiche Gouvernance G4-45 G4-46 G4-47 p.107 - p.109 et document de référence 2014 2.2.2.3. « L'activité des Comités du conseil d'administration » p.58 et suivantes.	
G4-46		
G4-47		
G4-48	Fiche Gouvernance G4-48 et p.110 et Fiche Aspects et Périmètres du Rapport	
G4-49	Fiche Gouvernance G4-49 p.111	
G4-51	Fiche Gouvernance G4-51 p.112 - p.113 et document de référence 2014 p.73 à 89 et 298 à 300.	
G4-53	Fiche Gouvernance G4-53 p.113	
ETHICS AND INTEGRITY		
G4-56	Fiche Éthique et intégrité G4-56 G4-57 G4-58 p.114 - p.115	
G4-57		
G4-58		

SPECIFIC STANDARD DISCLOSURES					
DMA and Indicators	**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.	**Identified Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	**Reason(s) for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	**Explanation for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	**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.
CATEGORY : ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Fiche Économie Performance économique p.2				
G4-EC1	Fiche Économie EC 1 p.5 - p.10				
G4-EC2	Fiche Économie EC 2 p.10 - 11				
G4-EC3	Fiche Économie EC 3 p.12 - p.15 et document de référence 2014 chapitre 6.2.2.1 « Régimes de prévoyance, de retraite et autres avantages » p.221 et suivantes				
G4-EC4	Fiche Économie EC 4 p.15				
MATERIAL ASPECT: MARKET PRESENCE					
G4-DMA	Fiche Économie Présence sur le marché p.2				
G4-EC5	Fiche Économie EC 5 p.16				
G4-EC6	Fiche Économie EC 6 p.17				
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Fiche Économie Impacts économiques indirects p.2 - p.3				
G4-EC7	Fiche Économie EC 7 p.18 - p.19 et fiche société indicateur SO1				
G4-EC8	Fiche Économie EC 8 p20 - p.21, fiche Société SO1 et rubrique « Etre acteur d'inclusion au sein des communautés locales » du Rapport d'Avancement *Sharing Beauty With All* 2014 p.25.				
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Fiche Économie Pratiques d'achat p.3 - p.4				
G4-EC9	Fiche Économie EC 9 p.22 et fiche société indicateur SO1 et rubrique « Etre acteur d'inclusion au sein des communautés locales » du Rapport d'Avancement *Sharing Beauty With All* 2014 p.25.				

CATEGORY: ENVIRONMENTAL					
MATERIAL ASPECT: MATERIALS					
G4-DMA	Fiche Environnement Matières p.6 - p.7				
G4-EN1	Fiche Environnement EN1 p.18	Emballages	The information is subject to specific confidentiality constraints	Pour des raisons de confidentialité, L'Oréal ne communique pas le tonnage de ses emballages	
G4-EN2	Fiche Environnement EN2 p.18				
MATERIAL ASPECT: ENERGY					
G4-DMA	Fiche Environnement Energie p.7				
G4-EN3	Fiche Environnement EN3 p.19				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN4	Fiche Environnement EN4 p.20				
G4-EN5	Fiche Environnement EN5 p.20				
G4-EN6	Fiche Environnement EN6 p.21- p.22				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN7	Fiche Environnement EN7 p.22				
MATERIAL ASPECT: WATER					
G4-DMA	Fiche Environnement Eau p.8				
G4-EN8	Fiche Environnement EN8 p.23 et document de référence 2014 rubrique 6.3.3. « L'utilisation durable des ressources » p.238				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN9	Fiche Environnement EN9 p.23				
G4-EN10	Fiche Environnement EN10 p.24	Recyclage	The information is currently unavailable	L'indicateur permettant de remonter le taux de recyclage ou le taux de réutilisation de l'eau pour chaque usine sera intégré au premier semestre 2014.	

MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	Fiche Environnement Biodiversité p.8 - p.10				
G4-EN11	Fiche Environnement EN11 p.25				
G4-EN12	Fiche Environnement EN12 p.26 - p.27				
G4-EN13	Fiche Environnement EN13 p.28 et Rapport d'Avancement *Sharing Beauty With All* p.12 à 13 et p.20				
G4-EN14	Fiche Environnement EN14 p.28 - p.29 et document de référence 2014 rubrique 6.3.5. « Protection de la biodiversité » p.244				
MATERIAL ASPECT: EMISSIONS					
G4-DMA	Fiche Environnement Émission p.11				
G4-EN15	Fiche Environnement EN15 p.29				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN16	Fiche Environnement EN16 p.29				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN17	Fiche Environnement EN17 p.30 et Responsabilité du Fait du Produit PR3				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN18	Fiche Environnement EN18 p.30				
G4-EN19	Fiche Environnement EN 19 p.31 - p.32				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN20	Fiche Environnement EN 20 p.32				
G4-EN21	Fiche Environnement EN 21 p.33 et document de référence 2014 rubrique 6.3.2. « La pollution et la gestion des déchets » p.235				Fiche profil du rapport G4-33 p.90 - p.93
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Fiche Environnement Effluents et Déchets p.12				
G4-EN22	Fiche Environnement EN22 p.34 et document de référence 2014 p.238 « L'utilisation durable des ressources »				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN23	Fiche Environnement EN23 p.35 - p.36 et document de référence 2014 « La pollution et la gestion des déchets » 235 et suivantes				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN24	Fiche Environnement EN24 p.36				
G4-EN25	Fiche Environnement EN25 p.36				Fiche profil du rapport G4-33 p.90 - p.93
G4-EN26	Fiche Environnement EN26 p.37				

MATERIAL ASPECT: PRODUCTS AND SERVICES					
G4-DMA	Fiche Environnement Produits et Services p.13 - p.14				
G4-EN27	Fiche Environnement EN27 p.38 - p.39				
G4-EN28	Fiche Environnement EN28 p.40 et document de référence 2014 « Responsabilité sociale et sociétale de l'entreprise » 6.4.1. p.221 et 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	Fiche Environnement Conformité p.14 - p.15				
G4-EN29	Fiche Environnement EN29 p.41				
MATERIAL ASPECT: TRANSPORT					
G4-DMA	Fiche Environnement Transport p.15				
G4-EN30	Fiche Environnement EN30 p.41				Fiche profil du rapport G4-33 p.90 - p.93
MATERIAL ASPECT: OVERALL					
G4-DMA	Fiche Environnement Généralités p.16				
G4-EN31	Fiche Environnement EN31 p.42				
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	Fiche Environnement Évaluation environnementale des fournisseurs p.17				
G4-EN32	Fiche Environnement EN 32 p.43 - p.44				Fiche profil du rapport G4-33 p.90 - p.93
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DMA	Fiche Environnement Mécanismes de règlement des griefs environnementaux p.17				
G4-EN34	Fiche Environnement EN34 p.45				

CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	Fiche Emploi Emploi p.3 - p.4				
G4-LA1	Fiche Emploi LA1 p.12 et Rubrique 6.2.2.1. « L'emploi » du document de référence 2014				Fiche profil du rapport G4-33 p.90 - p.93
G4-LA2	Fiche Emploi LA2 p.12 - p.19 et document de référence 2014 rubrique « Plan épargne entreprise et compte courant bloqué » p.220 et suivantes				Fiche profil du rapport G4-33 p.90 - p.93
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS					
G4-DMA	Fiche Emploi Relations employeurs/employés p.5				
G4-LA4	Fiche emploi LA4 p.20				
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Fiche emploi santé et sécurité au travail p.6 - p.7				
G4-LA5	Fiche Emploi LA5 p.21 - p.22 et document de référence 2014 rubrique 6.2.2.4. « Santé et sécurité » p.226 et suivantes	effectif total représenté dans des comités mixtes d'hygiène et de sécurité	The information is currently unavailable	L'indicateur requis n'est pas consolidé dans le système de reporting du Groupe. Néanmoins, les questions d'hygiène et de sécurité font partie du dialogue social avec les instances dédiées à ce sujet ou bien avec les instances représentatives du personnel, là où ces instances dédiées ne sont pas en place.	
G4-LA6	Fiche Emploi LA6 p.22 - p.25				Fiche profil du rapport G4-33 p.90 - p.93
G4-LA7	Fiche Emploi LA7 p.26				
G4-LA8	Fiche Emploi LA8 p.26				

MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-DMA	Fiche emploi Formation et éducation p.7				
G4-LA9	Fiche Emploi LA9 p.27, Fiche Emploi LA2 et document de référence 2014 rubrique 6.2.2.5. « Formation » p.229				Fiche profil du rapport G4-33 p.90 - p.93
G4-LA10	Fiche emploi LA10 p.28 - p.29, Fiche Emploi LA2 et document de référence 2014 rubrique 6.2.2.5. « Formation » p.229				
G4-LA11	Fiche Emploi LA11 p.30				
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	Fiche Emploi Diversité et égalité des chances p.8 - p.9				
G4-LA12	Fiche Emploi LA12 p.31 - p.32 et document de référence 2014 p.37 et suivantes ou fiche GRI « Gouvernance »				
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Fiche emploi Egalité de la rémunération entre les femmes et les hommes p.8				
G4-LA13	Fiche emploi LA13 p.33	Information on a group level	The information is currently unavailable	information sur le périmètre France seulement	
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	Fiche emploi Évaluation des pratiques en matière d'emploi chez les fournisseurs p.10				
G4-LA14	Fiche emploi LA14 p.34				
G4-LA15	Fiche emploi LA15 p.35 et fiche « Gouvernance », aspect « Droits de l'Homme »				
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Fiche Emploi Mécanismes de règlement des griefs relatifs aux pratiques en matière d'emploi p.11				
G4-LA16	Fiche emploi LA16 p.36				

SUB-CATEGORY : HUMAN RIGHTS				
MATERIAL ASPECT: INVESTMENT				
G4-DMA	Fiche Droits de l'Homme, partie « Investissement » p.3			
G4-HR1	Fiche Droits de l'Homme HR1 p.9			
G4-HR2	Fiche Droits de l'Homme HR2 p.9			
MATERIAL ASPECT: NON-DISCRIMINATION				
G4-DMA	Fiche Droits de l'Homme Non discrimination p.3 - p.4			
G4-HR3	Fiche Droits de l'Homme HR3 p.10 - p.11 et document de référence 2014 paragraphe 6.2.2.7. « Promotion et respect des stipulations des conventions fondamentales de l'OIT » p.231			
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-DMA	Fiche Droits de l'Homme liberté syndicale p.5			
G4-HR4	Fiche Droits de l'Homme HR4 p.12 et document de référence 2014 p.231 paragraphe 6.2.2.7. « Promotion et respect des stipulations des conventions fondamentales de l'OIT »			
MATERIAL ASPECT: CHILD LABOR				
G4-DMA	Fiche Droits de l'Homme Travail des enfants p.5			
G4-HR5	Fiche Droits de l'Homme HR5 p.13 et document de référence 2014 p.231 paragraphe 6.2.2.7. « Promotion et respect des stipulations des conventions fondamentales de l'OIT »			
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR				
G4-DMA	Fiche Droits de l'Homme travail forcé ou obligatoire p.6			
G4-HR6	Fiche Droits de l'Homme HR6 p.13			
MATERIAL ASPECT: SECURITY PRACTICES				
G4-DMA	Fiche Droits de l'Homme Pratiques en matière de sécurité p.6			
G4-HR7	Fiche Droits de l'Homme HR7 p.14			
MATERIAL ASPECT: INDIGENOUS RIGHTS				
G4-DMA	Fiche Droits de l'Homme Droit des peuples autochtones p.6 - p.7 et Fiche Environnement EN14			
G4-HR8	Fiche Droits de l'Homme HR8 p.14			
MATERIAL ASPECT: ASSESSMENT				
G4-DMA	Fiche Droits de l'Homme Évaluation p.7			
G4-HR9	Fiche Droits de l'Homme HR9 p.15			
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT				
G4-DMA	Fiche Droits de l'Homme Évaluation du respect des Droits de l'Homme chez les fournisseurs p.7 - p.8			
G4-HR10	Fiche Droits de l'Homme HR10 p.16			Fiche profil du rapport G4-33 p.90 - p.93
G4-HR11	Fiche Droits de l'Homme HR11 p.17			
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS				
G4-DMA	Fiche Droits de l'Homme Évaluation du respect des Droits de l'Homme chez les fournisseurs et Mécanismes de règlement des griefs relatifs aux droits de l'homme p.8			
G4-HR12	Fiche Droits de l'Homme HR12 p.18			

SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	Fiche Société Communautés locales p.2 et document de référence 2014 rubrique 6.4.1 « Impact territorial, économique et social de l'activité » p.248				
G4-SO1	Fiche Société SO1 p.7 - p.9 et Rapport d'Avancement *Sharing Beauty With All* p.25				
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	Fiche Société Lutte contre la corruption p.3 - p.4				
G4-SO3	Fiche Société SO3 p.10				
G4-SO4	Fiche Société SO4 p.11				
G4-SO5	Fiche Société SO5 p.11				
MATERIAL ASPECT: PUBLIC POLICY					
G4-DMA	Fiche Société Politiques Publiques p.4 - p.5				
G4-SO6	Fiche Société SO6 p.12				
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR					
G4-DMA	Fiche Société Comportement Anti-concurrentiel p.6				
G4-SO7	Fiche Société SO7 p.13 et document de référence 2014 « Provisions pour risques et charges » p.162				
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	Fiche Société Conformité p.6 et document de référence 2014 rubrique 2.5.2.3. « Gestion des Risques » p.91 et 92 et 2.5.3. "Acteurs" paragraphe « Direction du risk management et compliance » p.93 et 94				
G4-SO8	Fiche Société SO8 p.14 et Fiche Société SO7 p.13				
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	Fiche Société Évaluation des impacts des fournisseurs sur la société p.6				
G4-SO9	Fiche Société SO9 SO10 p.14 et fiche Société SO1 p.7 - p.9	Impacts négatifs sur les fournisseurs	The information is currently unavailable		
G4-SO10	Fiche Société SO9 SO10 p.14 et fiche Société SO1 p.7 - p.9	Impacts négatifs sur les fournisseurs	The information is currently unavailable		
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA	Fiche Société Mécanismes de règlement des griefs relatifs à l'impact sur la société p.6				
G4-SO11	Fiche Société SO11 p.15				

SUB-CATEGORY: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Fiche Responsabilité des produits Santé et sécurité des consommateurs p.2				
G4-PR1	Fiche Responsabilité des produits PR1 p.5 - p.7 , Fiche responsabilité des produits PR2 et http://www.lorealpredictive.com/fr/t				
G4-PR2	Fiche Responsabilité des produits PR2 p.8				
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	Fiche Responsabilité des produits Étiquetage des produits et services p.3				
G4-PR3	Fiche Responsabilité des produits PR3 p.9				
G4-PR4	Fiche Responsabilité des produits PR4 p.10				
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	Fiche Responsabilité des produits Communication marketing p.3				
G4-PR6	Fiche Responsabilité des produits PR6 p.10				
G4-PR7	Fiche Responsabilité des produits PR7 p.10				
MATERIAL ASPECT: CUSTOMER PRIVACY					
G4-DMA	Fiche Responsabilité des produits Vie privée des clients p.4				
G4-PR8	Fiche Responsabilité des produits PR8 p.11				
MATERIAL ASPECT: COMPLIANCE					
G4-DMA	Fiche Responsabilité des produits Conformité p.4				
G4-PR9	Fiche Responsabilité des produits PR9 p.11, Fiche responsabilité des produits PR2 , PR4 et PR6				

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	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. 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. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).
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	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: • 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	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level.
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.
G4-19	a. List all the material Aspects identified in the process for defining report content.
G4-20	a. For each material Aspect, report the Aspect Boundary within the organization, as follows: • 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: – 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	a. For each material Aspect, report the Aspect Boundary outside the organization, as follows: • 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: • 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: • 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: • 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: • Fixed pay and variable pay: – 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.

G4-56	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.
G4-57	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.
G4-58	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: • 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: • Direct economic value generated: – Revenues • Economic value distributed: – 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: • 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: • 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: • 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	
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: • 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-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	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. 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. c. Report the definition used for " significant locations of operation ".
G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	a. Report the percentage of senior management at significant locations of operation that are hired from the local community. b. Report the definition of " senior management " used. c. Report the organization's geographical definition of " local ". d. Report the definition used for " significant locations of operation ".
ASPECT : INDIRECT ECONOMIC IMPACTS	
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: • 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-EC7 Development and impact of infrastructure investments and services supported	a. Report the extent of development of significant infrastructure investments and services supported. b. Report the current or expected impacts on communities and local economies. Report positive and negative impacts where relevant. c. Report whether these investments and services are commercial, in-kind, or pro bono engagements.
G4-EC8 Significant indirect economic impacts, including the extent of impacts	a. Report examples of the significant identified positive and negative indirect economic impacts the organization has. These may include: • 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 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.

ASPECT : PROCUREMENT PRACTICES	
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: • 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-EC9 Proportion of spending on local suppliers at significant locations of operation	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). b. Report the organization's geographical definition of " local ". c. Report the definition used for " significant locations of operation ".
CATEGORY : ENVIRONMENTAL	
ASPECT : MATERIALS	
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: • 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-EN1 Materials used by weight or volume	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: • Non-renewable materials used • Renewable materials used
G4-EN2 Percentage of materials used that are recycled input materials	a. Report the percentage of recycled input materials used to manufacture the organization's primary products and services.
ASPECT : ENERGY	
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: • 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-EN3 Energy consumption within the organization	a. Report total fuel consumption from non-renewable sources in joules or multiples, including fuel types used. b. Report total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used. c. Report in joules, watt-hours or multiples, the total: • Electricity consumption • Heating consumption • Cooling consumption • Steam consumption d. Report in joules, watt-hours or multiples, the total: • Electricity sold • Heating sold • Cooling sold • Steam sold e. Report total energy consumption in joules or multiples. f. Report standards, methodologies, and assumptions used. g. Report the source of the conversion factors used.
G4-EN4 Energy consumption outside of the organization	a. Report energy consumed outside of the organization, in joules or multiples. b. Report standards, methodologies, and assumptions used. c. Report the source of the conversion factors used.

G4-EN5 Energy intensity	a. Report the energy intensity ratio. b. Report the organization-specific metric (the ratio denominator) chosen to calculate the ratio. c. Report the types of energy included in the intensity ratio: fuel, electricity, heating, cooling, steam, or all. d. Report whether the ratio uses energy consumed within the organization, outside of it or both.
G4-EN6 Reduction of energy consumption	a. Report the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Report the types of energy included in the reductions: fuel, electricity, heating, cooling, and steam. c. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. d. Report standards, methodologies, and assumptions used.
G4-EN7 Reductions in energy requirements of products and services	a. Report the reductions in the energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. c. Report standards, methodologies, and assumptions used.
ASPECT : WATER	
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: • 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	a. Report the total volume of water withdrawn from the following sources: • 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 b. Report standards, methodologies, and assumptions used.
G4-EN9 Water sources significantly affected by withdrawal of water	a. Report the total number of water sources significantly affected by withdrawal by type: • 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 b. Report standards, methodologies, and assumptions used.
G4-EN10 Percentage and total volume of water recycled and reused	a. Report the total volume of water recycled and reused by the organization. b. Report the total volume of water recycled and reused as a percentage of the total water withdrawal reported under Indicator G4-EN8. c. Report standards, methodologies, and assumptions used.

ASPECT : BIODIVERSITY	
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: • 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-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	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: • 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: – 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)
G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	a. Report the nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following: • 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) b. Report significant direct and indirect positive and negative impacts with reference to the following: • Species affected • Extent of areas impacted • Duration of impacts • Reversibility or irreversibility of the impacts
G4-EN13 Habitats protected or restored	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. 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. c. Report on the status of each area based on its condition at the close of the reporting period. d. Report standards, methodologies, and assumptions used.
G4-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	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: • Critically endangered • Endangered • Vulnerable • Near threatened • Least concern

ASPECT : EMISSIONS	
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: • 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-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	a. Report gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report gases included in the calculation (whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all). c. Report biogenic CO_2 emissions in metric tons of CO_2 equivalent separately from the gross direct (Scope 1) GHG emissions. 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. e. Report standards, methodologies, and assumptions used. f. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source. g. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).
G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	a. Report gross energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report gases included in the calculation, if available. 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. d. Report standards, methodologies, and assumptions used. 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. f. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).
G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)	a. Report gross other indirect (Scope 3) GHG emissions in metric tons of CO_2 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. b. Report gases included in the calculation, if available. c. Report biogenic CO_2 emissions in metric tons of CO_2 equivalent separately from the gross other indirect (Scope 3) GHG emissions. d. Report other indirect (Scope 3) emissions categories and activities included in the calculation. 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. f. Report standards, methodologies, and assumptions used. 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.
G4-EN18 Greenhouse gas (GHG) emissions intensity	a. Report the GHG emissions intensity ratio. b. Report the organization-specific metric (the ratio denominator) chosen to calculate the ratio. c. Report the types of GHG emissions included in the intensity ratio: direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3). d. Report gases included in the calculation.

G4-EN19 Reduction of greenhouse gas (GHG) emissions	a. Report the amount of GHG emissions reductions achieved as a direct result of initiatives to reduce emissions, in metric tons of CO_2 equivalent. b. Report gases included in the calculation (whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all). c. Report the chosen base year or baseline and the rationale for choosing it. d. Report standards, methodologies, and assumptions used. e. Report whether the reductions in GHG emissions occurred in direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3) emissions.
G4-EN20 Emissions of ozone-depleting substances (ODS)	a. Report production, imports, and exports of ODS in metric tons of CFC-11 equivalent. b. Report substances included in the calculation. c. Report standards, methodologies, and assumptions used. d. Report the source of the emission factors used.
G4-EN21 NO_X, SO_X, and other significant air emissions	a. Report the amount of significant air emissions, in kilograms or multiples for each of the following: • 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 b. Report standards, methodologies, and assumptions used. c. Report the source of the emission factors used.
ASPECT : EFFLUENTS AND WASTE	
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: • 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-EN22 Total water discharge by quality and destination	a. Report the total volume of planned and unplanned water discharges by: • Destination • Quality of the water including treatment method • Whether it was reused by another organization b. Report standards, methodologies, and assumptions used.
G4-EN23 Total weight of waste by type and disposal method	a. Report the total weight of hazardous and non-hazardous waste, by the following disposal methods: • Reuse • Recycling • Composting • Recovery, including energy recovery • Incineration (mass burn) • Deep well injection • Landfill • On-site storage • Other (to be specified by the organization) b. Report how the waste disposal method has been determined: • Disposed of directly by the organization or otherwise directly confirmed • Information provided by the waste disposal contractor • Organizational defaults of the waste disposal contractor

G4-EN24 Total number and volume of significant spills	a. Report the total number and total volume of recorded significant spills. b. For spills that were reported in the organization's financial statements, report the additional following information for each such spill: • Location of spill • Volume of spill • Material of spill, categorized by: – 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) c. Report the impacts of significant spills.
G4-EN25 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	a. Report the total weight for each of the following: • Hazardous waste transported • Hazardous waste imported • Hazardous waste exported • Hazardous waste treated b. Report the percentage of hazardous waste shipped internationally.
G4-EN26 Identity, size, protected status, and biodiversity value of water bodies and related habitats signifcantly affected by the organization's discharges of water and runoff	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: • 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)
ASPECT : PRODUCTS AND SERVICES	
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: • 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-EN27 Extent of impact mitigation of environmental impacts of products and services	a. Report quantitatively the extent to which environmental impacts of products and services have been mitigated during the reporting period. b. If use-oriented figures are employed, report the underlying assumptions regarding consumption patterns or normalization factors.
G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	a. Report the percentage of reclaimed products and their packaging materials for each product category. b. Report how the data for this Indicator has been collected.

ASPECT : COMPLIANCE	
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: • 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-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	a. Report significant fines and non-monetary sanctions in terms of: • Total monetary value of significant fines • Total number of non-monetary sanctions • Cases brought through dispute resolution mechanisms b. Where organizations have not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.
ASPECT : TRANSPORT	
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: • 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-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	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. b. Report how the environmental impacts of transporting products, members of the organization's workforce, and other goods and materials are mitigated. c. Report the criteria and methodology used to determine which environmental impacts are significant.
ASPECT : OVERALL	
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: • 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-EN31 Total environmental protection expenditures and investments by type	a. Report total environmental protection expenditures by: • Waste disposal, emissions treatment, and remediation costs • Prevention and environmental management costs

ASPECT : SUPPLIER ENVIRONMENTAL ASSESSMENT	
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: • 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-EN32 Percentage of new suppliers that were screened using environmental criteria	a. Report the percentage of new suppliers that were screened using environmental criteria.
G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken	a. Report the number of suppliers subject to environmental impact assessments. b. Report the number of suppliers identified as having significant actual and potential negative environmental impacts. c. Report the significant actual and potential negative environmental impacts identified in the supply chain. 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. 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.
ASPECT : ENVIRONMENTAL GRIEVANCE MECHANISMS	
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: • 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-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	a. Report the total number of grievances about environmental impacts filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: • Addressed during the reporting period • Resolved during the reporting period c. Report the total number of grievances about environmental impacts filed prior to the reporting period that were resolved during the reporting period.

CATEGORY : SOCIAL	
SUB-CATEGORY : LABOR PRACTICES AND DECENT WORK	
ASPECT : EMPLOYMENT	
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: • 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	a. Report the total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Report the total number and rate of employee turnover during the reporting period, by age group, gender and region.
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	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: • Life insurance • Health care • Disability and invalidity coverage • Parental leave • Retirement provision • Stock ownership • Others b. Report the definition used for " significant locations of operation ".
G4-LA3 Return to work and retention rates after parental leave, by gender	a. Report the total number of employees that were entitled to parental leave, by gender. b. Report the total number of employees that took parental leave, by gender. c. Report the total number of employees who returned to work after parental leave ended, by gender. 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. e. Report the return to work and retention rates of employees who took parental leave, by gender.
ASPECT : LABOR/MANAGEMENT RELATIONS	
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: • 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	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. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.

ASPECT : OCCUPATIONAL HEALTH AND SAFETY	
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: • 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-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and saftey programs	a. Report the level at which each formal joint management-worker health and safety committee typically operates within the organization. b. Report the percentage of the total workforce represented in formal joint management-worker health and safety committees.
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	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: • Region • Gender 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: • Region • Gender c. Report the system of rules applied in recording and reporting accident statistics.
G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	a. Report whether there are workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.
G4-LA8 Health and safety topics covered in formal agreements with trade unions	a. Report whether formal agreements (either local or global) with trade unions cover health and safety. b. If yes, report the extent, as a percentage, to which various health and safety topics are covered by these agreements.

ASPECT : TRAINING AND EDUCATION	
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: • 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-LA9 Average hours of training per year per employee by gender, and by employee category	a. Report the average hours of training that the organization's employees have undertaken during the reporting period, by: • Gender • Employee category
G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	a. Report on the type and scope of programs implemented and assistance provided to upgrade employee skills. 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.
G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	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.
ASPECT : DIVERSITY AND EQUAL OPPORTUNITY	
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: • 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-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	a. Report the percentage of individuals within the organization's governance bodies in each of the following diversity categories: • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant b. Report the percentage of employees per employee category in each of the following diversity categories: • 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	
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: • 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-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	a. Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. Report the definition used for " significant locations of operation ".
ASPECT : SUPPLIER ASSESSMENT FOR LABOR PRACTICES	
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: • 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-LA14 Percentage of new suppliers that were screened using labor practices criteria	a. Report the percentage of new suppliers that were screened using labor practices criteria.
G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	a. Report the number of suppliers subject to impact assessments for labor practices. b. Report the number of suppliers identified as having significant actual and potential negative impacts for labor practices. c. Report the significant actual and potential negative impacts for labor practices identified in the supply chain. 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. 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.
ASPECT : LABOR PRACTICES GRIEVANCE MECHANISMS	
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: • 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-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	a. Report the total number of grievances about labor practices filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: • Addressed during the reporting period • Resolved during the reporting period c. Report the total number of grievances about labor practices filed prior to the reporting period that were resolved during the reporting period.

SUB-CATEGORY : HUMAN RIGHTS	
ASPECT : INVESTMENT	
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: • 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-HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	a. Report the total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. Report the definition of " significant investment agreements " used by the organization.
G4-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	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. 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.
ASPECT : NON-DISCRIMINATION	
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: • 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-HR3 Total number of incidents of discrimination and corrective actions taken	a. Report the total number of incidents of discrimination during the reporting period. b. Report the status of the incidents and the actions taken with reference to the following: • 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	
G4-DMA GGeneric 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: • 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-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	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: • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk b. Report measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.

ASPECT : CHILD LABOR	
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: • 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-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	a. Report operations and suppliers considered to have significant risk for incidents of: • Child labor • Young workers exposed to hazardous work b. Report operations and suppliers considered to have significant risk for incidents of child labor either in terms of: • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk c. Report measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.
ASPECT : FORCED OR COMPULSORY LABOR	
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: • 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-HR6 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	a. Report operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk 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.
ASPECT : SECURITY PRACTICES	
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: • 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-HR7 Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	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. b. Report whether training requirements also apply to third party organizations providing security personnel.

ASPECT : INDIGENOUS RIGHTS	
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: • 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-HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken	a. Report the total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period. b. Report the status of the incidents and actions taken with reference to: • 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	
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: • 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-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments	a. Report the total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.
ASPECT : SUPPLIER HUMAN RIGHTS ASSESSMENT	
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: • 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-HR10 Percentage of new suppliers that were screened using human rights criteria	a. Report the percentage of new suppliers that were screened using human rights criteria.
G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	a. Report the number of suppliers subject to human rights impact assessments. b. Report the number of suppliers identified as having significant actual and potential negative human rights impacts. c. Report the significant actual and potential negative human rights impacts identified in the supply chain. 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. 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.

ASPECT : HUMAN RIGHTS GRIEVANCE MECHANISMS	
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: • 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-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	a. Report the total number of grievances about human rights impacts filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: • Addressed during the reporting period • Resolved during the reporting period c. Report the total number of grievances about human rights impacts filed prior to the reporting period that were resolved during the reporting period
SUB-CATEGORY : SOCIETY	
ASPECT : LOCAL COMMUNITIES	
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: • 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-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	a. Report the percentage of operations with implemented local community engagement, impact assessments, and development programs, including the use of: • 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
G4-SO2 Operations with significant actual and potential negative impacts on local communities	a. Report operations with significant actual and potential negative impacts on local communities, including: • The location of the operations • The significant actual and potential negative impacts of operations

ASPECT : ANTI-CORRUPTION	
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: • 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-SO3 Total number and percentage of operations asessed for risks related to corruption and the significant risks identified	a. Report the total number and percentage of operations assessed for risks related to corruption. b. Report the significant risks related to corruption identified through the risk assessment.
G4-SO4 Communication and training on anti-corruption policies and procedures	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. 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. 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. d. Report the total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Report the total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.
G4-SO5 Confirmed incidents of corruption and actions taken	a. Report the total number and nature of confirmed incidents of corruption. b. Report the total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Report the total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Report public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.
ASPECT : PUBLIC POLICY	
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: • 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-SO6 Total value of political contributions by country and recipient/beneficiary	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. b. Report how the monetary value of in-kind contributions was estimated, if applicable.

ASPECT : ANTI-COMPETITIVE BEHAVIOR	
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: • 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-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	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. b. Report the main outcomes of completed legal actions, including any decisions or judgments.
ASPECT : COMPLIANCE	
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: • 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-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	a. Report significant fines and non-monetary sanctions in terms of: • Total monetary value of significant fines • Total number of non-monetary sanctions • Cases brought through dispute resolution mechanisms b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient. c. Report the context against which significant fines and non-monetary sanctions were incurred.
ASPECT : SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY	
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: • 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-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	a. Report the percentage of new suppliers that were screened using criteria for impacts on society.
G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	a. Report the number of suppliers subject to assessments for impacts on society. b. Report the number of suppliers identified as having significant actual and potential negative impacts on society. c. Report the significant actual and potential negative impacts on society identified in the supply chain. 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. 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.

ASPECT : GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY	
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: • 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-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	a. Report the total number of grievances about impacts on society filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: • Addressed during the reporting period • Resolved during the reporting period c. Report the total number of grievances about impacts on society filed prior to the reporting period that were resolved during the reporting period.
SUB-CATEGORY : PRODUCT RESPONSIBILITY	
ASPECT : CUSTOMER HEALTH AND SAFETY	
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: • 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-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	a. Report the percentage of significant product and service categories for which health and safety impacts are assessed for improvement.
G4-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	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: • 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 b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.

ASPECT : PRODUCT AND SERVICE LABELING	
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: • 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-PR3 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	a. Report whether the following product and service information is required by the organization's procedures for product and service information and labeling: • 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) b. Report the percentage of significant product or service categories covered by and assessed for compliance with such procedures.
G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by: • 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 b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.
G4-PR5 Results of surveys measuring customer satisfaction	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: • The organization as a whole • A major product or service category • Significant locations of operation
ASPECT : MARKETING COMMUNICATIONS	
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: • 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-PR6 Sale of banned or disputed products	a. Report whether the organization sells products that are: • Banned in certain markets • The subject of stakeholder questions or public debate b. Report how the organization has responded to questions or concerns regarding these products.
G4-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	a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: • 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 b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.

ASPECT : CUSTOMER PRIVACY	
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: • 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-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	a. Report the total number of substantiated complaints received concerning breaches of customer privacy, categorized by: • Complaints received from outside parties and substantiated by the organization • Complaints from regulatory bodies b. Report the total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.
ASPECT : COMPLIANCE	
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: • 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-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	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. b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.

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

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

YEAR ENDED DECEMBER 31, 2014

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

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

YEAR ENDED DECEMBER 31, 2014

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 assurance report on a selection of social, environmental, and other sustainable development information, presented in the "GRI data sheets" and "2014 *Sharing Beauty With All* progress report" prepared for the year ended December 31, 2014, and identified by the signs ✓ or ✓✓.

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 "GRI data sheets" available online on 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 profession's Code of Ethics as well as by the provisions set forth in 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 auditing 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 selected by the L'Oréal Group [1] and identified by the sign ✓ in the "GRI data sheets" and the "2014 *Sharing Beauty With All* progress report" are presented, fairly, in all material aspects, in accordance with the Reporting Criteria.
- to express reasonable assurance on the fact that other information selected by the L'Oréal Group [2] and identified by the sign ✓✓ in the "GRI data sheets" and the "2014 *Sharing Beauty With All* progress report" are presented, fairly, 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: VOC emissions (in tons), Sulphur Dioxide emissions (in mg per PF), Chemical Oxygen Demand before water treatment, Chemical Oxygen Demand after water treatment, Water consumption, use of water and breakdown by water usage, % of raw materials from plant origin with no critical impact on biodiversity, Transportable waste including packaging shuttles, Transportable waste excluding packaging shuttles, Total transportable waste (in thousands of tons), 2014 Waste processing, 2013 Carbon Footprint, MESUR index (Managing Effective Safety Using Recognition & realignment), Safety Improvement Opportunities (SIO) index, 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 by geographical area, World Profit Sharing 2013 (paid in 2014), Number of hirings and dismissals, Overall rate of absenteeism, Rate of absenteeism for sickness, Number of agreements signed in the world, Number of agreements in force as of 12/31, Number of training hours, Qualitative information regarding the application of specific working conditions for workers aged between 16 and 18 years old, % of renewable raw materials coming from species identified as sensitive and concerned by plans or improvement actions with suppliers, % of supplies in Shea butter coming from « Solidarity Sourcing » program, Qualitative information in relation with dialogue with local or international NGOs on matters of biodiversity / raw materials supply, Information in relation with the cosmetovigilance system.

Limited assurance report on selected CSR information

NATURE AND SCOPE OF PROCEDURES

We conducted our procedures in accordance with ISAE 3000 [3] (International Standard on Assurance Engagements) and the professional standard applicable in France, NEP 9090 [4].

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 held 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 appropriateness 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 information identified by the sign ✓:

- for the consolidating entity, we reviewed the documentary sources et conducted interviews to cross check the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations as well as the consolidation of this information and we verified their consistency with other information detailed in "GRI data sheets" and in L'Oréal Group's "2014 *Sharing Beauty With All* progress report";
- for a representative sample of entities and sites that we have selected [5] 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 and identify possible omissions,
  - implemented substantive tests on sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample covered 24 % of the Group's workforce and between 12 % and 42 % of selected environmental information.

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.

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(2) The information is the following: Finished goods units produced (in millions), Quantity of bulk produced (in tons), CO_2 direct emissions (in thousands of tons), CO_2 indirect emissions related to energy (in thousands of tons), Water consumption (factories and distribution centers), Total energy consumption, Energy consumption by type, Conventional frequency rate, Extended frequency rate, Severity index, Number of Diversity coordinators, Number of entities labeled « Gender Equality European Standard » - GEES, Number of entities labeled « Economic Dividend for Gender Equality » - EDGE, Number of entities audited according to the EDGE label and waiting for being labeled, Number of entities which submitted a handicap inclusion project, Number of social audits in 2014, Number and distribution of non-compliances raised during social audits of suppliers.

(3) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

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

*(5) **Selected factories**: Burgos (Spain), Cosmelor (Japan), Florence (USA, Kentucky), Franklin (USA, New Jersey), Fapagau (France), Kalouga (Russia), Libramont (Belgium), Mexico (Mexico), Montreal (Canada), Piscataway (USA, New Jersey), Randjespark (South Africa), Rambouillet (France), Rio (Brazil), Saipo (Italy), Saint Quentin (France), Sao Paulo (Brazil), Sicos (France), San Luis Potosi (Mexico), Istanbul (Turkey), Warsaw (Poland).*
***Selected Distribution Centers (DC):** DC Brazil, DC Canada, DC Italy, DC S. Brunswick (USA, New Jersey).*
***Selected administrative sites:** Aulnay (France), Chevilly (France).*
***Selected HR subsidiaries:** USA, Brazil, Japan, Italy, Netherlands.*

Note: Additional elements regarding data used for the 2014 registration document led to consider data of sufficient quality to conclude to a reasonable level of assurance for the indicator «water consumption» within this report.

Reasonable assurance report on selected CSR information

NATURE AND SCOPE OF PROCEDURES

Regarding other information identified by the sign ✔✔, we carried out the same nature of work as described in the paragraph 1 above for CSR information considered as the most important but in a more thorough way, in particular, regarding the number of tests.

The selected sample represents 66% of the Group's produced units and between 54% and 100% of selected environmental information identified by the sign ✔✔.

We believe that this work allows us to express reasonable assurance on the information selected by the Group and identified by the sign ✔✔.

CONCLUSION

In our opinion, the Information selected by the Group and identified by the sign ✔✔ has been prepared, in all material respects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine, 9th, 2015

The Statutory Auditors,

Deloitte & Associés

David Dupont Noel
Audit

Florence Didier-Noaro
Sustainability Services

PricewaterhouseCoopers Audit

Gérard Morin

Sylvain Lambert

Governance

Governance structure and composition

G4 34 to G4 38

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)

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.

In 2014, following the renewal of the tenure as Director of Mr. Jean-Paul Agon by the Annual General Meeting on April 17, the Board of Directors decided, at its meeting held the same day, that the combination of the roles would continue and to appoint Mr. Jean-Paul Agon as Chairman and Chief Executive Officer, considering that this method of organisation of the General Management corresponded the best to the specificities of L'Oréal.

Within this general framework, the modus operandi of the Board of Directors and its Committees 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.

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 due and proper 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.

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

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.

THE BOARD OF DIRECTORS' ACTION IS FULLY ORGANISED

The Board acts in all circumstances in the Company's corporate interests. With this aim in mind, the Board has adopted rules with regard to conduct and has formally provided for the means available to it to fully perform its role, for example, by deciding to handle any issue with regard to the smooth running of the Company, within the framework of the law.

In order to provide for a formal framework and organise its actions, L'Oréal's Board of Directors has adopted Internal Rules reaffirming the guidelines for its mission and the means at its disposal to carry out such actions.

The Internal Rules cover both the formal aspects of the Board's missions and 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, responsible conduct in the field of insider trading, etc.). They are updated by the Board in order to take account of the changes in the laws and regulations, good corporate governance practices and its own modus operandi, in particular, within the scope of the annual evaluation of its work. The Internal Rules were last updated on February 10, 2014. They are published in full in chapter 2 of the 2014 Registration Document, on pages 63 et seq.

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

The setting up of the Board Committees, their composition and the enlargement of their roles and responsibilities contribute to a good balance of powers and are a point to which the Board of Directors pays attention, in particular within the scope of the annual evaluation of the way it operates. The Board of Directors has clearly defined the remits of the Committees in its Internal Rules.

Only the Strategy and Sustainable Development Committee is chaired by the Chairman and CEO, who does not serve on any other committee.

All the Committees include independent Directors, 60% for the Audit Committee and half of the members for the Human Resources and Remuneration Committee and for the Appointments and Governance Committee, including the Chairman of each of these Committees. 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 2014, the Board once again appreciated the quality of the contributions made by its committees in relation with the decisions that it takes, in an increasingly detailed manner.

THE BOARD'S WORK FOCUSED ON BUSINESS ACTIVITIES AND STRATEGY

In 2014, besides the regular monitoring of the Group's business activities (markets, businesses, geographical development, competition, quantitative and qualitative objectives), the Board of Directors continued its work, as it had chosen to do, on the components of L'Oréal's strategy..

Thanks to a constructive dialogue with the General Management, the Board contributes to development of the strategy, particularly by analysing the strategic interest of acquisitions and their impact on the Company's financial structure and on its long-term development capabilities.

For example, in 2014, the Group's Senior Vice-President, Chief Ethics Officer, described to the Directors the progress made in this field and presented to them the 3rd edition of the Group's Code of Business Ethics. Among the new topics addressed in this edition, the Board noted: lobbying, money laundering, Human Rights and the introduction of more stringent requirements with regard to advertising, marketing, personal data and social media.

FOR MORE EXAMPLES IN THIS RESPECT, SEE PAGES 57 AND 58 OF THE 2014 REGISTRATION DOCUMENT.

COMPOSITION OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2014

The Board of Directors comprises 15 members: the Chairman and Chief Executive Officer, five Directors appointed by the main shareholders, three of whom are appointed by the Bettencourt Meyers family, Mrs. Françoise Bettencourt Meyers, Mr. Jean-Pierre Meyers and, Mr. Jean-Victor Meyers and two by Nestlé, Mr. Peter Brabeck-Letmathe and Mrs. Christiane Kuehne (the two Vice-Chairmen of the Board being chosen from among these members) and seven independent Directors: Mrs. Belén Garijo (since April 17, 2014), Mrs. Virginie Morgon, Mrs. Annette Roux, and Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Louis Schweitzer and two Directors representing the employees, Mrs. Ana Sofia Amaral and Mr. Georges Liarokapis, since July 2014.

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.

Since July 2014, the composition of the Board has been enlarged with the appointment of two **Directors representing the employees.**

Mrs. Ana Sofia Amaral was appointed by the Instance Européenne de Dialogue Social/European Works Council and holds the duties of Scientific and Technical Affairs Director for L'Oréal Portugal.

Mr. Georges Liarokapis was appointed by the CFE-CGC, the most representative trade union in L'Oréal for France and holds the duties of Coordinator of Sustainability for L'Oréal Western Europe.

With the particular looking glass related to their wide knowledge of the Company, they provide further insight that enriches the quality of the Board's debates and decisions.

The Directors representing the employees have the same roles and responsibilities and duties as the other Directors. Like any new Director, they benefit from a personalised training programme adapted to the performance of their new term of office, in order to ensure that they take up their duties under the best possible conditions. Their tenure covers a period of four years and they receive attendance fees according to the same rules of allocation as the other Directors. The components of their remuneration as employees are not published.

They both resigned from their duties as employee representatives before joining the Board of Directors.

It is usual practice at L'Oréal for new Directors to serve on Committees after an integration period enabling them to learn how the Board works and about the major issues facing the Company.

At the Board meeting on February 12, 2015, on the proposal of the Appointments and Governance Committee, it was decided that Mrs. Ana Sofia Amaral and Mr. Georges Liarokapis would join the Human Resources and Remuneration Committee and the Audit Committee respectively after the Annual General Meeting on April 22, 2015.

At December 31, 2014, out of a total of 13 Directors (excluding the 2 Directors representing the employees), **five women have seats on L'Oréal's Board of Directors**, representing a proportion of female Directors of 38.5%.

The Board is thus in advance of the French Law of January 27, 2011 relating to the balanced representation of men and women, which provided initially for a minimum proportion of 20% of Directors of each gender to be reached by 2014.

The Appointments and Governance Committee is continuing its selection process in order to make proposals of candidates to the Board of Directors. In any event, in 2017, the composition of the Board will be in compliance with the French law which requires a minimum proportion of 40% of Directors of each gender.

At December 31, 2014, the members of the Board of Directors were as follows:

Jean-Paul Agon, age: 58, 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: 61, the daughter of Mrs. Liliane Bettencourt, and the granddaughter of the founder of L'Oréal, Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since January 31, 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: 70, 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.

Jean-Pierre Meyers, age: 66, 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 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 and Vice-Chairman of the Bettencourt Schueller Foundation.

Ana Sofia Amaral, age: 49, Scientific and Technical Affairs Director for L'Oréal Portugal, Ana Sofia Amaral was appointed in 2014 by L'Oréal's Instance Européenne de Dialogue social/European Works Council as Director representing the employees.

Charles-Henri Filippi, age: 62, 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, the Human Resources and Remuneration Committee, and the Appointments and Governance Committee since 2014. He is a Director of Orange and Chairman of Citigroup for France.

Xavier Fontanet, age: 66, 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 Chairman of the Appointments and Governance Committee since 2011.

Belén Garijo, age: 54, of Spanish nationality, is Chief Executive Officer of Merck Healthcare, an entity bringing together all the pharmaceutical businesses of German group Merck, and a member of its Executive Committee. Belén Garijo has been a Director of L'Oréal since April 2014. She is also a Director of BBVA (Spain).

Bernard Kasriel, age: 68, 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: 59, 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.

Georges Liarokapis, age: 52, of French and Greek nationality, Coordinator of Sustainability for L'Oréal Western Europe, Georges Liarokapis was appointed in 2014 by the CFE-CGC as a Director representing the employees.

Jean-Victor Meyers, age: 28, has been a member of the Supervisory Board of the family-owned holding company Téthys since January 2011. He has been a Director of L'Oréal since February 2012 and a member of its Audit Committee since April 2014.

Virginie Morgon, age: 45, is Chief Executive Officer of Eurazéo which she joined in 2008 after working for sixteen years at Lazard. She has been a Director of L'Oréal since 2013 and is a member of the Audit Committee. She is also a Board member of Accor and Vivendi.

Annette Roux, age: 72, 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: 72, 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 General Commissioner for Investment.

MEMBERS OF L'ORÉAL'S EXECUTIVE COMMITTEE	
Jean-Paul Agon Chairman and Chief Executive Officer	**Alexandre Popoff** Executive Vice-President, Eastern Europe Zone
Laurent Attal Executive Vice-President, Research and Innovation	**Sara Ravella** Executive Vice-President Communication, Sustainability and Public Affairs
Nicolas Hieronimus Executive Vice-President, President - Selective Divisions	**Lubomira Rochet** Chief Digital Officer
Barbara Lavernos Executive Vice President, Operations	**Frédéric Rozé** Executive Vice-President, Americas Zone
Brigitte Liberman President, Active Cosmetics Division	**Geoff Skingsley** Executive Vice-President, Africa, Middle East Zone
Marc Menesguen President, Consumer Products Division	**Jérôme Tixier** Human Resources and Advisor to the Chairman
Christian Mulliez Executive Vice-President, Administration & Finance	**An Verhulst-Santos** President, Professional Products Division
Alexis Perakis-Valat Executive Vice-President, Asia, Pacific Zone	**Jochen Zaumseil** Executive Vice-President, Western Europe Zone

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.

FOR FURTHER INFORMATION CONCERNING L'ORÉAL'S GOVERNANCE STRUCTURE, SEE CHAPTER 2 "CORPORATE GOVERNANCE" ON PAGES 35 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

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 2014, the Group increased the number of meetings with individual shareholders: 7 meetings with shareholders were organized in France and Belgium, as well as visits to the Soproreal plant in Aulnay (France) and to the Group's hair Academies in Brussels and Strasbourg. The Group participated in the Actionaria exhibition for the eleventh year running In November.

In total, the financial communication team met with 6,000 individual shareholders and about 650 institutional investors.

An annual financial information meeting is held at the Group's headquarters and a study trip was organised with analysts and investors. Three telephone conferences for presentation of sales or half-year results were arranged for financial analysts and investors in 2014.

THE CONSULTATIVE COMMITTEE OF INDIVIDUAL SHAREHOLDERS

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 who have held directly registered or managed registered shares for at least two years. Holding registered shares enables L'Oréal to know its shareholders better and to offer certain benefits to those who agree to support the company's development over the long term. The number of shareholders registering their shares has greatly increased over the last three years.

DIALOGUE WITH STAKEHOLDERS ON CSR SUBJECTS

On October 23, 2013, the Group presented its sustainability commitments for 2020 with its *Sharing Beauty With All* programme, 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 in 2013 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.

Through the *Sharing Beauty With All* programme, L'Oréal has undertaken to communicate regularly on the progress made. To assist it in its work, the Group has set up a panel of independent international experts, the "Panel of Critical Friends", to provide external support with regard to this programme.

RECOGNISED INDEPENDENT STAKEHOLDERS

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

- **Lo Sze Ping**, Chinese environmentalist, former Greenpeace activist, CEO of Greenovation Hub;
- **Mehjabeen Abidi-Habib**, Pakistani researcher in human ecology, natural resource management specialist;
- **Princess Celenhle Dlamini**, a South African who is a director of the Ubuntu Institute, an organisation working toward achieving the United Nations' Millennium Development Goals;
- **Analisa Balares**, the American Founder and CEO of WomensphereTM, which develops media tools and online communities, and presents awards to inspire and encourage women wanting to make a difference in the world;;
- **Christian de Boisredon**, French creator of the "impact journalism" concept through Sparknews, which spotlights positive initiatives worldwide;
- and, in 2014, sustainable marketing specialist **Edmund Blamey**, took part as a special guest.

CONSTRUCTIVE CO-CREATION

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

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

FOR FURTHER INFORMATION CONCERNING STAKEHOLDERS, SEE

- THE STAKEHOLDER ENGAGEMENT FACTSHEET (G4-24 TO G4-25 OF THIS REPORT).
- SECTION 6.4.2 ON PAGES 247 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT;
- THE SPECIAL "ZOOM" FEATURE CONCERNING THE PANEL OF CRITICAL FRIENDS ON PAGE 26 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS 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, after a period of 5 years, between 2006 and 2011, during which the duties of Chairman of the Board of Directors and those of Chief Executive Officer were separated in order to ensure a smooth transition between Sir Lindsay Owen-Jones and Mr. Jean-Paul Agon, the Board of Directors decided to reunify these duties, by appointing Mr. Jean-Paul Agon as L'Oréal's Chairman and Chief Executive Officer.

On April 17, 2014, the Annual General Meeting renewed the tenure of Mr. Jean-Paul Agon as Director. At its meeting on the same day, the Board of Directors decided on the continued combination of the duties of Chairman with those of Chief Executive Officer and to reappoint Mr. Jean-Paul Agon to this post.

This decision was made, following the recommendations by the Appointments and Governance Committee, in the best interest of the Company and with the constant concern that the mode of governance chosen will make it possible to optimise the Group's financial and economic performances and to create the most favourable conditions for its long-term development.

The Board of Directors indeed considers that this method of governance is particularly suited to the specificities of L'Oréal. L'Oréal has always had senior managers and executive officers who are loyal to the Company, they have a clear vision of the Group's future prospects based on their precise knowledge of the commercial entities and the businesses. 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.

Finally, this method of organisation of the General Management is appropriate for L'Oréal's particular shareholder structure: stable, loyal shareholders with, in particular, two main shareholders, highly committed to the Group's long-term development.

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

YOU CAN FIND THIS INFORMATION IN CHAPTER 2, SECTION 2.2.1.1, "METHOD OF GENERAL MANAGEMENT CHOSEN", ON PAGE 39 OF THE 2014 REGISTRATION DOCUMENT.

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.

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

FOR FURTHER INFORMATION, SEE PAGES 40 TO 52 OF THE 2014 REGISTRATION DOCUMENT SHOWING THE DETAILED BIOGRAPHY AND LIST OF CORPORATE OFFICES AND DIRECTORSHIPS HELD BY EACH DIRECTOR.

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.

All the Directors receive information on an ongoing basis and have suitable means for the performance of their duties. They all have a duty of acting with due care and attention and participate, in total independence, in the decisions and work of the Board and its Committees.

They are all subject to compliance with the rules in force with regard to conflicts of interest.

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 ***(Criterion 1)***;
- 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 ***(Criterion 2)***;
- 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 ***(Criterion 3)***;
- the member must not have any close family links with a corporate officer ***(Criterion 4)***;
- the member must not have been the Company's auditor over the five previous years ***(Criterion 5);***
- the member must not have been a Director of the Company for more than twelve years ***(Criterion 6)***.

At its meeting on November 28, 2014, the Board of Directors examined, on a case-by-case basis, the situation of each of the members concerned in light of the independence criteria provided for in the AFEP-MEDEF Code.

	Criterion 1	*Criterion 2*	*Criterion 3*	*Criterion 4*	*Criterion 5*	*Criterion 6*	*Classification adopted*
Mrs. Belén Garijo	yes	yes	yes	yes	yes	yes	Independent
Mrs. Virginie Morgon	yes	yes	yes	yes	yes	yes	Independent
Mrs. Annette Roux	yes	yes	yes	yes	yes	yes	Independent
Mr. Charles-Henri Filippi	yes	yes	yes (1)	yes	yes	yes	Independent
Mr. Xavier Fontanet	yes	yes	yes	yes	yes	no (2)	Independent
Mr. Bernard Kasriel	yes	yes	yes	yes	yes	yes	Independent
Mr. Louis Schweitzer	yes	yes	yes	yes	yes	yes	Independent

(1) On the basis of the work carried out by the Appointments and Governance Committee, the Board of Directors analysed, as it does every year, the financial flows that took place during the financial year between L'Oréal and the companies in which the Directors who qualify as independent also hold an office. It appears that the nature of these business relationships is not significant.

Concerning the relations between L'Oréal and Citigroup France of which Mr. Charles-Henri Filippi is the Chairman, the Board noted that they were not significant in terms of their volume or with regard to their nature. They mainly involve currency hedging fees. Furthermore, the possibility for L'Oréal to use a panel of banks, in a competitive context, rules out all relationship of dependence. Furthermore, Mr. 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.

(2) The Board of Directors carefully examined the situation of Mr. Xavier Fontanet whose tenure exceeded 12 years after its renewal, on April 17, 2014. The Board of Directors took into account the objectiveness that Mr. Xavier Fontanet has always shown at the time of the debates and decisions of the Board and his ability to express his convictions and make a balanced judgment in all circumstances with regard to the General Management. It considered that his personality, his leadership and his commitment, recognised by the shareholders of L'Oréal, 98.28% of whom approved the renewal of his tenure on April 17, 2014, were all guarantees of his independent-mindedness.

The Board also considered that the experience of Mr. Xavier Fontanet with regard to governance and the attention he has always paid to the due and proper functioning of the Board in his capacity as Chairman of the Appointments and Governance Committee are essential in light of the recent, significant number of appointments of new independent Directors and the integration of the Directors representing the employees. These qualities, combined with a good understanding of the challenges facing the Company, contribute to a great extent to the continuity of the Board's discussions and help to put its decisions into perspective.

In light of these elements of assessment concretely analysed with great care, the Board of Directors considered that the criterion of 12 years, defined by the AFEP-MEDEF Code in addition to five other criteria, was not sufficient in and of itself for Mr. Xavier Fontanet to mechanically lose the status of independent Director.

In sum, at December 31, 2014, 7 members of the Board of Directors out of 13 (excluding the Directors representing the employees) qualify as independent (i.e. 53.8% of the Board of Directors):

- Mrs Belén Garijo;
- Mrs Virgine Morgon;
- Mrs Annette Roux;
- Mr. Charles-Henri Filippi;
- Mr. Xavier Fontanet;
- Mr. Bernard Kasriel;
- Mr. Louis Schweitzer.

Furthermore, at December 31, 2014, out of a total of 13 Directors (excluding the 2 Directors representing the employees), **5 women have seats on L'Oréal's Board of Directors**, representing a proportion of 38.5%.

The Board is thus in advance of the French Law of January 27, 2011 relating to the balanced representation of men and women, which provided initially for a minimum proportion of 20% of Directors of each gender to be reached by 2014.

The Appointments and Governance Committee is continuing its selection process in order to make proposals of candidates to the Board of Directors. In any event, in 2017, the composition of the Board will be in compliance with the French law which requires a minimum proportion of 40% of Directors of each gender.

FOR FURTHER INFORMATION CONCERNING THE DIRECTORS, SEE SECTION 2.2.1 "COMPOSITION OF THE BOARD OF DIRECTORS" ON PAGES 40 TO 52 OF THE 2014 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 2.2.2.3. ON "THE ACTIVITIES OF THE BOARD COMMITTEES" ON PAGES 58 TO 62 OF THE 2014 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.

The Committee 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.

The Board's Committees act strictly within the framework of the remits given to them by the Board. They prepare actively for its work and make proposals, in particularly with regard to the subjects within their remit.

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

Every year, the Board carries out the formal evaluation provided for by the AFEP-MEDEF Code of 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 its 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 2014. 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 2013, 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 the strategy of the Consumer Products Division and the presentation on the market in Western Europe, in the presence of a large number of senior managers, were particularly appreciated.

Furthermore, the Board continued with its in-depth analysis of performance, in light in particular of competitors, once again within the scope of the strategic orientations validated by the Board.

In 2014, 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 their meetings in 2015.

FOR FURTHER INFORMATION CONCERNING THE BOARD'S EVALUATION, SEE SECTION 2.2.2.4. "SELF-EVALUATION BY THE BOARD OF DIRECTORS" ON PAGES 62 AND 63 OF THE 2014 REGISTRATION DOCUMENT.

Role 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 2014, besides the regular monitoring of the Group's business activities (markets, businesses, geographical development, competition, quantitative and qualitative objectives) the Board of Directors continued its work, as it had chosen to do, on the components of L'Oréal's strategy.

Thanks to a constructive dialogue with the General Management, the Board contributes to development of the strategy, particularly by analysing the strategic interest of acquisitions and their impact on the Company's financial structure and on its long-term development capabilities.

As an illustration, the strategic acquisitions of the following companies were completed during the financial year: Magic Holdings International Limited, whereby L'Oréal made its most important investment on the beauty market in China; NYX Cosmetics, one of the American make-up brands registering the strongest growth in the United States, driven by a novel communication strategy relying on the social networks and local marketing initiatives, and Decléor and Carita, the world's No. 2 in the professional market of spas and beauty institutes.

The Board also pays a lot of attention to follow-up of the acquisitions made in previous years and asks for a regular report on transactions carried out: integration into the Group, synergies, areas of complementarity, achievement of the business plan prepared at the time of the acquisition and value creation for L'Oréal.

In order to benefit from the best possible knowledge of L'Oréal's business activities, the Board of Directors regularly meets with its senior managers. Each of their presentations gives the Directors the opportunity to take stock of an aspect that characterises its business and its organisation, enabling them to forge an opinion and to make their decisions with the benefit of all the relevant information.

In this way, in 2014, the Directors analysed in detail issues relating to Logistics and the Supply Chain in the presence of the Group's Executive Vice-President, Operations.

They also had the occasion to discuss in detail L'Oréal's situation and outlook on the Group's leading market, Western Europe, with a full presentation by the Executive Vice-President for the Zone.

A full-day session was devoted to the Consumer Products Division for a concrete analysis of the developments in the highly competitive cosmetics market in the mass market segment.

In addition, the Group's Senior Vice-President, Chief Ethics Officer, described to the Directors the progress made in this field and presented to them the 3rd edition of the Group's Code of Business Ethics. Among the new topics addressed in this edition, the Board noted the following: lobbying, money laundering, Human Rights and the introduction of more stringent requirements with regard to advertising, marketing, personal data and social media.

Finally, the Executive Vice-President, Human Resources addressed the Board to present the dual challenge, both individual and collective, of Human Resources: giving the Group the talents it needs to develop on each and every continent; creating a collaborative environment in which everyone works together and in which everyone can prove himself and give the best he/she can.

In 2014, the Board of Directors studied and gave its prior authorisation for the strategic transaction with Nestlé, approved by the Annual General Meeting of shareholders on April 17, 2014. This transaction consisted, firstly, in the buy-back of 48.5 million L'Oréal shares (representing 8% of its share capital) from Nestlé with a view to their cancellation and, secondly, in a sale of the 50% holding of L'Oréal in Swiss dermatology company Galderma to Nestlé (owned in equal shares by L'Oréal and Nestlé).

In 2014, the Central Works Council (CWC) was consulted and issued an opinion, pursuant to the French Law on Employment Security of June 14, 2013, on the Company's strategic orientations, as previously defined by the Board of Directors. The Board of Directors reviewed the opinion of the Central Works Council and replied to it.

With regard to the work of the Committees, the following remits of two of the four Committees should be noted:

Strategy and sustainable development committee

Composition at December 31, 2014	*Main remits*	*Main activities in 2014*
● **Jean-Paul Agon (Président)** ● **Françoise Bettencourt Meyers** ● **Peter Brabeck-Letmathe** ● **Bernard Kasriel** ● **Jean-Pierre Meyers** ● **Louis Schweitzer** All these Directors participate in Committee meetings with complete freedom of judgment and in the interest of all the shareholders. It is specified that two members are part of the Bettencourt-Meyers family and one member is from Nestlé. The Committee met six times in 2014, with an attendance rate of 100%.	● **Throwing light, through its analyses, on the strategic orientations as** submitted to the Board ● **Monitoring the implementation and advancement of significant** operations in progress and ensuring that the main financial balances are maintained ● **Examination of the main strategic lines of development**, options or projects presented by the General Management, and their economic and financial consequences, opportunities for acquisitions and financial transactions liable to significantly change the balance sheet structure. ● **Verification of the integration of the Company's commitments** with regard to Sustainable Development, in light of the issues specific to the Group's business activities and its objectives. ● **Examination of the proposed strategic orientations** defined by the Board with a view to consultation of the Central Works Council.	● **Analysis of sales, update on business** activities, markets and competition. ● **Analysis of the performance of the latest product launches.** ● **Examination of the Group's strategic** development prospects. ● **Review of all the acquisition projects:** the following projects were, among others, presented to the Board: - *Magic* - *Decleor/Carita* - *Niely Cosmeticos* - *NYX* - *Carol's Daughter* ● Proposal to the Board of Directors of a summary on **the strategic orientations within the framework of consultation of the Central Works Council.** ● **Recommendations to the Board of Directors on the choices to be made following the passing of Law No. 2014-384 of March 29, 2014** "aimed at reconquering the real economy" commonly referred to as the "Florange Law".

Role of the highest governance body in risk management

Audit committee

Composition at December 31, 2014	*Main remits*	*Main activities in 2014*
● **Louis Schweitzer (Chairman)** ● **Charles-Henri Filippi** ● **Christiane Kuehne** ● **Jean-Victor Meyers** ● **Virginie Morgon** 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. In April 2014, a new Director, Mr. Jean-Victor Meyers, was appointed to the Committee to replace Mr. Jean-Pierre Meyers. 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. The Chairman and Chief Executive Officer is not a member of the Audit Committee. In several instances, the Committee has heard the Vice-President, Finance and Administration as well as other senior managers of the Company responsible for various areas reviewed by the Committee, in particular within the framework of risk monitoring and risk management. The Statutory Auditors attend the Committee's meetings. The Committee met with the Statutory Auditors without the management of the Company. The Committee has not deemed it necessary to request the assistance of outside experts. The number of independent Directors is 3 out of 5, namely 60%. The Audit Committee met four times in 2014, with an attendance rate of 96%. At the Board meeting on February 12, 2015, on the proposal of the Appointments and Governance Committee, it was decided that Mr. Georges Liarokapis would join the Audit Committee after the Annual General Meeting on April 22, 2015.	● **Monitoring of the process for preparation of financial information** ● **Monitoring of the statutory audit of the annual and consolidated accounts** by the Statutory Auditors. ● **Review of the Audit plans and schedule** of the Statutory Auditors and review of the results of their verifications. ● **Monitoring of the Statutory Auditors' independence.** ● **Monitoring of the efficiency of the Internal Control and risk management system.** ● **Warning role with regard to the Chairman of the Board in the event of detection of a substantial risk** which in its view is not adequately taken into account. ● **Task of monitoring the Group's main risk exposures and sensitivities.** ● **Review of the programme and objectives** of the Internal Audit Department and the Internal Control systems methods and procedures used. ● **Annual review of 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.	● **Review of the annual and interim results and the balance sheet.** ● **Review of the Statutory Auditors' reports.** ● **Monitoring of the audit plan for 2014**, the results of the verifications performed, the recommendations given and follow-up actions, within the framework of the statutory audit of the accounts. ● **Examination of the audits** carried out by the Statutory Auditors with regard to **social, environmental and societal information**. Thanks to a broader control scope and improved reliability of the data, an additional reasonable assurance report was issued with respect to 16 criteria. ● **Monitoring of the Internal audit activity:** The Committee concluded that the Internal Audit department had performed a thorough review of all key processes, using strict compliance criteria. ● **Internal Control:** review of the risk factors and risk mapping, The Committee acknowledged that risks were properly identified and operationally maintained under control, as well as reviewed by the Executive Committee on a regular basis. ● **Examination of the draft of the "risk factors" section of the 2014 management report** and the draft report of the Chairman relating to internal control and risk management procedures. ● **Monitoring of the results of the programmes to raise awareness of the risk of fraud and corruption prevention:** review of the brochures, Codes of Conduct and Charters sent to Group employees. ● **Information on the legal risks** and the potential litigation and major events liable to have a significant impact on L'Oréal's financial position and on its assets and liabilities. ● **Information Systems Security and safety:** the Committee acknowledged that the development of L'Oréal was conducted through a solid, stable and innovating infrastructure, in a secure environment with control of costs.

FOR FURTHER INFORMATION CONCERNING THE EVALUATION OF PERFORMANCE, SEE SECTION 2.2.2.3 ON "THE ACTIVITIES OF THE BOARD COMMITTEES" ON PAGE 58 AND PAGES 59 TO 62 OF THE 2014 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*

L'Oréal's *Sharing Beauty With All* Progress Report is approved by Jean-Paul Agon, the Group's Chairman and Chief Executive Officer.

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

Structure and composition of governance

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 2014, the Group increased the number of meetings with individual shareholders: 7 meetings with shareholders were organized in France and Belgium, as well as visits to the Soproreal plant in Aulnay (France) and the Group's hair Academies in Brussels and Strasbourg. The Group participated in the "Village des Actionnaires" at Roland Garros in September, and at the Actionaria exhibition for the eleventh year running in November.

In total, the financial communication team met with 6,000 individual shareholders and about 650 institutional investors.

An annual financial information meeting is held at the Group's headquarters and a study trip was organised with analysts and investors. Three telephone conferences for presentation of sales or half-year results were arranged for financial analysts and investors in 2014.

THE CONSULTATIVE COMMITTEE OF INDIVIDUAL SHAREHOLDERS

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 (see "Governance structure and composition" in this factsheet).

L'ORÉAL'S "OPEN TALK" POLICY

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 26 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.

Remuneration and incentives

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 2014 financial year

The amount of attendance fees divided between the Directors consists of a predominantly variable portion according to the degree of regularity of attendance at meetings in accordance with the provisions of AFEP-MEDEF Code. The Board adopted for a full year:

- for participation in Board meetings: a fixed annual sum of €30,000 and an amount of €5,000 for each Board meeting;
- for participation in Board committees:
  - Audit Committee: an amount of €25,000 for each Director who is a member. The Audit Committee's remit is indeed particularly exacting and requires a significant commitment.
  - Strategy and Sustainable Development Committee: an amount of €15,000 for each Director who is a member,
  - Human Resources and Remuneration Committee: an amount of €10,000 for each Director who is a member,
  - Appointments and Governance Committee: an amount of €10,000 for each Director who is a member.

These amounts consist of a fixed part of 40% and a variable part of 60%, depending on the degree of regularity in attending Committee meetings. The attendance fees allocated to the Chairman of each of these committees are doubled and also consist of a fixed part of 40% and a variable part of 60%.

Amounts paid in respect of the 2014 financial year

A total amount of €1,110,083, which falls within the total overall amount of €1,450,000 voted by the Annual General Meeting in 2014, was distributed to the Directors at the beginning of 2015 in respect of the 2014 financial year, for a total of 6 meetings of the Board of Directors (7 meetings in 2014 including 1 extraordinary meeting for which no fees were paid) and 19 Committee meetings.

The attendance rate at Board of Directors' meetings in 2014 is 93.5% on average.

At its meeting on November 28, 2014, the Board of Directors placed on record the wish expressed by Mr. Jean-Paul Agon to no longer receive attendance fees in his capacity as Chairman and Chief Executive Officer. Mr. Jean-Paul Agon thus receives no attendance fees from companies of the L'Oréal Group.

Allocation rules in respect of the 2015 financial year

The Board of Directors decided to reapply the methods of allocation of attendance fees adopted for 2014 within the scope of the total amount of €1,450,000 voted by the Annual General Meeting on April 17, 2014.

Amounts of attendance fees (€)	*2014 financial year (total of 6 meetings and 19 Committee meetings*	*2013 financial year (total of 5 meetings and 18 Committee meetings)*
Mr. Jean-Paul Agon	-	€ 85,000
Mrs. Françoise Bettencourt Meyers	€ 75,000	€ 70,000
Mr. Peter Brabeck-Letmathe	€ 89,000	€ 85,000
Mr. Jean-Pierre Meyers	€ 101,250	€ 115,000
Mrs. Ana-Sofia Amaral*	€ 30,000	-
Mr. Paul Bulcke*	€ 32,500	€ 60,000
Mr. Charles-Henri Filippi	€ 102,333	€ 96,250
Mr. Xavier Fontanet	€ 80,000	€ 70,000
Mrs. Belén Garijo*	€ 50,000	-
Mr. Bernard Kasriel	€ 95,000	€ 90,000
Mrs. Christiane Kuehne	€ 85,000	€ 80,000
Mr. Marc Ladreit de Lacharrière*	10,000 €	€ 50,000
Mr. Georges Liarokapis*	€ 30,000	-
Mr. Jean-Victor Meyers	€ 78,750	€ 55,000
Mrs. Virginie Morgon	€ 76,250	€ 62,750
Mrs. Annette Roux	€ 50,000	€ 50,000
Mr. Louis Schweitzer	€ 125,000	113,750
TOTAL	**€ 1,110,083**	**€ 1,082,750**

(*) Directors whose term of office began or ended during the 2014 financial year

DETAILS OF THE REMUNERATION POLICY APPLICABLE TO CORPORATE OFFICERS AND OF AMOUNTS PAID IN RESPECT OF 2014 ARE DISCLOSED ON PAGES 73 TO 89 AND PAGES 298 TO 300 OF THE 2014 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.

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 who have held directly registered or managed registered shares for at least two years. Holding registered shares enables L'Oréal to know its shareholders better and to offer certain benefits to those who agree to support the company's development over the long term. The number of shareholders registering their shares has greatly increased over 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 2014 financial year are presented to the Annual General Meeting for an advisory vote.

FOR FURTHER INFORMATION, SEE PAGES 298 TO 300 OF THE 2014 REGISTRATION DOCUMENT.

Ethics and integrity

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

G4 57 *Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.*

G4 58 *Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity.*

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 widely circulated document called "The L'Oréal Spirit".

L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages and in Braille in French and English, it is distributed to all employees worldwide. 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 Ethics applies to all of the Group's employees, executive officers and directors, and members of the Executive and Management committees, and to those of its subsidiaries worldwide. Six supplements to the Code of 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 Ethics in their country.

Respect for these ethical principles is integrated in the appraisal system for all the employees through two ethical competencies: "Acts/leads with human sensitivity" and "Obtains results with integrity".

The Senior-Vice President 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 and 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 2014 was a live webchat with the Chairman and Chief Executive Officer, which enabled all of 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 4,000 questions were asked worldwide.

The ethics training campaign is ongoing. A compulsory e-learning course on ethics is currently being rolled out in all countries. As of December 31st, 2014, over 43,000 employees had completed the course. There are also six specific modules designed in particular for Country Managers, Buyers and Human Resources teams.

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.

The Chief Ethics Officer regularly visits the Group's entities all over the world (head offices, factories, distribution centres and research centres) to meet employees at all levels of the company and visit the various sites. In 2014, within this framework, he visited 21 countries and was in contact with over 7,000 employees.

The inclusion of ethical questions in Internal Audit missions completes the programme.

The Ethics Correspondents' role is to assist the Country Managers in implementing the ethics programme and enable employees in 64 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 available in 26 languages. All allegations are examined in detail and appropriate measures are taken, where applicable.

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.

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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.

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Economic

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Disclosures on management approach

Economic performance

In a volatile economic context and a less dynamic market, L'Oréal posted growth across all its Divisions and geographic Zones.

L'Oréal Luxe and The Active Cosmetics Division achieved very good growth and outperformed their market significantly. The Professional Products Division continued to improve. Meanwhile, in a slowing market, the Consumer Products Division saw a temporary sag in its growth, particularly in the United States.

2014 was also a year of transformation for L'Oréal, in particular through the acceleration of our digital transformation and strategic acquisitions such as Magic, NYX, Decléor, Carita and Niely [1], which complement our brand portfolio in key categories and regions of the world.

Despite adverse currency effects, operating margin increased once again in 2014 highlighting the strength of the business model of L'Oréal. Following the capital gain realised upon the disposal of Galderma as part of the strategic transaction with Nestlé, net profit has grown strongly.

L'Oréal is looking to the future with confidence, driven by its "Beauty for All" mission and its "Universalisation" strategy towards its ambition of winning one billion new consumers.

In an economic environment that is uncertain, but more favourable on the monetary front, all its teams are focused to ensure L'Oréal outperforms the market in 2015, and to deliver sales and profit growth.

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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.

(1) Acquisition under completion.

Within the framework of the *Sharing Beauty With All* programme, L'Oréal has made a commitment in favour of the surrounding communities, in particular to enable 100,000 people from underprivileged communities to access work by 2020.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.

In 2014, more than 54 000 people from underprivileged communities in social or financial difficulty were provided access to work, in particular through the programmes *Solidarity Sourcing* and *Community Fair Trade* of The Body Shop.

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 programme, 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 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 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 6,100 social audits at over 4,200 supplier sites. In 2014, 834 social audits were carried out.

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 (72 audits were conducted in 2014). Six supplier factories engaged in specifically targeted improvement programmes.

Besides these on-site audits and to ensure compliance with these commitments throughout the chain of responsibilities, L'Oréal has initiated a programme for the evaluation of strategic suppliers and their sustainability policies. This evaluation, carried out in partnership with the service provider Ecovadis, is also included in the CSR section of the scorecard.

At the end of 2014, 92 suppliers had thus had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. This represents over 50% of the Group's strategic suppliers.

Economic performance

EC1 Direct economic value generated and distributed

2014 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 + 3,7%.

The net impact of changes in consolidation amounted to +0,4%.

Currency fluctuations had a negative impact of – 2,3%.

Growth at constant exchange rates was + 4,1%.

Based on reported figures, the Group's sales, at December 31st, 2014, amounted to € 22.53 billion, an increase of +1,8%.

SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

			2013/2014 progression	
	2013	**2014**	**Like-for-like**	**Reported figures**
BY OPERATIONAL DIVISION				
Professional Products	2,973.8	3,032.4	2.6%	2.0%
Consumer Products	10,873.2	10,767.5	1.6%	-1.0%
L'Oréal Luxe	5,865.2	6,197.9	7.1%	5.7%
Active Cosmetics	1,576.3	1,660.4	8.7%	5.3%
Cosmetics Total	**21,288.5**	**21,658.2**	**3.8%**	**1.7%**
BY GEOGRAPHICAL ZONE				
Western Europe	7,467.6	7,697.7	2.4%	3.1%
North America	5,356.1	5,389.4	1.1%	0.6%
New Markets. of which	8,464.7	8,571.1	6.9%	1.3%
Asia. Pacific	4,382.2	4,563.6	5.3%	4.1%
Latin America	1,886.2	1,853.7	10.0%	-1.7%
Europe de l'Est (1)	1,691.3	1,585.4	6.0%	-6.3%
Africa, Middle-East (1)	505.1	568.4	13.5%	12.5%
Cosmetics Total	**21,288.5**	**21,658.2**	**3.8%**	**1.7%**
The Body Shop	835.8	873. 8	1.6%	4.6%
Total Groupe	**22,124.2**	**22,532.0**	**3.7%**	**1.8%**

(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.

SIGNIFICANT EVENTS OF 2014

- On January 9, L'Oréal obtained the approval of the Ministry of Commerce of the People's Republic of China to proceed with the acquisition of all the shares of Magic Holdings International Ltd., a company listed on the Hong Kong stock exchange. On April 8, 2014, the acquisition of Magic Holdings was finalized. This move marks L'Oréal's largest investment to date in the Chinese beauty market.
- On February 11, L'Oréal and Nestlé announced a strategic transaction under which L'Oréal was to buy 48.5 million of its own shares from Nestlé (representing 8% of L'Oréal shares), on the condition precedent of the sale by L'Oréal of its stake in the pharmaceutical laboratory Galderma. The sale was completed on July 8, 2014 and results in a capital gain net of tax of about € 2 billion in the second half.
- On February 19, L'Oréal and Shiseido signed the contract for the acquisition by L'Oréal of Decléor and Carita. On April 30, 2014, the acquisition was finalised.
- On April 17, 2014, the Annual General Meeting of L'Oréal shareholders renewed the tenure of Mr. Jean-Paul Agon as Director. The Board of Directors, which met at the end of the Annual General Meeting, decided to renew the duties of Mr. Jean-Paul Agon as Chairman and Chief Executive Officer.
- On June 18, 2014, L'Oréal announced the signing of a definitive agreement to acquire NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles. On July 30, 2014, the acquisition was finalised.
- On October 20, L'Oréal USA announced the acquisition of Carol's Daughter, an American multi-cultural beauty brand with a pioneering heritage in the natural beauty movement. The brand caters to a diverse, rapidly growing market and has established a loyal consumer following throughout the United States. The company reported sales of US$ 27 million in the 12 months to September 30, 2014.
- On November 27, L'Oréal and Nestlé announced their project to end the operations of their joint venture Innéov in the first quarter of 2015.
- On December 18, L'Oréal stated that it had been informed of the French Competition Authority's decision to rule against manufacturers of household and hygiene products concerning events which took place in the early 2000s. L'Oréal has appealed this decision.
- Currently undergoing finalisation in the first half of 2015, the acquisition of Niely Cosmeticos, announced on September 8, 2014, has been approved by the Brazilian regulatory authorities. Niely Cosmeticos is the largest independent hair colour and haircare company in Brazil, with net revenue of € 140 million in 2013.

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2014 RESULTS

The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2013		*2014*	
	€ Millions	% 2013 Sales	€ Millions	% 2014 Sales
Sales	**22,124.2**	**100%**	**22,532.0**	**100%**
Cost of sales	-6,379.4	28.8%	-6,500.7	28.9%
Gross profit	**15,744.8**	**71.2%**	**16,031.3**	**71.1%**
Research and development expenses	-748.3	3.4%	-760.6	3.4%
Advertising and promotion expenses	-6,621.7	29.9%	-6,558.9	29.1%
Selling. general and administrative expenses	-4,614.4	20.9%	-4,821.1	21.4%
OPERATING PROFIT	**3,760.4**	**17.0%**	**3,890.7**	**17.3%**

Gross profit, at €16,031 million, came out at 71.1% of sales, compared with 71.2% in 2013, that is a decrease of 10 basis points. Foreign exchange effects had a negative impact of 30 basis points: the other factors represented a positive impact of 20 basis points.

Research and Development expenses remained stable as a percentage of sales at 3.4%.

Advertising and promotion expenses, as announced one year ago, came out as a lower percentage of sales compared with 2013. At 29.1% of sales, that is a decrease of 80 basis points.

Selling, general and administrative expenses, at 21.4% of sales, have come out at a higher level, by 50 basis points compared with 2013, as they did in the first half of 2014.

Overall, the **operating profit**, at € 3,890 million, has grown by 3.5% and amounts to 17.3% of sales. At constant exchange rates, operating profit growth would have been +5.5%.

OPERATING PROFIT BY OPERATIONAL DIVISION

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2013		*2014*	
	€ Millions	% 2013 Sales	€ Millions	% 2014 Sales
Professional Products	609	20.5%	609	20.1%
Consumer Products	2,167	19.9%	2,186	20.3%
L'Oréal Luxe	1,174	20.0%	1,269	20.5%
Active Cosmetics	343	21.7%	376	22.7%
Cosmetics Divisions total	**4,293**	**20.2%**	**4,440**	**20.5%**
Non-allocated [1]	-605	-2.8%	-615	-2.8%
The Body Shop	72	8.6%	65	7.5%
Group	**3,760**	**17.0%**	**3,890**	**17.3%**

The profitability of the **Professional Products Division** at 20.1% is down by 40 basis points, due mainly to the dilutive effect of the consolidation of Decléor and Carita.

The profitability of the **Consumer Products Division** once again improved very significantly at 20.3%, up by 40 basis points.

The profitability of **L'Oréal Luxe** grew by 50 basis points, at 20.5% in 2014.

At **the Active Cosmetics Division**, there was a further increase in profitability at 22.7%. That is a 100 basis point improvement. The profitability of The Body Shop weakened in 2014, to 7.5%.

PROFITABILITY BY GEOGRAPHIC ZONE

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11

	2013		*2014*	
OPERATING PROFIT	€ Millions	% 2013 Sales	€ Millions	% 2014 Sales
Western Europe	1,662	22.3%	1,746	22.7%
North America	1,003	18.7%	1,010	18.7%
New Markets	1,628	19.2%	1,684	19.6%
COSMETICS ZONES TOTAL [2]	**4,293**	**20.2%**	**4,440**	**20.5%**

Profitability in **Western Europe** improved by 40 basis points to reach 22.7%.

In **North America**, profitability remains stable at 18.7%.

And in the **New Markets**, profitability again increased this year, by 40 basis points, to reach 19.6%.

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

(2) Before non-allocated

NET PROFIT FROM CONTINUING OPERATIONS

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

€ MILLIONS	2013	2014
Operating profit	**3,760.4**	**3,890.7**
Finance Costs excluding dividends received	-31.4	-24.0
Sanofi dividends	327.5	331.0
Pre-tax profit excluding non-recurring items	**4,056.5**	**4,197.7**
Income tax excluding non-recurring items	-1,018.0	-1,069.5
Non-controlling interests	-3.2	+0.1
Net profit from equity affiliates excluding non-recurring items	-2.98	-2.99
Net profit excluding non-recurring items attributable to owners of the company(1)	**3,032.4**	**3,125.3**
EPS (2) (€)	**4.99**	**5.34**
Diluted average number of shares	608,001,407	585,238,674

Finance expenses amounted to € 24 million.

Sanofi dividends amounted to € 331 million.

Income tax excluding non-recurring items amounted to € 1,069 million. This represents a tax rate of 25.5%, slightly higher than that of 2013 which came out at 25.1%.

Net profit excluding non-recurring items amounted to € 3,125 million.

Net Earnings per Share, at € 5.34, is up by 7.1%, compared to Net Earnings per Share for 2013 restated from discontinued operations.

(1) 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 41 et seq.

(2) Diluted net earnings per share excluding non-recurring items after non-controlling interests.

NET PROFIT AFTER NON-CONTROLLING INTERESTS: €4.910 MILLION

Non-recurring items amounted to a charge net of tax of € 357 million, due in part to the decision by the French Competition Authority.

After the capital gain on the disposal of Galderma, € 2.1 billion, net profit came out at € 4,910 million , which represents a large increase of 66%.

€ MILLIONS	2013	2014	Évolution
Net profit excluding non-recurring items attributable to owners of the company	**3,032.4**	**3,125.3**	
Non-recurring items net of tax	-154.1	-357.7	
Net profit from non continuing operations	+79.9	+2,142.7	
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,958.2**	**4,910.2**	**+66%**

CASH FLOW STATEMENT, BALANCE SHEET AND NET FINANCIAL SITUATION

Gross cash flow amounted to € 3,808 million.

The **working capital requirement** in 2014 was reduced by € 55 million.

Investments, amounted to € 1,008 million, representing 4.5% of sales, slightly less than in 2013, when it represented 4.6% of sales.

Finally, after payment of the dividend, acquisitions, and the purchase of shares from Nestlé, the **net debt** came out, at December 31st, 2014, at € 671 million.

With a shareholders' equity amounting to € 20 billion, the balance sheet remains particularly solid, after the purchase of 8% of the capital from Nestlé for € 6 billion.

PROPOSED DIVIDEND AT THE ANNUAL GENERAL MEETING OF APRIL 22TH, 2015

The Board of Directors has decided to propose that the Shareholders' Annual General Meeting of April 22nd, 2015 should approve a dividend of € 2.70 per share, an increase of 8% compared with the dividend paid in 2014. The dividend will be paid on May 7th, 2015 (ex-dividend date May 5th, 2015 at 0:00 a.m., Paris time).

SHARE CAPITAL

The share capital consists of 561,230,389 shares with a par value of € 0.20 at December 31st, 2014.

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 through the *Sharing Beauty With All* Programme, in particular with the pillar "Producing Sustainabily" which goal it an absolute reduction of 60% of L'Oréal's CO_2 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.
- In a set of actions to **expand and enhance the use of renewable energy** in its plants and distribution centers. Substantial installations and innovative technologies have significantly reduced CO2 emissions: a biomass plant and cogeneration systems in Belgium, trigeneration in Spain, heat networks in Germany and Italy, photovoltaic power in China, the United States and Spain.
- 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.

  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 CO_2 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 process.

  The environmental performance of suppliers and the reduction of greenhouse gas emissions have been integrated into the supplier relationship are therefore discussed at strategic meetings (Business Reviews).

  Between 2011 and 2013, the number of suppliers invited increased from 55 to 173. In furtherance of this process, 215 suppliers were invited in 2014. 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 CO_2-generating industries, major industrial groups but also small and medium-sized enterprises.

  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 to purchasing teams. Thus, in 2014, 192 suppliers (as against 152 in 2013), out of the 215 suppliers who were invited, responded positively to L'Oréal's invitation to also join the CDP. This number is higher than the average (3,395 participants for more than 6,505 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. L'Oréal sends results with comments and opportunities for improvement to suppliers who have participated. The average of supplier results for 2014 is stable as compared to 2013: 67 C (as against 63 C in 2013 and 59 D in 2012)[1]. This stagnation can be accounted for by the less good performances by companies participating for the first year.

  In 2013, the Group participated in the CDP Water Supply Chain Pilot Programme. 15 of the 17 suppliers invited by L'Oréal agreed to take part in this new programme aimed at measuring and reducing the water footprint. Following this pilot phase, 26 suppliers were invited in 2014 and 18 agreed to take part.

  L'Oréal was rewarded once again by the CDP in 2014 for its performance and transparency efforts with the score of 98/100 for transparency of information provided, and an "A" for its success in reducing CO_2 emissions.

(1) For further information on the CDP supply chain and the rating methodology, visit the following websites:https://www.cdp.net/en-US/Programmes/Pages/CDP-Supply-Chain.aspx#members

- **By engaging in the fight against deforestation**

  Because deforestation is a major cause of global warming, L'Oréal made a public commitment in 2014 to a "Zero deforestation" policy with the aim that none of its products will be associated with deforestation by 2020 at the latest.

  Within the scope of this policy, L'Oréal will more specifically ensure responsible sourcing of commodities such as palm oil and its derivatives, soya, paper and cardboard, which have been identified as the major causes of tree clearing.

  Between now and 2020, L'Oréal continues to rely on internationally recognised certifications to guarantee sustainable sourcing.

  In this manner, in 2014:

  - 100% of purchases of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to the RSPO criteria (www.rspo.org);
  - 100% of soya oil purchases in Brazil are certified as organic and obtained from fair trade sources;
  - 97.9% of paper and cardboard suppliers are certified (in particular by the FSC, PEFC).

- **Concerning palm oil and its derivatives,** conscious of the limits of the current certification model in the fight against deforestation, L'Oréal has decided to go one step further with its suppliers:

  - by asking them to specify the precise geographic origin of the materials they supply;
  - by providing the most strategic suppliers with support in mapping deforestation risks in their supply chain;
  - by stepping up its exploratory operations in Indonesia and Malaysia in order to identify the projects to be implemented with its partners to support small-scale independent growers.

Finally, more generally when developing its products, L'Oréal takes care to limit the use of resources, both for products and for their packaging. Actions to achieve reductions at source undertaken by the teams made it possible to save nearly 470 tonnes of packaging materials in 2014, making cumulated savings of 4,070 tonnes since 2008.

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 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 80% of the countries in which L'Oréal is established, L'Oréal participates in establishing additional retirement benefits that exceed the minimum benefits provided for by social security for its employees (e.g. the United States, the Netherlands, Belgium, Canada, South American countries). It does so through a whole series of defined benefit and/or defined contribution schemes. 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.

L'Oréal does not propose company pension schemes in countries which do not have an appropriate legal framework or a long-term investment instrument and in countries where there is satisfactory public social security coverage. 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 1, 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 1, 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 1, 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 31, 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 1, 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 400 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 31, 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 31, 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 1, 2008, as well as a supplemental agreement applicable as from January 1, 2009.

A 2nd supplemental agreement was signed on June 6, 2014, applicable as from January 1, 2015: all categories of employees (executives, sales representatives, administrative staff, manual workers, technicians and supervisors) will be beneficiaries of the scheme.

This scheme, which is co-funded by L'Oréal and the employee, makes it possible to improve pension savings for everyone.

In 2015, L'Oréal will contribute on Bracket A, then in 2016, L'Oréal and the employee will both contribute on this Bracket.

For the portion of remuneration exceeding Bracket A, capped at 6 times the French annual social security ceiling, the contributions for both the Company and employees will increase gradually, in 2015 and 2016.

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.

(€ MILLION)	*12.31.2012*	*12.31.2013*	*12.31.2014*
Number of members	13,549	13,823	14,092
Total net contributions (in € million)	**9.20**	**9.51**	**10.2**

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 were confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3, 2009.

The existing arrangements are, in particular:

- 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 profit sharing 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.

	12.31.2012			12.31.2013			12.31.2014		
	M	W	TOTAL	M	W	TOTAL	M	W	TOTAL
Early retirement leave	65	128	193	81	183	264	78	191	269
Compulsory retirement on the Company's initiative	3	0	3	2	0	2	0	0	0
Voluntary retirement	66	135	201	80	150	230	94	188	282

Source: HR France statistics - 2012, 2013 and 2014.

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.

€ MILLION	12.31.2012	12.31.2013	12.31.2014
Provision for pension commitments in consolidated balance sheet liabilities	706.7	621.3	1,049.4

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;
- in case of 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	12.31.2012	12.31.2013	12.31.2014
Net Employee Benefit Contributions for the financial year	11,445	11,985	12,500 (1)

(1) Estimated

MINIMUM GUARANTEED LUMP SUM DEATH BENEFITS

Since December 1, 2004, and January 1, 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 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 its French subsidiaries can continue to benefit from a healthcare scheme.

Retirees of L'Oréal S.A. and certain companies, who retired prior to December 31, 2014, benefit from a contribution by L'Oréal, subject to a membership duration clause, specified in the regulations for additional defined benefit pensions.

This additional defined benefit pension scheme was closed as from December 31, 2014. All the retirees who were beneficiaries of this scheme will continue to benefit from it.

For employees who are close to retirement age, a transitional "transition capital" scheme was set up in the form of a collective company-level agreement: it provides for the payment of a capital sum at the time of retirement (between € 1,000 and € 3,500) depending on age, for all employees aged 52 and over at January 1st, 2015.

YOU CAN FIND THIS INFORMATION IN "COMPANY SAVINGS PLAN AND FROZEN CURRENT ACCOUNT" SECTION ON PAGE 220 ET SEQ. OF THE 2014 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.

Market presence

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, 71 L'Oréal subsidiaries are located in countries where the minimum wage is set by law or by the relevant collective bargaining agreement. In 54 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 17 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

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 with the company for two consecutive years. Employees who have changed category are compared in the category to which they belong in the 2nd year.

	2013			*2014*			*% change in average salary*		
	M	W	TOTAL	M	W	TOTAL	M	W	TOTAL
Executives	6,531	5,588	5,990	6,816	5,858	6,266	4.4%	4.8%	4.6%
Sup. and tech.	3,279	3,250	3,257	3,388	3,362	3,368	3.3%	3.4%	3.4%
Administrative staff	2,479	2,381	2,420	2,565	2,466	2,505	3.5%	3.6%	3.5%
Manual workers	2,821	2,716	2,783	2,907	2,832	2,880	3.0%	4.3%	3.5%
Sales representatives	4,318	3,847	4,123	4,500	4,074	4,323	4.2%	5.9%	4.9%

EMPLOYER CONTRIBUTIONS

At L'Oréal SA, the annual amount of employer contributions in 2014 totals € 227,316,635.

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

L'Oréal has around 1100 "key" positions, 66% of which are located in Group subsidiaries outside France. 52% of these positions are filled by local managers.

Among the "key" positions, there are around 260 considered as "strategic" positions, of which 44% are located in Group subsidiaries outside France. 35% 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.

YOU CAN FIND THIS INFORMATION IN THE FACTSHEET "LABOR PRACTICES AND DECENT WORK" IN THIS REPORT.

Indirect 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.

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.

In 2014, the *Passerelles de l'Industrie* scheme began at the Soproréal factory, based in Aulnay-sous-Bois, in partnership with the French unemployment authorities (Pôle Emploi). This factory has insourced a packaging activity that was previously subcontracted in a new specially-designed production unit with both a high ergonomic value and a social and societal dimension. Since July 2014, a scheme has made it possible to offer training under a 10-month apprenticeship to 15 people to enable them to learn about a job and prepare them for a certificate.

Since 2009, L'Oréal has been supporting project promoters with business creation projects in Seine-Saint-Denis via a partnership with CREO Adam, a not-for-profit organisation which provides support to business creators and advocates that the economic success of the men and women it supports should benefit the territories they come from, with actions in favour of local employment and/or by being closely involved in civic life in the neighbourhood. L'Oréal has become one of the pillars of the *Révélateurs de talents* competition organised by CREO Adam, the fifth edition of which took place in 2014. Thus, every year, from June to October, during the competition preparation period, Group employees advise project promotors on their business creation projects. Since its creation, 353 people participated to this programme, 214 projects were validated, 66 businesses were created and 118 people accessed work.

In Italy, the Settimo plant launched the «refugees Project», in order to promote the integration of migrants in the society. This programme permitted to four people to sign employment contracts with the Group in 2013. In 2014, a refugee signed a fixed-term employment contract, beginning on July, 1st. The Settimo plant is also involved in a programme dedicated to former detainees' reintegration and works in partnership with three associations: the Oval Oltre Sbarre, Abele Lavoro and The San Paolo Foundation. Four former detainees worked for the Group in 2014.

In the US, the L'Oréal Piscataway plant sponsors the robotics club of a local high school, in which 80% of students are issued from ethnic minorities. Discussions are underway to create a process to facilitate access to employment for students by providing information and career opportunities. A special support is also provided to women and minorities during the «Community Day». Under the aid provided, there is the search for shelters, food bank or day care centers, assistance with resume writing, job interviews' preparation.

Indirect economic impacts

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. The *Solidarity Sourcing* programme falls within one of the 4 pillars of the *Sharing Beauty With All* programme - "Developing Sustainably with our communities" - which aims to enable more than 100,000 people from underprivileged communities to access work by 2020.

As such, *Sharing Beauty With All* is a great lever to sensibilise our collaborators about *Solidarity Sourcing*. Beyond purchasing, its initial scope, all areas and divisions are now integrated in the deployment of this global programme, with the help of *Solidarity Sourcing* coordinators present in each country.

In 2014, the *Solidarity Sourcing* programme provided access to employment for over 27,000 people in a vulnerable situation all over the world, as compared to 22,000 in 2013. By late 2014, *Solidarity Sourcing* encompassed 250 projects around the world.

For example, grown mainly in India, in Rajasthan and Haryana, guar gum is increasingly used as a thickener and emulsifi er in haircare and haircolour products. L'Oréal, in partnership with its supplier, Solvay, the leading producer of this natural raw material, is currently developing a *Solidarity Sourcing* project to improve the living conditions of 1,500 farmer-harvesters, while promoting environmentally-friendly agricultural practices.

Moreover, since 2012, internal auditors have begun including *Solidarity Sourcing* in their audit scope as part of a continuous improvement process.

Some suppliers have applied this programme within their own supply chain.

FOR FURTHER INFORMATION CONCERNING SOLIDARITY SOURCING, PLEASE REFER TO "PROMOTING INCLUSION IN OUR COMMUNITIES" ON PAGE 25 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT.

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.

The L'Oréal Foundation with Science and Beauty reveals and enhances the women that it supports in the worldwide, through missions centred around two strong thematics: For Women in Science and the Beauty to feel better and to have a better time.

- Thanks to its «For Women in Science» action, the L'Oréal Foundation raises young women students vocations from high school, encourages researchers and recognizes the excellence in an area where women should be even more represented. Since 17 years, more than 2.250 women of science from more than 110 countries have received a distinction award and have been rewarded;
- The beauty to feel better and have a better time, it is dispensing care to women affected by the disease, insecurity or isolation, enjoying renewed self-confidence and find their mistreated feminity again. It is also a way to help people in a social vulnerability position to project its designs forward into the future thanks to a large education programme and professional beauty training, Beauty for a better life, currently rolled out in 20 countries.

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 43 factories, 32 of which are ISO 14001-certified and 31 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. The *Solidarity Sourcing* programme falls within one of the 4 pillars of the *Sharing Beauty With All* programme - "Developing Sustainably with our communities" - which aims to enable more than 100,000 people from underprivileged communities to access work by 2020.

As such, *Sharing Beauty With All* is a great lever to sensibilise our collaborators about *Solidarity Sourcing*. Beyond purchasing, its initial scope, all areas and divisions are now integrated in the deployment of this global programme, with the help of *Solidarity Sourcing* coordinators present in each country.

In 2014, the *Solidarity Sourcing* programme provided access to employment for over 27,000 people in a vulnerable situation all over the world, as compared to 22,000 in 2013. By late 2014, *Solidarity Sourcing* encompassed 250 projects around the world.

For example, grown mainly in India, in Rajasthan and Haryana, guar gum is increasingly used as a thickener and emulsifi er in haircare and haircolour products. L'Oréal, in partnership with its supplier, Solvay, the leading producer of this natural raw material, is currently developing a *Solidarity Sourcing* project to improve the living conditions of 1,500 farmer-harvesters, while promoting environmentally-friendly agricultural practices.

Moreover, since 2012, internal auditors have begun including *Solidarity Sourcing* in their audit scope as part of a continuous improvement process.

Some suppliers have applied this programme within their own supply chain.

FOR FURTHER INFORMATION CONCERNING SOLIDARITY SOURCING, PLEASE REFER TO "PROMOTING INCLUSION IN OUR COMMUNITIES" ON PAGE 25 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS 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 2014, more than 50 fair trade sourced raw materials were included in 10,5% 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 2014, a total of 27 000 people therefore benefited from fair trade sourced raw material purchases (excluding the CFT).

In 2014, 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;
- 100% of sesame oil purchases are from fair trade sources and more than 500 products containing sesame oil from fair trade sources were manufactured.
- In Brazil, 4 raw materials were integrated into our *Solidarity Sourcing* programme: Pracaxi oil and Muru Muru butter used in hair products, white clay used in personal hygiene products, and Cupuacu butter in personal care products.

THE BODY SHOP'S COMMUNITY FAIR TRADE PROGRAMME

2014 marks 27 years of The Body Shop's pioneering *Community Fair Trade* programme. The brand works directly with 26 suppliers and over 25,000 workers to source high quality, traceable, ingredients gifts and accessories from around the world. The programme positively impacts more than 320,000 people in the suppliers' extended community providing basic life-changing benefits such as clean drinking water, schools, educational materials, medical facilities and a fair income.

The *Community Fair Trade* Programme is governed by the principles laid out in the *Community Fair Trade* Charter (available at http://thebodyshop.com/content/pdf/cft-charter.pdf). These principles determine how suppliers are selected, their commitments to The Body Shop and the benefits they receive in return. The programme is externally certified by the Institute for Market Ecology (IMO). Impact on the suppliers and their wider communities is assessed through annual supplier self-assessments, bi-annual on-site assessment visits and tri-annual audits by IMO which are supported by more in depth impact assessments as appropriate.

The Body Shop's commitment to *Community Fair Trade* has continued to grow; more than 90% of its products now contain *Community Fair Trade* ingredients, up from 85% in 2011. Since acquisition in 2006 by L'Oréal The Body Shop has worked closely with other L'Oréal brands, in 2012 introducing them to its *Community Fair Trade* soya bean oil and babassu oil suppliers in addition to the *Community Fair Trade* Aloe Vera, Olive, Sesame, Soya and Sugar already used in their products.

The Body Shop was recognised for their pioneering *Community Fair Trade* programme by the prestigious Business in the Community charity, who named them International Responsible Business of 2013. They were also reaccredited for this award in 2014. Since winning the award in 2013 The Body Shop has introduced a 26th supplier to its pioneering *Community Fair Trade* programme.

FOR FURTHER INFORMATION CONCERNING COMMUNITY FAIR TRADE, SEE THE SOCIETY FACT SHEET (INDICATOR SO1).

Procurement practices

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 2014, 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 2014, over 1,2 billion finished products were made in this way, set to increase to around 1.4 billion by the end of 2015. 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.

L'ORÉAL

Environment

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Disclosures on management approach

On October 23, 2013, L'Oréal presented its Sustainability Commitments for 2020 through the *Sharing Beauty With All* programme.

2014 was the year of implementation of these commitments. This public announcement bears witness to L'Oréal's ambitions and to the dedication of the Group's management and all its teams to building and consolidating sustainable development.

The signature of the United Nations Global Compact more than the years ago and the creation of the L'Oréal Foundation in 2007, which testifies to the Group's commitment to sponsorship and philanthropy, are among the key stages in this development.

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* programme 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 (now replaced by the *Sharing Beauty With All* Progress Report), the GRI (Global Reporting Initiative) indicators and those of the UN Global Compact.

The efforts and the progress made in 2014 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 2014 ranked L'Oréal among the 10% of highest-scoring corporations) and OEKOM.

Sharing Beauty With All : The environmental indicators

1. **Innovating sustainably** - By 2020, 100% of the Group's products will have an environmental or social benefit.

2020 TARGETS

100 % of L'Oréal'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 uses sustainably sourced renewable raw materials or raw materials derived from Green chemistry;
- The new formula reduces its environmental footprint, and its water footprint in particular;
- The new packaging has an improved environmental profile:
- The new product has a positive social impact.

2014 RESULTS

67 % of new products that have been screened have an improved environmental or social profile [1].

- **46 %** of new or renovated products have an improved social/environmental profile due to a new formula including sustainably sourced renewable raw materials or raw materials respecting the principles of green chemistry.
- **54 %** f new or renovated products have an improved environmental profile due to a new formula with a reduced environmental footprint.
- Indicator not available for 2014.

  Baseline currently being calculated. A strict eco-design policy is developed at all the Group's Packaging Design centres. For example, one of L'Oréal's objectives is for all paper and cardboard packaging to be sourced from sustainably managed forests. In 2014, more than 97.9% of paper and cardboard packaging supplies were certified sustainable in accordance with FSC or PEFC standards.
- **17 %** of new or renovated products have an improved social profile thank to a positive social impact.

2. **Producing sustainably** - By 2020, the Group pledges to reduce its environmental footprint by 60% whilst bringing beauty to one billion new consumers.

2020 TARGETS

- A **60%** reduction of CO_2 emissions at the Group's 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 CO_2 emissions from transportation of products by **20%** per finished product/Km from a 2011 baseline.

2014 RESULTS

- CO_2 emissions have been reduced by **50.2%** from a 2005 baseline[1].
- Water consumption was reduced by **36%** from a 2005 baseline[2].
- Waste generation was reduced by **23.1 %** from a 2005 baseline[3].
- Only **3.8%** of waste was sent to landfill[4].
- Indicator not available for 2014. The reporting process for this indicator is currently being implemented. Figures for 2014 will be consolidated in 2015.

(1) The analysis of new products in 2014 does not include make-up or fragrances. All other categories (shampoos, hair care, shower gels, skin care, cleansers, hair colouring, styling, permanents, deodorants, sun care) have been analysed. These are all formulas produced in the Group's plants in 2014.

(2) The calculation of CO_2 emissions concerns scopes 1 and 2 of plants and distribution centres. The reduction percentage is calculated in absolute value from a 2005 baseline.

(3) The water consumption calculation is based on plants and distribution centres. The reduction percentage is calculated in litre/finished product, from a 2005 baseline.

(4) The calculation of waste generation is based on plants and distribution centres. The reduction percentage is calculated in grams of waste per finished product from a 2005 baseline.

(5) The percentage of waste sent to landfill is calculated for the given year, by dividing the quantity of waste sent to landfill (5?088 metric tons) by the quantity of transportable waste excluding reusable packaging (96,943 metric tons) and rotation of reusable packaging (36,698 metric tons).

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's 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 centres, Research & Innovation centres, administrative sites and shops.

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 centre 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. Their 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 organisation at local level and for achieving targets.

At the end of 2014, L'Oréal had 43 production plants and 58 distribution centres around the world.

The means used to produce the reporting, the scope of consolidation, the indicators and the data are all included in the Identified Material Aspects and Boundaries factsheet of this Report.

Variations are calculated on the basis of comparable data for the period 2005-2014.

Materials

Sharing Beauty With All programme

By 2020, through the "Innovating Sustainably" pillar, the Group made the commitment that 100% of new products will have an environmental or social benefit. This means that every time the Group invents or renovates a product, the Group will improve its environmental or social profile against at least one of the following criteria:

- The new formula will reduce the environmental footprint, and its water footprint in particular;
- The new formula will use sustainably sourced renewable raw materials or raw materials derived from green chemistry. In 2020, 100% of renewable raw materials will come from sustainable sources or be derived from green chemistry;
- The new packaging will have an improved environmental profile;
- The new product will have a positive social impact.

In 2014, the Group continued to calculate reference values for its formulas in order to measure progress made 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 formulas 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 formulas, 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 sustainable sourcing of renewable raw materials policy, in conjunction with suppliers and with the support of the R&I Sustainable Innovation department.

This 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 favourable 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 2014, formulators were able to access, from the design stage, calculations of the environmental footprint of formulas for 10 product categories. As concerns the improvement of the environmental profile of its new packaging, since 2007, L'Oréal has implemented a "Packaging and Environment" policy based on three pillars:

- **Respect** (paper and cardboard packaging come from responsibly managed, certified forests),
- **Reduce** (weight and volume reduction in packaging, an integral part of design), and
- **Replace** (search for alternatives to the materials based on non-renewable sources).

This policy is accompanied by a whole set of eco-design tools developed and deployed in all the Group's Packaging Design centres. The eco-design process for finished products is now robust, which enables us to move into new areas in terms of Responsible Packaging. In 2014, an eco-design process for POS (point-of-sale) advertising materials was defined, and is currently being tested with various suppliers. The eco-design process for POS advertising materials will be operational by mid-2015.

Respect : L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed, (FSC or PEFC) certified forests. To date, over 97.9% of paper and cardboard packaging fulfils this criterion.

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 96% of cardboard box printers have obtained this certification.

For all packaging materials used, a materials vigilance programme, 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. In 2014, the eco-design process was enriched with an evaluation tool with regard to recyclability of our packaging making it possible to optimise right from the marketing brief.

Reduce: weight and volume reduction in packaging is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2015, 4,070 metric tons 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 and bottles (Vichy, Biotherm, Garnier). More than 4,100 metric tons of virgin materials were saved in this way in 2014.

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 optimising 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

Sharing Beauty With All programme

By 2020, through the "Producing Sustainably" pillar, L'Oréal commits to reducing CO_2 emissions at its plants and distribution centres by 60% in absolute terms, from a 2005 baseline.

L'Oréal is convinced that the reduction of energy consumption is one of the main drivers to achieve its target for reducing CO_2 emissions. Thus, all new constructions comply with the highest standards in this field (sustainable construction standards such as LEED, HQE or BREEAM standards). With regard to existing sites, they have been improving their energy performance for over twenty years. Redefinition of processes, installation of LEDs, building insulation, heat recovery, improvement of production in terms of overall efficiency, etc.

These efforts have allowed it to cut by 30% the consumption at its plants and distribution centres in Kwh per finished product. To go even further, L'Oréal began in 2014 to roll out a programme for ISO 50001 certification of its plants (continual improvement in energy performance), with the first plant, the Sicos facility in France, being certified in 2014.

For several years, the Group has been endeavouring to use energy efficiently and to reduce its dependence on fossil energies. As far as possible, L'Oréal purchases natural gas rather than heating oil (which has a higher carbon and sulphur 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

Sharing Beauty With All programme

By 2020, through the "Producing Sustainably" pillar, L'Oréal has pledged to reduce its water consumption per finished product unit by 60% from a 2005 baseline.

Water is used at every stage in product manufacture, firstly by the Group's suppliers for the processing of raw materials and packaging, then at its plants and finally by its consumers when using 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.

L'Oréal has a preservation programme in position since 2003 and significant progress has been made in reduction of use and increased efficiency. A lot of the water consumed in L'Oréal plants 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 cleaning and the other industrial processes is tested and treated before being discharged to publicly-owned treatment plants. L'Oréal supports the research in this field, with the University of Newcastle within the framework of a European Union research project on energy efficiencies in waste water treatment.

The water consumptions indicators are reported monthly in terms of litre per finished product for the industrial sites and distribution centres. The mapping of water consumption makes it possible to establish specific action plans aimed at reduction.

In line with the targets for 2020 under the "Producing sustainably" pillar of the *Sharing Beauty With All* programme, a standard tool for analysis and exhaustive mapping of water consumption is now deployed in each of the Group's plants – the Waterscan tool. This tool makes it possible to categorise the different uses of water, and to identify consumptions in each of such categories. The best performances for a given use are established as a Group standard, and are then set as a target for each plant. The projects making it possible to achieve these targets are identified and quantified for each site and the completion of such projects scheduled over time. These planned reductions in consumption form the Group's "Water roadmap", performance on which is monitored on a monthly basis.

Biodiversity

Sharing Beauty With All programme

By 2020, through the "Innovating Sustainably" pillar, the Group has made the commitment that 100% of new products will have an environmental or social benefit. This means that every time the Group invents or renovates a product, the Group will improve its environmental or social profile against at least one of the following criteria:

- the new formula will reduce the environmental footprint, and its water footprint in particular;
- the new formula will use sustainably sourced renewable raw materials or raw materials derived from green chemistry. In 2020, 100% of renewable raw materials will come from sustainable sources or be derived from green chemistry.

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.

At 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 2014, supplementary evaluations were also conducted on over 100 raw materials, in order to precisely define and consolidate the average biodegradability and Water Footprint values of the formulas on the market in 2013 [(1)].

In 2013, L'Oréal moreover developed an ecological performance index for a cosmetic formula:. the Water Footprint (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Improvement in the biodegradability percentage 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 favourable 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 2014, formulators were able to access, from the design stage, calculations of the environmental footprint of formulas for 10 product categories.

Certain shampoos and conditioners with highly biodegradable formulas have been launched on the market.

For example, among the products launched in 2014, the Redken Thinning Retaliate Shampoo, L'Oréal Professionnel Clarifying, Serioxyl Shampoo Coloured Thinning Hair Kit, the MIXA soothing shower oil and or CADUM – soap-free shower gel for softened skin have biodegradability levels of between 95% and 99%

The average biodegradability of shampoos and shower gels in 2014 was 89%.

(1) The baseline year for measurement of the improvement in the environmental footprint of our formulas put into production as from 2014.

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. For this purpose, the Group gives priority in particular, to the use of responsibly sourced renewable raw materials or raw materials processed in accordance with green chemistry principles.

L'Oréal considers all raw materials of which the carbon content is mostly of plant origin as being renewable.

To date, 46% of the raw materials used by the L'Oréal Group are renewable. This represents more than a thousand ingredients from nearly 300 species of plant from around sixty countries.

In 2014, 32% of the Group's newly registered raw materials were renewable and 22% comply with green chemistry principles.

Among the products sold in 2014, certain contain a significant percentage of renewable raw materials. This is the case for Kérastase Elixir Ultime pre-shampoo, Kiehl's Damage Reversing shampoo, Mixa glossy shower oil and Ushuaia Bio Vanilla deodorant, in which the percentages of renewable raw materials exceed 90%.

Out of the 300 plant species which are the source of the renewable raw materials used by the Group, less than 10% in number involve significant Biodiversity issues (protection measures, impact of production on natural environments) depending on their geographic origin and their extraction or production method, and these are the subject of priority action plans ✓.

In 2014, the Group redefined its evaluation criteria for the "sustainable sourcing" risk in respect of the renewable raw materials, in order to adapt them to the definition adopted within the scope of the *Sharing Beauty With All* programme.

In 2014, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and contribution to the socio-economic development in the territories from which they originate.

In order to be recognised as being responsibly sourced, a renewable raw material must:

- be traceable with an identified botanic and geographic origin,
- integrate the main Sustainable Development challenges all across its supply chain (including respect for human rights in accordance with the ILO principles, preservation of biodiversity and social development)

Thus, beyond the issues related to the territories from which the renewable ingredients are sourced, the Group, through its *Buy & Care* programme, also integrates the environmental and social issues relating to the industrial operations of its suppliers (see, in this connection, section 6.4.4 "*Subcontracting with suppliers*" of the 2014 Registration, pages 250 et seq.).

The monitoring of this data is consolidated and managed through:

- "sustainable sourcing risk" indicators (ecological, social & societal risk), established in particular 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;
- a four-level process for making progress has been defined and shared with suppliers of renewable raw materials, including objectives of traceability, conformity, consideration of critical issues and acceptability, which replaces the Raw material sustainability framework questionnaire. An in-depth investigation into the supply chains has been initiated with certain suppliers for the most sensitive raw materials, starting with a document analysis and going as far as an on-site investigation conducted by an independent third party, according to the nature and criticality level of the environmental and social risks identified. This method was subject to several critical reviews by external stakeholders in 2014. Beyond the criteria adopted, the objective is to validate the relevance of this management system for the sustainable sourcing of renewable raw materials

Currently, 94% of the renewable raw materials representing the Group's largest volumes of purchases and derived from species identified as the most sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing ✓.

Emissions

Sharing Beauty With All programme

By 2020, through the "Producing Sustainably" pillar, L'Oréal pledges to reduce the CO_2 emissions at its plants and distribution centres by 60% in absolute terms, from a 2005 baseline.

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 and sulphur 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 CO_2 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 50.2% between 2005 and 2014.

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 CO_2. 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. Each plant and distribution centre is seeking voluntarily to reduce its greenhouse emissions, thanks to various actions to optimise processes, recover energy or for on-site renewable energy production. In 2014, L'Oréal, a member of the CDP since 2003, obtained scores of A for performance and 98 for transparency.) and enlisted 215 suppliers as .members for this project;
- L'Oréal is careful when developing its products to limit the use of resources, for both products and packaging. Measures taken to achieve reductions at source by packaging teams resulted in savings of almost 470 metric tons of packaging materials in 2014, making a total saving of 4,070 metric tons since 2008.

Because deforestation is a major cause of greenhouse gas emissions, L'Oréal made a public commitment in 2014 to a "Zero deforestation" policy with the aim that none of its products will be associated with deforestation by 2020 at the latest.

Within the scope of this policy, L'Oréal will more specifically ensure responsible sourcing of commodities such as palm oil and its derivatives, soya, paper and cardboard, which have been identified as the major causes of tree clearing.

Between now and 2020, L'Oréal continues to rely on internationally recognised certifications to guarantee sustainable sourcing of its supplies. In this manner, in 2014:

- 100% of purchases of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to the RSPO criteria (www.rspo.org);
- 100% of soya oil purchases in Brazil are certified as organic and obtained from fair trade sources;
- 97.9% of paper and cardboard supplies for packaging are certified (in particular by the FSC, PEFC).

Concerning palm oil and its derivatives, conscious of the limits of the current certification model in the fight against deforestation, L'Oréal has decided to go one step further with its suppliers:

- by asking them to specify the precise geographic origin of the materials they supply;
- by providing the most strategic suppliers with support in mapping deforestation risks in their supply chain; and
- by stepping up its exploratory operations in Indonesia and Malaysia in order to identify the projects to be implemented with its partners to support small-scale independent growers.

FOR FURTHER INFORMATION ON RESPONSIBLE SOURCING ACTIONS, PLEASE SEE THE SECTION ON DISCLOSURES ON MANAGEMENT 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.

Sharing Beauty With All programme

By 2020, through the "Producing Sustainably" pillar, L'Oréal pledges to reduce its waste generation per finished product unit by 60% from a 2005 baseline and to send zero waste to landfill.

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 record the waste generated by the use of returnable packaging, a new system of recording returnable packaging at source was put in place with the Group's suppliers in 2014. L'Oréal thus records the weight of its returnable packaging in transportable waste at source, with each of the sites being responsible for maximising rotation.

L'Oréal continues to record returnable packaging subject to rotation, which is necessary for the calculation of the waste recovery index. Furthermore, the waste performance indicator (g/FP excluding returnable packaging) now takes into account the materials portion of the returnable packaging (excluding pallets), recorded at source.

The Group is also doing everything it can to limit waste related to finished products. Several years ago, L'Oréal developed an internal procedure which defines the volume ratios to be complied with between the different levels of packaging of its finished products, with the aim of limiting the environmental impact of the packaging and also its waste impact at the end of the life cycle. This global approach to reducing the environmental footprint of the Group's products has been extended to the packaging used to deliver packing items to plants or to deliver finished products from plants to the distribution centres. For such purpose, a transport packaging design procedure has been defined that systematically takes into account the waste impact of the packaging scenario right from the start of the development process and a specific simplified tool for life cycle assessment has been deployed.

IMPROVING THE QUALITY OF WASTE

Approximately half of L'Oréal's plants have on-site wastewater treatment plants. These use a range of methods, including physical, chemical and biological processes, adapted to the characteristics of the wastewater and local discharge conditions.

In 2014, the Group reduced its total generation of COD (Chemical Oxygen Demand) by 8% in metric tons by pre-treating industrial effluents on site prior to discharge to publicly-owned treatment plants.

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 indeed 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 undertaken to reduce them.

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 ecotoxicology laboratory, L'Oréal has developed expertise on the potential impacts on aquatic environments of its cosmetic products.

For L'Oréal, it is of the utmost importance to anticipate and minimise 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.

Sharing Beauty With All programme

By 2020, through the "Innovating Sustainably" pillar, the Group has undertaken that 100% of new products will have an environmental or social benefit.

L'Oréal has also created an ecological performance index for a cosmetic formula: the water footprint (performance index of a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Improving the biodegradability and/or water footprint percentage of a formula is an essential impact reduction factor.

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 favourable 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 2014, formulators were able to access, from the design stage, calculations of the environmental footprint of formulas for 10 product categories.

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 eco-design 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, (FSC or PEFC) certified forests. To date, over 97.9% of paper and cardboard packaging fulfils this criterion.

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 96% of cardboard box printers have obtained this certification.

For all packaging materials used, a materials vigilance programme, 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 end of 2014, 4,070 metric tons 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, etc.), or recycled glass in their jars and bottles (Vichy, Biotherm, Garnier, etc.). More than 4,100 metric tons of virgin materials were saved in 2014 due to the use of these recycled materials.

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 risk audits, "Culture Audits", combined Risk and Culture audits, loss prevention audits by insurance companies, real estate audits and subcontractor audits.

1 - **Risk audits :**

These 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.

For 3 years, these audits have covered 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 plant and around three days to evaluate a distribution centre, an administrative site or a research centre. In 2014, risk audits were carried out at 6 plants, 10 distribution centres, 2 administrative sites and 2 Research centres.

2 - **EHS "Culture Audits" :** 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 2014, EHS "Culture Audits" were carried out at 2 plants, 3 distribution centres, and 2 research centres.

3 - **Combined Risk and Culture audits:** A new type of combined risk and culture audit was carried out in 2013 at 6 pilot sites. In 2014, this type of audit was carried out at nearly 42% of the Group's audited sites (namely 20 sites out of the 47 audited)

4 - **Loss prevention audits:** Furthermore, within the scope of the Group's "Fire" and "Environment" insurance policies, loss prevention audits are conducted regularly by experts and insurers. In 2014, audits of this kind were conducted at 11 plants and one R&I site in 5 countries with regard to environmental risks (France, Indonesia, Japan, China, South Africa) and 17 sites with regard to fire risks.

5 - **Real estate audits:** 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 2014, 13 sites were audited in various countries.

6 - **Subcontractor audits:** Industrial subcontractors are subject to specific external EHS audits, if they manufacture families of products such as aerosols or inflammable products. As necessary, action plans validated by an external expert company are required and a follow-up audit is scheduled.

77% of L'Oréal plants (a total of 33 out of 43) are ISO 14001-certified and 74% (a total of 32 out of 43) 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.

Sharing Beauty With All programme

L'Oréal has also pledged to reduce the CO_2 emissions of its downstream transportation, with regard to a scope covering the transportation of its Finished Products, for transportation under the control of L'Oréal. The ambition for 2020 is to reduce the CO_2 emissions/FP/km with regard to this scope by 20% from a 2011 baseline.

The system for the monitoring of this target for 2020 is gradually being put in place and the Group has chosen to use the following methodology for the evaluation of CO_2 emissions during transportation.

The data are collected by the operational managers who calculate and validate all the results of the zone for which they are responsible (entity, country, zone, Group) for all the flows of transportation under the control of L'Oréal (from the distribution centres of the commercial entities to customers, from the industrial distribution centres to the distribution centres of the commercial entities, between the plants and the industrial distribution centres).

The reporting tools set up are:

- For the calculation of the emissions, an Excel reporting tool defined in collaboration with the ADEME; this tool is based on the definition of the transport plan used, the type of means of transport, the transport vector used and the emission factors of each of these vectors (ADEME data);
- For the reporting of the indicators, an Operations Division reporting tool, Magnitude.

For the last 5 years, audits carried out every year by external organisations have checked that the reporting works.

In 2014, the current reporting overs approximately 80% of all the flows that the Group wants to include in the reporting:

- complete information for Europe and Asia;
- partial information for North America;
- information which needs to be enhanced for Latin America and the Africa, Middle East zone.

The target is to achieve coverage of 90% in 2015 and 100% in 2016.

Overall

L'Oréal considers investment and expenses in respect of 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.

L'Oréal does consolidate its waste treatment costs, however. In 2014, the cost of treatment was €14.9 million.

L'Oréal has taken out environmental liability insurance which includes a programme of preventive inspections at 10 sites a year.

Every year, there are many environmental projects conducted by the sites which directly manage the associated investments or expenses. These projects may originate in the pursuit of operational improvements (quality, safety, environmental).

Some examples of achievements in 2014 are as follows:

- construction of buildings to recognized standards (HQE, LEED, etc.);
- construction of a water treatment works at the plant in South Africa;
- installation of LED lighting at several sites;
- installation of a wood-burning and cogeneration boiler at the Burgos plant (Spain);
- modifications to production equipment to reduce the amounts of hot water used for cleaning, resulting in reduced water and gas consumption (multi-year programme);
- deployment of photovoltaic panels in the US and in Italy;
- ongoing development of a biomass facility in Italy;
- setting up of a water recycling and treatment facility (China, France, Italy, etc.).

Expenses (non-consolidated) included:

- costs of sorting end-of-life packaging;
- operation of 24 in-house water treatment works;
- other energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, closure of vacuum pump water circuits, 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 preventive and corrective solutions;
- enable managers to implement EHS policy effectively.

The EHS expertise training course, launched in 2013 specifically for the EHS teams, continued to be deployed in 2014. 37 people have already been trained in Europe, representing 11 nationalities. T. Managers continue to receive training in environment, health and safety culture all over the world: 161 managers and supervisors took part in the "EHS Operations" course, and 69 top managers in a session on Safety & Leadership.

In addition, within the scope of deployment of the "Ergonomic Attitude" programme throughout the Group, 149 people received training including experts, managers and employees. This training was developed and tested in 2012 with global roll-out in 2013. In 2014, 88 experts and 500 employees (including managers and technicians) were trained.

In 2014, an Ergonomic Attitude governance committee was set up with senior Group representatives (from Operations, R&I, Marketing, IT, HR and EHS teams). This Committee's role is to determine the vision, objectives and actions to be deployed within the Group and to ensure that the approach adopted properly supports the *Sharing Beauty With All* programme. The Committee meets twice a year and has already initiated the Vision Statement, the roadmap for 2020, which will be rolled out globally as from 2015.

Supplier Environmental Assessment

Supplier environmental assessment is part of L'Oréal's wider responsibility.

L'Oréal has fully integrated the supply chain into its understanding of its environmental impacts and initiatives designed to reduce them.

Sharing Beauty With All programme

Through the "Sharing our growth with our suppliers" pillar, the Group has pledged that, by 2020, 100% of its strategic suppliers will be participating in the supplier sustainability programme.

This will be achieved as follows:

- all strategic suppliers will be assessed and selected on the basis of social and environmental performance.
- all strategic suppliers will have completed a self-assessment of their sustainability policy with the Group's support.
- all suppliers will have access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will be associated with our *Solidarity Sourcing* programme announced in 2012.

In addition to the social audits carried out at suppliers and in order to ensure compliance with these commitments throughout the chain of responsibilities, L'Oréal has initiated a programme for the evaluation of strategic suppliers and their sustainability policies. This evaluation, carried out in partnership with the external service provider Ecovadis is also included in the CSR section of the "scorecard".

At the end of 2014, 92 suppliers had thus had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. This represents over 50% of the Group's strategic suppliers.

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 centres, Research & Innovation centres, administrative sites and shops.

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. This 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 (77% of L'Oréal's plants, representing 33 out of 43, are ISO 14001-certified).

Incidents are thus reported and monitored by EHS managers at each of the entities concerned.

Materials

EN1 Materials used by weight or volume

In 2014, L'Oréal took delivery of 326,000 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 in 2014 were renewable in origin (wood, paper, cardboard, textile).

With regard to its formulas, L'Oréal considers all raw materials of which the carbon content is mostly of plant origin as being renewable. To date, 46% of the raw materials used by the L'Oréal Group in its formulas are renewable.

EN2 Percentage of materials used that are recycled input materials

In 2014, L'Oréal incorporated over 4,100 metric tons of recycled input materials into packaging for its finished products, an increase of 32% over 2013.

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 boxes) contain between 50% and 100% recycled fibre.

Energy

EN3 Energy consumption within the organization

All the following data are in Giga Joules.

TOTAL FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES

Fossil gas	1,000,942 GJ ✔✔
Fuel oil	31,893 GJ ✔✔

TOTAL FUEL CONSUMPTION FROM RENEWABLE SOURCES

Wood	38,292 GJ ✔✔
Ethanol	19,015 GJ ✔✔
Total	57,307 GJ ✔✔

Total electricity consumption generated on site (renewably sourced) purchased (renewably sourced) purchased (non-renewably sourced)	**1,371,553 GJ** ✔✔ 68,426 GJ ✔✔ 698,486 GJ ✔✔ 604,641 GJ ✔✔
Total heat consumption Solar thermal Heating network (Germany, Italy , Belgium, Spain) Biomass (Belgium) Geothermal	**95,082 GJ** ✔✔ 1,281 GJ ✔✔ 54,039 GJ ✔✔ 24,994 GJ ✔✔ 14,768 GJ ✔✔
Total cooling consumption	0 GJ
Total steam consumption	57,784 GJ ✔✔
Total electricity sold Sold with guarantee of origin certificate Sold without guarantee of origin certificate	**34,841 GJ** ✔✔ 435 GJ ✔✔ 34,406 GJ ✔✔
Total heating sold	0 GJ
Total cooling sold	0 GJ
Total steam sold	0 GJ
Total energy consumption	2,589,834 GJ ✔✔

EN4 Energy consumption outside of the organization

Energy consumption outside the organization was estimated for the following material line items:

- Business travel: 2,124,000 GJ
- Downstream transport and distribution: 2,310,000 GJ
- Use of products sold: 58,099,000 GJ
- End-of-life treatment of products sold: 892,000 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[1].

The following assumptions were used in particular:

- **Business travel:**
  - Car: 10 kWh LHV/litre of diesel
  - Plane: FE: 0.311 kg CO_2/kWh LHV (taken from the Association Bilan Carbone spreadsheet)
  - Train: diesel consumption pro rata to car CO_2 emissions

- **Downstream transport:**
  - A ratio of 10 GJ/metric ton CO_2 was used, based on car transport also using diesel fuel.

EN5 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 centres (electricity, gas, fuel oil, steam, heating) by the number of finished products produced by the Group's plants.

Energy intensity	*2010*	*2011*	*2012*	*2013*	*2014*
kWh/1,000FP	158	145	145	142	133 ✔✔

(1) These are estimates calculated on the basis of data collected in 2013. Results for 2014 will only be available next year. Furthermore, the method of calculation of such estimates has been reviewed in order to be able to provide figures that are even closer to the actual figures. This point therefore accounts for the big increase in certain figures as compared to those published for 2013, based on 2012 data.

EN6 Reduction of energy consumption

L'Oréal implements projects to optimise its activity: process re-engineering (e.g. construction of a distribution centre in Roye in 2010 to optimise transport, energy savings from optimised 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 adaptation of equipment and changing employee behaviour.

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 15.4% over five years. To calculate the amount of energy saved, it applied this percentage to overall energy consumption.

	2010	2011	2012	2013	2014
Finished products (million)	5,062.8	5,154.9	5,241.0	5,598.1	5,397.7 ✔✔
Total energy consumption	2,871,700	2,687,803	2,739,623 GJ	2,863,783 GJ	2,589,834 GJ ✔✔
GJ per million finished products	567.2	521.4	522.7	511.6	479.8 ✔✔
Change in overall efficiency over 5 years (2010-2014)	- 15.4 %				
Energy saved through conservation and improvements	471,747 GJ				

Numerous initiatives have been taken to reduce indirect consumption of electricity:

L'ORÉAL INVOLVES ITS SUPPLIERS IN REDUCING THEIR ENERGY CONSUMPTION

Since 2010, L'Oréal has 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 concerned, the proportion of such recycled glass used is now set at 20-30%. Using recycled glass (cullet) at glassmakers significantly lowers the melting temperature of the glass. Through incorporating post-consumer recycled glass into the production of beauty product pots for the Group's major brands (Vichy, Biotherm, Garnier, etc.), a lower furnace temperature is necessary and the amount of energy required has decreased significantly (by 4-10%).

Furthermore, technological innovation and the sharing of certain items of equipment have enabled L'Oréal to introduce new organizational structures in office automation to reduce energy consumption.

INITIATIVES TO REDUCE THE ENERGY CONSUMPTION OF INFORMATION SYSTEMS: IT SUITES AND DATA CENTRES

L'Oréal (CIO department) is continuing to consolidate all its critical IT infrastructures in 3 Worldclass Data-Centers and is continuing to focus on energy efficiency at its data centres. These centres are largely outsourced to partners selected specifically for their environmental commitment and pursuing a carbon footprint reduction policy recognized by the market. For example, 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 optimisation solutions: PUE measurement and monitoring, optimised 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 constantly strive to optimise 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 and hardware 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%.

The gradual changeover in the Group's installed base of 65,000 PCs to laptops (35% Desktops vs. 65% laptops) is reducing overall energy consumption by capitalising on the low consumption of mobile equipment.

The replacement of individual printers by shared printing equipment and the gradual deployment of new technologies, such as the replacement of telephones by lighter equipment connected to computers, have made it possible to decrease paper consumption and the energy footprint significantly with better service for the end user.

Solutions for the automatic, systematic switching of all inactive IT hardware (PCs and servers) to standby mode have been implemented on certain sites.

IT INITIATIVES TO REDUCE ENERGY CONSUMPTION RELATED TO EMPLOYEE TRAVEL

The deployment of communication and remote collaboration tools that began in 2010 is gathering pace. Each campus modernisation is accompanied by the installation of a full standard package consisting of all the necessary IT hardware and communication tools – e-mail, instant messaging (Chat), audio conferencing and web conferencing, etc.

The use of audio conferencing and web conferencing in the Group has increased very significantly since 2010.

The Group already has close on 200 meeting rooms equipped with classic video conferencing solutions. These have gradually been replaced since 2013 with (high-definition (HD) video) equipment. The new technology will encourage greater use of video conferencing in the Group thanks to the significant improvement in the quality of service to users. With this new technology, telecoms reliability and sound and picture quality are far superior to that offered by the existing system.

The 12 telepresence rooms all over the world allowing for a totally immersive video conferencing experience are very largely used.

The 60 new latest-generation HD videoconference rooms set up over the last three years are widely acclaimed by users and some of them have rates of use of more than 5 hours a day.

The impact of the deployment of these new technologies and tools on reducing travel and thus, indirectly, on reducing energy consumption is starting to be significant and the first factual indicators of this impact should appear in 2015.

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.

In addition, **L'Oréal also invites its suppliers to reduce their energy consumption**. Since 2010, L'Oréal has 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 concerned, the proportion of such recycled glass used is now set at 20-30%. Using recycled glass (cullet) at glassmakers significantly lowers the melting temperature of the glass. Through incorporating post-consumer recycled glass into the production of beauty product pots for the Group's major brands (Vichy, Biotherm, Garnier, etc.), a lower furnace temperature is necessary and the amount of energy required has decreased significantly (by 4-10%).

Water

EN8 Total water withdrawal by source

A substantial proportion of the water used in L'Oréal plants is used for the cleaning of production equipment 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.

Within the scope of the *Sharing Beauty With All* programme, L'Oréal has pledged to reduce water consumption in litres per finished product by 60% by 2020 from a 2005 baseline; the reduction target was initially set at 50%.

Over the past 10 years (2005-2014), water consumption per finished product has been reduced by 36% and in absolute terms by 22.4%, while production (excluding raw materials plants) has increased by 21.2%.

In 2014, water consumption per finished product was reduced by 12.8% and total water consumption by plants and distribution centres was reduced by 15.9% compared to 2013, while production (in units) fell by 3.6%. Total water consumption in 2014 was 2,495 thousand m^3.

Total water withdrawal by source for all Group plants and distribution centres, in cubic meters per year (m^3/year), breaks down as follows:

Total water withdrawal by source	*2012 (en m^3)*	*2013 (en m^3)*	*2014 (en m^3)*
Surface water, including from wetlands, rivers, lakes and oceans, groundwater	297,204	280,115	255,543
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	2,627,363	2,688,442	2,235,683
Total	**2,924,567**	**2,968,557**	**2,491,226** ✓✓

FOR FURTHER INFORMATION ON WATER MANAGEMENT, PLEASE SEE SECTION 6.3.3 "SUSTAINABLE USE OF RESOURCES" ON PAGES 238 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT

EN9 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, seas and oceans).

No water source is significantly affected by withdrawal of water. Production plants are generally located in urban areas with populations of over 30,000 inhabitants. 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 countries suffering from hydric stress. The Group uses the WBCSD Global Water Tool to identify hydric stress areas.

EN10 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 litres/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. The two projects completed in 2012 and 2013 are now operational:

- at the Montreal plant, some of the water used to clean equipment has been replaced with water recycled through a membrane filtration system;
- 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.

In 2014, the plant in Suzhou (China) set up a system to treat industrial water in order to be able to reuse it to clean production tools.

Biodiversity

EN11 *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 one site is less than 10 km from a category I UICN protected area (Montreal: 9.6 km)[3].

Only one plant (Germany) is located less than 1 km from a protected area[4].

CONSIDERATION 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.

A due diligence procedure 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 loss prevention audits. 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, ocean, 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.

(3) This data was assessed on the basis of results obtained in 2014 as compared to 2013.

(4) Ibid.

EN12 Description 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 constant concern for the Group in the sourcing of its raw materials is, over and above the desire for quality, to guarantee responsible Biodiversity practices in the following manner:

- by increasing the share of renewable raw materials;
- by ensuring responsible sourcing for such raw materials; Within the scope of its Commitments for 2020, L'Oréal has pledged that 100% of its renewable raw materials will be sustainably sourced (by 2020).
- by making the commitment by 2020 that none of the commodities (palm oil, soya and paper and cardboard) will contribute to deforestation. Published in January 2014, this commitment can be consulted on www.loreal.com.

The use of renewable raw materials may indeed create certain ecological and social issues that must be dealt with throughout the supply chain in order to ensure sustainable sourcing compatible with the preservation of biodiversity.

In 2014, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and contribution to social and economic development in the territories from which they originate.

Since 2013, L'Oréal considers all raw materials of which the carbon content is mostly of plant origin as being renewable.

To date, 46% of the raw materials used by the L'Oréal Group are renewable. This represents more than a thousand ingredients from nearly 300 species of plant from around sixty countries.

Out of the 300 plant species which are the source of the renewable raw materials used by the Group, less than 10% (in number) involve significant Biodiversity issues ✔ (protection measures, impact of production on natural environments) depending on their geographic origin and their extraction or production method, and these are the subject of corrective action plans entered into with suppliers and with the systematic support of independent external third parties, in order to address the actual impacts on the territories from which the ingredients originate.

Currently, 94% of the renewable raw materials representing the Group's largest volumes of purchases and derived from species identified as the most sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing ✔.

POTENTIAL IMPACTS OF THE ACTIVITIES OF L'ORÉAL PRODUCTION SITES

No plant is located in a protected area and only one plant (Germany) is located less than 1 km from a protected area. L'Oréal's activities thus have very little direct impact on protected areas[5].

MANAGING THE IMPACTS OF PRODUCT USE

Besides managing wastewater on its production sites, L'Oréal more particularly monitors the impact of its products on the aquatic environment after use by consumers.

Since 1995, the year in which the Group set up its ecotoxicology laboratory, L'Oréal has developed expertise on the potential impacts on aquatic ecosystems of its cosmetic products.

In 2013, L'Oréal moreover developed an ecological performance index for a cosmetic formula. A calculation method for the Water Footprint specific to cosmetics products, particularly rinsed off products, was applied (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and aquatic ecotoxicity).

Improvement in the biodegradability percentage and/or of the Water Footprint of a formula is an essential factor for reducing the impacts.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995, the Research & Innovation teams are now also working on improving formula biodegradability and water footprint.

The average biodegradability for shampoos and shower gels is 89% in 2014.

(5) This data was assessed on the basis of results obtained in 2014 as compared to 2013.

TOTAL NUMBER OF UICN 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 UICN Red List species potentially affected by L'Oréal's raw materials sourcing activities are as follows:

Botanical name	*UICN RedList status*	*Country of origin of Raw Material*	*Biomass production method*
Anthemis Nobilis (Syn. Chamaemelum Nobile)	Least Concern	France	Cultivated - Organic & Fair Trade
Astralagus Membranaceus (Syn. Astragalus Mongholicus)	Least Concern	China	Wild
Cupressus Sempervirens	Least Concern	France	Cultivated- Organic & Fair Trade
Haberlea Rhodopensis	Least Concern	Switzerland	Cultivated Organic
Lavandula Angustifolia	Least Concern	France	Cultivated Organic
Picea Mariana	Least Concern	Canada	Cultivated
Pinus Clausa, Glabra, Serotina, Virginiana,	Least Concern	United States Of America	Cultivated
Aesculus Hippocastanum	Near Threatened	Europe	Cultivated
Bertholletia Excelsa	Vulnerable	Peru	Wild & Fair Trade
Butyrospermum Parkii (Syn. Vitellaria Paradoxa)	Vulnerable	Burkina Faso	Wild & Fair Trade
Canarium Luzonicum	Vulnerable	Philippines	Wild & Sustainable
Magnolia Liliflora (Syn. Magnolia Wilsonii)	Endangered	China	Cultivated
Pinus Palustris	Endangered	United States Of America	Cultivated

The regulatory and ecological status of cosmetics raw materials derived from these listed species is periodically verified with the suppliers concerned (botanical name, precise geographical origin, biomass production method). The objective is firstly to guarantee regulatory-compliant sourcing and secondly to limit the potential impact on species and/or their ecosystem of origin.

As part of the commitments for the 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 with suppliers.

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 implementation of voluntary plans for sustainable management of the resource, impact measures or any voluntary certifications obtained.

For other less strategic raw materials, often used only in very small quantities, action plans have been deferred and may, in certain cases, involve replacement of the raw materials concerned.

EN13 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.

Several concrete examples of initiatives to protect or restore biodiversity around L'Oréal sites can be cited. On 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 analysed by means of an inventory of various species of flora, birds and pollinizing insects, and the data was supplemented by ecologists from a specialist consulting firm who conducted further observations of chiropters. The data was analysed 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.

Similarly, 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

Between 2000 and 2008, within the framework of a partnership with the ONF, Ushuaia supported restoration work and the introduction of new species at four arboretums and participated 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.

FOR FURTHER INFORMATION ON THE COMMITMENT BY BIOTHERM, SEE THE SECTION ON "RAISING CONSUMER AWARENESS ABOUT LIVING SUSTAINABLY" ON PAGE 20 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT.

FOR FURTHER INFORMATION ON THE GROUP'S ACTIONS FOR PRESERVING BIODIVERSITY, SEE PAGES 12 AND 13 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT.

EN14 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, SEE SECTION 6.3.5 "PROTECTION OF BIODIVERSITY" ON PAGE 244 OF THE 2014 REGISTRATION DOCUMENT.

Emissions

The Group had set itself ambitious targets and in particular a 50% reduction in its CO_2 (Scope 1 and Scope 2) emissions in absolute terms between 2005 and 2015. On October 23, 2013, the Group made an even more ambitious commitment through its *Sharing Beauty With All* programme, vowing to reduce its CO_2 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 2014 were 50.2% 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	58,453 t eq CO_2 ✔✔

TCO_2		2012	2013	2014	Change
Plants	Scope 1	55,863	54,422	47,229 ✔✔	- 13.2 %
Distribution Centres	Scope 1	11,067	12,908	11,224 ✔✔	- 13 %
Plants + Distribution Centres	Scope 1	66,920	67,331	58,453 ✔✔	- 13.2 %

Four sites use wood to produce heat. Biogenic emissions of CO_2 in 2014 were 13,149 metric tons of CO_2 equivalent.

EN 16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)

The Group had set itself ambitious targets, and in particular a 50% reduction in its CO_2 emissions (Scope 1 and Scope 2) in absolute terms between 2005 and 2015. On October 23, 2013, the Group made an even more ambitious commitment through its *Sharing Beauty With All* programme, vowing to reduce its CO_2 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	60,457 t eq CO_2 ✔✔

TCO_2		2012	2013	2014	Evolution
Plants	Scope 2	62,979	56,121	49,512 ✔✔	- 11.8 %
Distribution Centres	Scope 2	15,561	11,895	10,944 ✔✔	- 8 %
Plants + Distribution Centres	Scope 2	78,540	68,016	60,457 ✔✔	- 11.1 %

EN 17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

BIODIVERSITY RESTORATION 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 2014, the Group updated its carbon footprint calculation for 2013 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 61% of the Scope 3 total. Total CO_2e emissions under the various headings of Scope 3 amount to 7,975 thousand metric tons ✔ of CO_2e and break down as follows:

CARBON ASSESSMENT FOR 2013

Upstream

1. Products and services purchased: 1,667 kt ✔
2. Capital goods: 92 kt ✔
3. Activities involving consumption of fuel or energy (not included in Scope 1 and Scope 2 emissions): 33 kt ✔
4. Upstream transport and distribution: 125 kt ✔
5. Waste generated by sites: 48 kt ✔
6. Business travel: 295 kt * ✔
7. Employee commuting: 111 kt ✔
8. Upstream assets leased: 0 kt ✔

Other upstream consumption: 24 kt ✔

Downstream

9. Downstream transport and distribution: 231 kt ✔
10. Treatment of products sold: 0 kt ✔
11. Use of products sold: 4884 kt ✔
12. End-of-life treatment of products sold: 336 kt ✔
13. Downstream assets leased: 0 kt ✔
14. Franchises: 37 kt ✔
15. Investments: 110 kt ✔

Other consumption: 22 kt ✔ (Chimex, which calculates its own GHG Balance)

(*) For 2014, the "business travel" category was estimated at 292 kt ✔ (based 67% upon source data and 33% upon 2013 extrapolated data).

Estimates of CO_2 amounts are arrived at using emission factors incorporating all the greenhouse gases.

Biogenic emissions of CO_2 in 2013 were 69,960 metric tons of CO_2 equivalent. This represents the emissions from a biomethanation plant using organic waste to generate energy (electricity and heat) at the plant in Belgium (9,661 t CO_2e) and biogenic emissions from the degradation of the products rejected by their users (60,299 t CO_2e).

The baseline used is 2013, 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.

Concerning the use of products, some brands, such as Garnier, raise consumer awareness of eco-friendly ways of reducing hot water consumption, or of sorting toiletry product waste.

FOR MORE INFORMATION ON INITIATIVES TAKEN TO REDUCE PRODUCT-RELATED EMISSIONS, SEE THE PRODUCT RESPONSIBILITY FACTSHEET, 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 CO_2 by the number of finished products produced by the Group's plants.

g CO_2 / PF	2010	2011	2012	2013	2014
Scope 1	15.9	13.9	12.8	12	10.8 ✔✔
Scope 2	18.9	18.5	15	12.1	11.2 ✔✔

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 into account all greenhouse gases.

EN 19 Reduction of greenhouse gas (GHG) emissions

DIRECT EMISSIONS FROM PLANTS AND DISTRIBUTION CENTRES (SEE QUANTIFIED INFORMATION UNDER EN 16)

Each plant and distribution centre seeks voluntarily to reduce its GHG emission by means of various initiatives:

- optimising heating at plants and distribution centres, reducing fossil fuel consumption,
- using heat pumps,
- recovering energy from effluents,
- recovering energy from compressors,
- optimizing electricity consumption, such as for compressed air production, use of LED lighting on certain sites, variable frequency drive (VFD) motors to adapt motor speed to requirements,
- changing employee behaviour,
- generating renewable energy (solar) on site,
- purchasing green energy, etc.

INDIRECT EMISSIONS: GROUP SUPPLIERS

L'Oréal invites its suppliers to reduce 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 wider activities. Since 2003, L'Oréal has been a member of the CDP. The CDP is a leading, independent, not-for-profit organisation that promotes transparency in environmental information reporting: with regard to global warming, water, deforestation, etc. In 2014, L'Oréal obtained the following scores: A for performance and 98 for transparency.

  L'Oréal considers that the CO_2 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 CDP Supply Chain since 2007, L'Oréal continues to encourage its suppliers to measure their carbon emissions and to take concrete actions to reduce greenhouse gas emissions.

  In 2014, L'Oréal stepped up its strategy with regard to the CDP: environment experts are no longer the sole point of contact with suppliers; buyers have now been trained to become CDP ambassadors. This method of functioning made it possible to address the CDP Supply Chain with suppliers at strategic meetings ("Business Reviews"), to launch 215 invitations in 2014 as compared with 55 in 2011 and to 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 2014, 192 suppliers (out of the 215 suppliers who were invited), responded positively to L'Oréal's invitation to also join the CDP. This number is higher than the average (3,395 participants for more than 6,505 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 2014 is stable compared to 2013: 67 scores of C (as against 63 scores of C in 2013 and 59 scores of D in 2012).[1]

(6) For further information on the CDP supply chain and the scoring methodology, visit the following websites:

- https://www.cdp.net/en-US/Programmes/Pages/Become-a-supply-chain-member.aspx#members

- https://www.cdp.net/en-US/Results/Pages/CDP-2013-performance-scores.aspx#points

- Through a series of actions taken to **fight against deforestation**, a major cause of global warming, L'Oréal made a commitment in 2014 to a "Zero deforestation" policy with the aim that none of its products will be associated with deforestation by 2020 at the latest.

  Within the scope of this policy, L'Oréal will more specifically ensure responsible sourcing of commodities such as palm oil and its derivatives, soya, paper and cardboard, which have been identified as major causes of tree clearing.

  Between now and 2020, L'Oréal continues to rely on internationally recognised certifications to guarantee sustainable sourcing. In this manner, in 2014:

  - 100% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria (www.rspo.org);
  - 100% of soya oil purchases in Brazil are certified as organic and obtained from fair trade sources
  - 97.9% of paper and cardboard supplies for packaging are certified (in particular by the FSC, PEFC).

- Concerning **palm oil and its derivatives**, conscious of the limits of the current certification model in the fight against deforestation, L'Oréal has decided to go one step further with its suppliers:

  - by asking them to specify the precise geographic origin of the materials they supply;
  - by providing the most strategic suppliers with support in mapping deforestation risks in their supply chain; and
  - by stepping up its exploratory operations in Indonesia and Malaysia in order to identify the projects to be implemented with its partners to support small-scale independent growers.

EN20 *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 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 did not make it possible to provide an accurate estimate of the volume of Group emissions (the extrapolation gives a result of less than 11,500 metric tons CO_2e, or 9.15 metric tons CFC-11 equivalent). The Group introduced reporting of ODS emissions for each site as from 2014. This information is in the process of consolidation.

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 SO_2 emissions, and uses the lowest sulphur fuel oil available.

SO_2 emissions have fallen from 7.1 metric tons in 2010, to 6.5 metric tons in 2011, 6.1 metric tons in 2012, 3.7 metric tons in 2013 and 1.9 metric ton in 2014 ✓.

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 by calculating the emissions taking into account the percentage sulphur content of the fuel oil used.

VOCs: 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 2014:

NOx	64 t
SO_2	1,846 kg ✓
POP	0
VOCs	139 t ✓
HAP	0
Smoke and fugitive emissions	0
Particulates, cosmetic powder	negligible

FOR FURTHER INFORMATION ON EMISSIONS, SEE SECTION 6.3.2 "POLLUTION AND WASTE MANAGEMENT" ON PAGES 235 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT

Effluents and waste

EN22 Total water discharge by quality and destination

All effluents are monitored in compliance with legal and contractual provisions before being discharged off site.

Three of the Group's plants (Pune, India; Libramont, Belgium and Cosmelor, Japan) discharge their effluents into the natural environment. 100% of their discharges into the environment are treated on site.

At approximately 50% of its sites, L'Oréal carries out pre-treatment appropriate to the various types of effluents prior to discharge to publicly-owned wastewater treatment plants. At these sites, L'Oréal operates advanced treatment facilities using physical, chemical and biological processes appropriate to the specific nature of the effluents.

The Group's distribution centres 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 wastewater treatment plants 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 after in-house treatment fell by 3.1% in 2014 to 4,503 metric tons* ✓.

With an average of 0.9 g COD per finished product, ✓ the quality of effluents discharged from Group sites remained stable as against the comparable figure for 2013*.

Discharge of industrial effluents:

- to publicly owned treatment plants with or without pre-treatment on site: 1,262,360 m^3
- to the natural environment after treatment on-site (Belgium, Japan, India, Rio): 180,200 m^3
- Total: 1,442,560 m^3

All industrial effluents are homogenised in buffer tanks prior to discharge to on-site treatment and/or municipal treatment facilities.

The treatment methods (in the event of discharge to the environment) or pre-treatment methods (in the event of a WPCP on site) described below relate solely to Group production sites:

- Physiochemical treatment: 190,482 m^3
- Physiochemical and biological treatment: 588,675 m^3
- Biological treatment: 165,399 m^3
- Homogenisation, without pre-treatment on site (discharge to the municipal plant for treatment): 498,004 m^3
- Water reused for other organizations: None
- Total volume discharged off site: 1,442,560 m^3

COD: 18.3 kg COD per metric ton of bulk product, before treatment ✓.

5-day BOD: 1,529 metric tons of 5-day BOD/year.

FOR FURTHER INFORMATION ON THE MANAGEMENT OF DISCHARGES, SEE THE SECTION ON "SUSTAINABLE USE OF RESOURCES" ON PAGES 238 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

(*) Two industrial sites in North America (which contribute 6% of the Group's FP units) are excluded from the scope of consolidation of the indicator; action plans to improve reliability are currently being deployed.

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.

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 had set itself ambitious targets, in particular a 50% reduction in its volume of waste per finished product between 2005 and 2015. On October 23, 2013, the Group made an even more ambitious commitment through its *Sharing Beauty With All* programme, 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 consists of representatives from the various departments involved in waste reduction and aims to provide upstream support to plants and distribution centres in the following areas:

- Reducing losses during production, representing one of the primary sources of reduction in transportable waste: a far-reaching campaign to reduce losses (of fragrances, raw materials, packing articles, finished products) at every stage in production is being conducted throughout the Group's plants, coordinated by the Group Quality Department.
- Optimising 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 main driver for reduction in such waste is the use of reusable packaging between the plant and the supplier (returnable packaging), significantly reducing the quantity of cardboard waste. Furthermore, a large number of actions for optimisation and reduction of transportation packaging are also conducted.
- Waste reduction in the supply chain: an action plan based primarily on optimising methods for delivering finished products to the Group's distribution centres, and on improving the management of obsolete products was initiated in 2013 and has already had tangible results in Europe in 2014.

In order to improve the system of waste performance monitoring and exhaustively record the waste generated by the use of returnable packaging, a new system of recording returnable packing at source was put in place with the Group's suppliers. In 2014. L'Oréal thus recorded the weight of its returnable packaging at source in transportable waste, with each of the sites being responsible for maximising the rotation.

Since 2005, production of transportable waste excluding returnable packaging subject to rotation, with returnable packaging at source (grammes per finished product, for plants and distribution centres) has been reduced by 23.1%.

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). In 2014, only 3.8% of waste ✓ was sent to landfill.

2014 Waste	*Total*
Transportable waste excluding returnable packaging subject to rotation with returnable packaging at source (in metric tons)	97,817 ✓
Of which returnable packaging at source	834
Hazardous waste generated in 2014 (all other types of solid or liquid waste, excluding sanitary wastewater):	14,449
Total waste recovered (Metric Tons)	**121,615** ✓
Recovery index (%)	91.0 ✓
Waste with returnable packaging per finished product (g/unit)	24.8
Transportable waste excluding returnable packaging subject to rotation with returnable packaging at source per finished product (g/unit)	18.1 ✓

WASTE RECOVERY

91.0% ✔ of waste is reused, recycled or incinerated with energy recovery and 55% ✔ of L'Oréal's industrial sites (plants and distribution centres) sent no waste to landfill in 2014.

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.

2014 Waste recovery	*Total*
Reuse (metric tons)	41,210 ✔
Recycling (metric tons)	45,694 ✔
Of which composting (metric tons)	5,142 ✔
Recovery, including energy recovery (metric tons) (Incineration with energy recovery)	34,711 ✔
Incineration (mass burn) (metric tons)	6,181 ✔
Deep well injection (metric tons)	0
Landfill (metric tons)	5,088 ✔
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 Registration Document.

FOR FURTHER INFORMATION ON WASTE RECOVERY, SEE THE SECTION ON "POLLUTION AND WASTE MANAGEMENT" ON PAGES 235 ET SEQ. OF THE 2014

EN24 *Total number and volume of significant spills*

No spills occurred in 2014.

EN25 *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*

With the aim of reducing greenhouse gas emissions from transport, as well as transport costs, L'Oréal sites seek to minimise the distances involved in waste treatment.

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 one European plant that exports aerosols for treatment, representing 0.3% of hazardous waste transported.

2014 Waste transported	*Total*
Total weight of hazardous waste transported (metric tons)	14,449
Total weight of hazardous waste imported (metric tons)	0
Total weight of hazardous waste exported (metric tons)	39
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)	**14,449**

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*

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 pre-treatment, the capacity (in population equivalent) of the municipal treatment plant treating the effluent and the low-flow capacity of the river into which the municipality discharges the effluents 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 minimise that impact to a level outperforming regulatory requirements.

Plants that discharge effluents, after on-site treatment, to the natural 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 effluents to a treatment plant adhere to a self-monitoring programme to ensure compliance with regulatory standards on discharges. All production plants are located in urban areas with populations of over 30,000 inhabitants. 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.

Products and services

EN 27 *Extent of impact mitigation of environmental impacts of products and services*

In 2014, through its *Sharing Beauty With All* programme, 67% of new products that have been screened have an improved environmental or social profile[7].

ECO-DESIGN OF RAW MATERIALS AND FORMULAS

To achieve these targets, in Group Research, innovation processes follow the rules of eco-design from the earliest design phase.

Raw materials are subject to a strict selection process. On a day-to-day basis, the use by formulators of raw materials that have no foreseeable adverse impact on the aquatic environment, or raw materials that are renewable in origin, sustainably sourced or respecting the principles of green chemistry, is encouraged at the earliest stage in formulation.

For example, the deployment of the principles of green chemistry promotes the development of ingredients made from renewable plant raw materials, minimising the number of synthesis stages and reducing solvent and energy consumption and waste generation. For each new raw material, indicators based on atom economy calculations or E-factor studies are used to assess the volume of waste produced by the synthesis process selected. In 2014, 32% of the Group's newly registered raw materials were renewable and 22% complied with green chemistry principles.

In parallel, with the aim that, by 2020, 100% of renewable raw materials will be sustainably sourced, in 2014, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and contribution to social and economic development in the territories from which they originate. Currently, 94% of the renewable raw materials representing the Group's largest volumes of purchases and derived from species identified as the most sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing. This is the case, for example, for 100% of supplies of palm oil and derivatives.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995 which consists in assessing 100% of the portfolio of raw materials for persistence, bioaccumulation and ecotoxicity, the Research teams are now also working on improving formula biodegradability and water footprint. In 2013, L'Oréal moreover developed an ecological performance index for a cosmetic formula: the Water Footprint (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity), the reference values for which have been established for all the Group's formulas, in order to measure progress made by 2020. In 2014, to create new formulas, the laboratories were able to routinely benefit, as early as the design stage, from calculations of the environmental footprint for 10 product categories.

(7) The analysis of new products in 2014 does not include make-up or fragrances. All other product categories (shampoos, hair care, shower gels, skin care, cleansers, hair colouring, styling, permanents, deodorants, sun care) have been analysed. These are all formulas produced in the Group's plants in 2014.

PACKAGING ECO-DESIGN POLICY

Since 2007, L'Oréal has implemented a Packaging and Environment policy based on three pillars:

- Respect
- Reduce
- Replace

This policy is accompanied by a whole set of Eco-design tools developed and deployed in all the Group's Packaging Design centres. The eco-design process for finished products is now robust, which enables us to move into new areas in terms of Responsible Packaging. In 2014, an eco-design process for POS (point-of-sale) advertising materials was defined, and is currently being tested with various suppliers. The eco-design process for POS advertising materials will thus be operational by mid-2015.

Respect: L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 97.9% of paper and cardboard packaging fulfils this criterion.

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, going beyond packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope in order to guarantee a certified product for the end consumer through its traceability. To date, 88% of paper printers and 96% of cardboard box printers have obtained this certification.

A materials vigilance programme, 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. In 2014, the eco-design process was enriched with an evaluation tool with regard to recyclability of our packaging making it possible to optimise right from the marketing brief.

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 end of 2014, 4,070 metric tons 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, etc.), or recycled glass in their jars and bottles (Vichy, Biotherm, Garnier). More than 3,600 metric tons of virgin materials were saved in this way in 2014.

Examples:

- 19% reduction in the aluminium cans for the Graphic range (Garnier);
- 8% reduction in the Ambre Solaire spray cap (Garnier);
- 24% reduction in hair colour bottles in the "Americas" zone;
- 26% reduction in the Vichy capsule for the "makeup remover" range;
- 67% reduction in the weight of the transport crate for Lancôme mascaras.

Transport of packaging items is also an environmental concern for the Group, which is committed to reducing waste, in particular transport packaging waste, at its plants and distribution centres by 50% by 2015. A global eco-design programme for transport packaging of packaging items and raw materials in plants and distribution centres has been launched, and will play a part in helping the Group to achieve its waste reduction target.

Within the framework of its policy to fight against deforestation, L'Oréal has extended its action to include office paper. In 2014, 100% of the office paper used in France is certified (94% of which is FSC-certified). Weight has also been reduced from 80g/m^2 to 75g/m^2. This strategy has also been extended to certain countries in Europe which now use certified paper. In 2014, the teams began to consolidate the actions conducted in Europe, and to implement indicators as well as action plans.

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 behaviour 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 to work with 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 PROGRAMMES, SEE:
HTTP://WWW.KIEHLS.COM/RECYCLE-AMERICA/RECYCLE-AMERICA,DEFAULT,PG.HTML
HTTP://WWW.THEBODYSHOP.FR/VALEURS/PROTECTPLANET.ASPX

In Harlem, on June 14, 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 m^2 community garden (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

In November 2014, L'Oréal Japan signed up to a partnership with TerraCycle for the Maybelline and Kiehl's brands, a first for the cosmetic industry in Japan.

This partnership is aimed at recovering the packaging which cannot be recycled by the systems in place in order to reuse the waste and therefore reduce its impact on the environment.

The Kiehl's "Realising beauty of your planet" programme and Maybelline's "Beauty Recycling" programme also provide for recovery of packaging for other cosmetics brands.

FOR FURTHER INFORMATION, SEE PARAGRAPH 6.4.1 "TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF ACTIVITIES" OF THE 2014 REGISTRATION DOCUMENT, PAGES 221 ET SEQ.

Compliance

EN 29 *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations*

In 2014, L'Oréal received two environmental fines totalling 1,333,218.51 Rand (South Africa), equivalent to €102,000.

Transports

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 (see EN 17)

L'Oréal produced a Greenhouse Gas Balance in 2014 on the basis of 2013 data.

The impact of transport represents 10% ✔ of the Group's Scope 3 carbon footprint, equivalent to some 762 kt CO_2e broken down as follows:

- transport of finished products, raw materials and components: ~ 356 kt CO_2e ✔
- business travel by employees: ~ 295 kt CO_2e ✔
- employee commuting: ~ 111 kt CO_2e ✔

L'Oréal optimises its global production on a regional basis, locating its operational teams as close as possible to the markets they serve. This enables each production 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.

A large number of action plans with regard to transportation have already been deployed all over the world – The CPD Europe division, for example, has increased its use of multimodal freight from 3% to 15% between 2009 and 2013, and achieved a fill rate for its delivery vehicles of over 95% in 2013.

Beyond transportation, the global progress in our Supply Chain, in partnership with our customers, has also led to an improvement in its environmental footprint – optimising the frequency of our deliveries, for example, or limiting the use of air transport make big contributions and are the subject of a growing number of action plans.

Overall

EN 31 Total environmental protection expenditures and investments by type

L'Oréal considers investment and expenses in respect of 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.

L'Oréal does consolidate its waste treatment costs, however. In 2014, the cost of treatment was €14.9 million.

L'Oréal has taken out environmental liability insurance which includes a programme of preventive inspections at 10 sites a year.

Every year, there are many environmental projects conducted by the sites which directly manage the associated investments or expenses. These projects may originate in the pursuit of operational improvements (quality, safety, environmental).

Some examples of achievements in 2014 are as follows:

- construction of buildings to recognized standards (HQE, LEED, etc.);
- construction of a water treatment works at the plant in South Africa;
- installation of LED lighting at several sites;
- installation of a wood-burning and cogeneration boiler at the Burgos plant (Spain);
- modifications to production equipment to reduce the amounts of hot water used for cleaning, resulting in reduced water and gas consumption (multi-year programme);
- deployment of photovoltaic panels in the US and in Italy;
- ongoing development of a biomass facility in Italy;
- setting up of a water recycling and treatment facility (China, France, Italy, etc.).

Expenses (non-consolidated) included:

- costs of sorting end-of-life packaging;
- operation of 23 in-house water treatment works;
- other energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, closure of vacuum pump water circuits, etc.

Supplier environmental assessment

EN 32 *Percentage of new suppliers that were screened using environmental criteria*

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 meetings called Business Reviews.

The evaluation of suppliers' CSR policies is carried out firstly via Ecovadis (overall CSR approach) and in more detail via the CDP supply chain (with regard to climate change and water).

The suppliers' CDP Supply Chain performance score, like the evaluation by Ecovadis, which form an integral part of the overall assessment process, are thus of a mandatory nature.

Furthermore, since January 2013, social audits include questions concerning the environment and in particular regulatory compliance.

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

L'ORÉAL INVITES ITS SUPPLIERS TO REDUCE THEIR CARBON FOOTPRINT

The CDP is a leading, independent, not-for-profit organisation that promotes transparency in environmental information reporting: with regard to global warming, water, deforestation, etc.

L'Oréal requires its strategic suppliers to make a commitment to the 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, the 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 215 invitations were issued in 2014 to selected suppliers around the world in the six areas of purchases (raw materials, packaging items, production equipment, subcontracting, POS advertising/promotional items and materials, indirect purchases).

Among them are strategic suppliers, suppliers operating in CO_2-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, summarising supplier responses to the CDP in a format that was easy to understand b Purchasing teams.

In 2014, 192 (compared to 152 in 2013) of the 215 suppliers invited responded positively to L'Oréal's invitation to also join the CDP.

This figure is above the average (3,395 participants for more than 6,505 suppliers invited) 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 2014 are stable as compared to 2013: 67 scores of C (as against 63 scores of C in 2013 and 59 of D in 2012[8]). This stagnation can be accounted for by the less good performances by companies participating for the first year.

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 programme. 15 of the 17 suppliers invited by L'Oréal agreed to take part in this new programme designed to measure and reduce Water Footprint. Following this pilot phase, 26 suppliers were invited in 2014, and 18 agreed to take part.

Within the scope of its Commitments for 2020, L'Oréal has pledged that, by 2020, all its strategic suppliers will have completed a self-assessment of their sustainability policy with the support of the Group.

in order to ensure compliance with these commitments throughout the chain of responsibilities, L'Oréal has initiated a programme for the evaluation of strategic suppliers and their sustainability policies. This evaluation, carried out in partnership with the external service provider Ecovadis is also included in the CSR section of the "scorecard". At the end of 2014, 92 suppliers had thus had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. This represents over 50% of the Group's strategic suppliers.

(8) For further information on the CDP supply chain and the scoring methodology, visit the following websites :

- https://www.cdp.net/en-US/Programmes/Pages/Become-a-supply-chain-member.aspx#members

- https://www.cdp.net/en-US/Results/Pages/CDP-2013-performance-scores.aspx#points

Environmental grievance mechanisms

EN34 *Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms*

No grievances were filed in 2014.

Labor practices and decent work

Labor practices and decent work

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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 talented employees 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, 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, to supplement classroom training, 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 and profit sharing 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.

SHARE & CARE

In 2013, the Group chose to go one step further with regard to social performance with the launch of the "L'Oréal *Share & Care*" programme, which reinforces the commitments already made by the Group in the area of Sustainable Development and Corporate Social Responsibility, with its "*Sharing Beauty With All*" programme.

This programme offers the Group's employees all over the world, before the end of 2015, a set of guaranteed global social measures in four areas:

- **PROTECT** (social protection), to provide employees with effective support, particularly of a financial nature, for major life risks. This involves, for example:
  - guaranteeing a capital sum equivalent to at least 2 years' salary in case of natural or accidental death or disability.
- **CARE** (health cover), to provide employees and their families with access to a high-quality healthcare system which is among the top performers on the local market. This involves, for example:
  - offering employees medical cover providing for reimbursement of at least 75% of healthcare costs related to the main medical risks: hospital stays, surgery, maternity, drugs for chronic and serious conditions;
  - within the framework of prevention, each subsidiary will be required to implement, at least once a year, a health prevention action of a collective nature (concerning melanoma, HIV, diabetes, obesity, etc.), as well as an individual action (medical check-up, online risk assessment, etc.).
- **BALANCE** (parenthood), to enable employees to live important life moments to the full, such as motherhood and fatherhood, while pursuing their careers. This involves, in particular:
  - providing 14 weeks' maternity leave and a minimum of 3 days' paternity leave, with full pay ;
  - ensuring that all women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the Company.
- **ENJOY** (quality of life at work), to enable employees to benefit from a high quality of life at work. This involves, for example:
  - flexible working time arrangements;
  - a stress prevention programme.

This programme, which will make it possible to respond to the essential needs of each and every one of our employees and anchor 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 launch and implementation of this programme demonstrate a strong conviction, whereby social performance and economic performance are not only intimately linked but they also serve to reinforce one another.

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 (including in China, Indonesia, South Korea), Africa (including in South Africa and Kenya), in North and South America (including 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 action plans implemented in a decentralised manner, as closely as possible to the expectations expressed.

INSTANCE EUROPÉENNE DE DIALOGUE SOCIAL/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 transnational 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 approximately 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 directly 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 2014, 224 agreements were signed in France and 88 agreements were signed in the rest of the world ✔. In total, the number of agreements in force at December 31, 2014 was 765, of which 477 are in France ✔.

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.

L'Oréal has set up the necessary tools and programmes to achieve excellence in this area.

The basic safety improvement programmes rest on the following components:

- **EHS steering Committees:** overall review of the action plans and the efficiency of the site's EHS programmes by the Management Committee;
- **Ergonomic attitude:** a programme for all Operations sites, scheduled to be extended to all the Group's sites by 2020. In 2014, the Group's Governance Committee on Ergonomics defined the Vision statement. In 2015, the Ergonomics roadmap will be implemented on all the Group's sites. It is based on the strategy and actions that have been successfully deployed in Operations since 2009. This roadmap consists of four levels which enable the sites to systematically improve their ergonomics culture and determine their individual action plans;
- **MESUR (Managing Effective Safety Using Recognition and Realignment):** a periodic safety visit by a manager in the field (in 2014, the programme was also deployed on certain administrative and research sites);
- **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:** a 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 2015 can be classified in the 8 following areas:

1 - Updating of strategy and action plans to achieve the target for 2020 (TFc* < 0.5 for all the Group's sites);

2 - Commitment and visible participation by management;

3 - Targeted initiatives to deal with the most frequent accidents, including a global ergonomic programme and a programme to prevent falls and hand injuries;

4 - EHS organisation in line with the Group's standards with OHSAS 18001 accreditation for all Operations Division sites;

5 - Training programme for managers, EHS network and operators/technicians;

6 - Efficient Health and Safety management systems at all sites;

7 - Active participation by employees;

8 - Sharing of resources, feedback and best practices.

- **Safety Training for management:** in 2014, 69 Site managers attended the Safety & leadership seminars, held at the CEDEP, the European Centre for Continuing Education (Centre Européen d'Education Permanente) on the campus of INSEAD in France. Since the start of this programme, 284 of L'Oréal's senior managers have been trained. The main objectives of these seminars are to raise the awareness of top managers to safety issues, to increase their leadership ability to have safer behaviour adopted and maintained over the long term.
- **Group EHS audits:** "Combined Risk and Culture Audits" were implemented in 2014, in order to simplify the audit process. These audits fully integrate the evaluation of the EHS culture and risk management, the assessment of the visible commitment by managers and employees and the process of ongoing improvement through the action plans. The teams of auditors are composed of employees of L'Oréal including senior EHS managers, as well as outside experts trained in the Group's internal rules, local legislation and safety, fire prevention and related processes.

*(*TFc = Number of lost-time accidents per million hours worked by L'Oréal staff).*

Moreover, 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 PROGRAMME

Within the scope of the L'Oréal *Share & Care* programme, one of the four pillars, CARE, specifically concerns employee health, by providing employees and their families with access to a high-quality healthcare system which is among the top performers on the local market. This involves, for example:

- offering employees medical cover providing for reimbursement of at least 75% of healthcare costs related to the main medical risks: hospital stays, surgery, maternity, drugs for chronic and serious conditions;
- within the framework of prevention, each subsidiary will be required to implement, at least once a year, a health prevention action of a collective nature (concerning melanoma, HIV, diabetes, obesity, etc.), as well as an individual action (medical check-up, online risk assessment, etc.);

Training and Education

Within the scope of the *Sharing Beauty With All* programme, the Group undertakes to give all its employees access, everywhere in the world, to at least one training session per year by 2020. In 2014, 81.7% of the Group's employees received at least one training during the year.

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" teams provide employees and managers with ongoing support to help them not only to be high-performing, but also to promote the development of their professional careers.

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, etc.). Responsibility for each "practice" is entrusted in-house 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" 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, instil 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
- socio-cultural and ethnic origin

The Group focuses more particularly on the areas of human resources, solidarity sourcing and marketing.

At December 31, 2014, with a network of more than 96 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 nine charters in all (Germany, Austria, Belgium, Italy, Poland, Spain, Finland, France and Sweden), five 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 2012.

IN THE FIELD OF SOCIO-PROFESSIONAL GENDER EQUALITY, SINCE 2010 L'ORÉAL HAS BEEN AWARDED THE FIRST EUROPEAN GENDER EQUALITY LABEL, THE "GENDER EQUALITY EUROPEAN STANDARD" (GEES), FOR ITS ENTITIES IN EUROPE

Summary of GEES certifications:

- 2010 (initial audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal S.A.
- 2012 (initial audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland
- 2013 (mid-term audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal S.A.
- 2014 (initial audit): Austria, Finland, Sweden, The Netherlands, Croatia, Bulgaria, Slovenia and Romania
- 2014 (mid-term audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.

In total, 24 entities of the L'Oréal Group have obtained the label and are regularly audited to measure their progress.

These efforts have been recognised by the Arborus Fund, the founding organisation for the GEES label. In November 2014, L'Oréal received a special award for the most extensive certification network in Europe.

L'Oréal SA received the Professional Equality label awarded in recognition of gender equality in 2013 and its interim audit carried out at the end of 2014 was successful.

Since 2009, L'Oréal has called on independent experts to analyse pay. The Group selected INED (Institut National d'Etudes Démographiques) to conduct the yearly pay analysis, which shows that L'Oréal is making real progress in its commitment to closing the gender pay gap, with above-average results compared to other French companies. For example, for the Executive category, the gender pay gap, net of structural effects and coefficients, has been narrowed from 5.90% in 2007 to 4.05% in 2013.

In 2014, L'Oréal was awarded the Human Capital Trophy in the "Place of Women in the Company" category for its initiative on "Successfully combining career and motherhood".

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

Finally, seven countries (Australia, Brazil, Canada, the United States, India, Philippines and Russia) started the Economic Dividend for Gender Equality (EDGE) process to obtain certification with regard to social and professional equality of men and women in the world in 2014.

L'Oréal USA obtained the EDGE label in summer 2014. The other six countries are finalising the evaluation stage in order to receive the certification.

In addition, L'Oréal obtained the Vigeo prize for its actions in favour of women and L'Oréal USA was recognized as one of the "Top 10 Champions of Global Diversity".

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:

1 - Iraising awareness;
2 - accessibility to information and infrastructures;
3 - partnerships;
4 - recruitment;
5 - maintenance in employment.

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 2014, 65 countries in the Group showed their commitment by submitting 80 projects ✔✔.

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 on the organisation committee.

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 "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment" was jointly created. 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. The first award-winner has been working in close collaboration with L'Oréal Austria since 2014. In 2014, L'Oréal actively supported the launching of the second edition of the award that will be presented in March 2015

December 3rd is the International Day of Persons with Disabilities declared by the United Nations. A communication kit was sent to all the Group's subsidiaries in November 2014 in order to help them to organise a day or a whole week to raise awareness with regard to disability. To date, 5 Group subsidiaries have gone into action and created events to raise awareness among their employees: Brazil, the United States, Mexico, China and Uruguay. France also mobilised the head office teams to raise awareness on this topic.

FINALLY, 28 COUNTRIES FOCUSED PART OF THEIR DIVERSITY STRATEGY ON SOCIAL AND ETHNIC ORIGINS.

With regard to recruitment, 59 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. In 2014, L'Oréal once again hosted the ENAR conference in order to explore best corporate practices to address the question of ethnic and cultural origin in the workplace.

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.

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. This approach forms an integral part of the Group's *Sharing Beauty With All* programme.

L'Oréal actively seeks to work with suppliers who share its values and commitments, particularly in terms 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, adhered to by all the Group's purchasers, contains, since 2002, 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.

Within the framework of this programme, 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 accordingly undertake to respect these societal clauses and accept that a social audit may be performed at 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, 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 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 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 have included 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 4,200 supplier sites.

834 audits ✓✓ were carried out in 2014, making more than 6,100 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 Business 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 this section is the total workforce present at December 31 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, Worldwide Profit Sharing, labour relations, remuneration, Human Resources expenses, recruitment and training, and absenteeism;
- The data relating to Ethics is collected by the Ethics Department using the Annual Ethics Reporting platform. A certain amount of data is collected by the "Country reporting" intranet system for the collection of Human Resources data;
- 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 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.

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 effort to make 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 THE METHODOLOGICAL NOTE, SEE IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES FACTSHEET OF THIS REPORT.

(1) Galderma (dermatology) is excluded.

Employment

LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

Total number of employees hired in 2014

- 11,492 employees hired (on permanent contracts, including conversions of fixed-term contracts to permanent contracts)*
- 16.4% of the workforce at 12/31/2014

Staff turnover

- 9,611 departures*
- 13.8% of the workforce at 12/31/2014

** 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.

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.

SHARE & CARE

In 2013, the Group chose to go one step further with regard to social performance with the launch of the L'Oréal *Share & Care* programme, which reinforces the commitments already made by the Group in the area of Sustainable Development and Corporate Social Responsibility, with its *Sharing Beauty With All* programme.

This programme offers the Group's employees all over the world, before the end of 2015, a set of guaranteed global social measures in four areas:

- **PROTECT** (social protection), to provide employees with effective support, particularly of a financial nature, for major life risks. This involves, for example:
  - guaranteeing a capital sum equivalent to at least 2 years' salary in case of natural or accidental death or disability.
- **CARE** (health cover), to provide employees and their families with access to a high-quality healthcare system which is among the top performers on the local market. This involves, for example:
  - offering employees medical cover providing for reimbursement of at least 75% of healthcare costs related to the main medical risks: hospital stays, surgery, maternity, drugs for chronic and serious conditions;
  - within the framework of prevention, each subsidiary will be required to implement, at least once a year, a health prevention action of a collective nature (concerning melanoma, HIV, diabetes, obesity, etc.), as well as an individual action (medical check-up, online risk assessment, etc.);

- **BALANCE** (parenthood), to enable employees to live important life moments to the full, such as motherhood or fatherhood, while pursuing their careers. This involves, in particular:
  - providing 14 weeks' maternity leave and a minimum of 3 days' paternity leave, with full pay;
  - ensuring that all women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the Company;
- **ENJOY** (quality of life at work), to enable employees to benefit from a high quality of life at work. This involves, for example:
  - flexible working time arrangements;
  - a stress prevention programme.

This programme, which will make it possible to respond to the essential needs of each and every one of our employees and anchor 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 launch and implementation of this programme demonstrate a strong conviction, whereby social performance and economic performance are not only intimately linked but they also serve to reinforce one another.

WORLDWIDE PROFIT SHARING, MANDATORY PROFIT SHARING, INCENTIVE 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 €244million. in 2014 at the scale of the Group, on the basis of the income for 2013 ✓.

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.

WORLDWIDE PROFIT SHARING, MANDATORY AND INCENTIVE PROFIT SHARING SCHEMES

In millions of euros	*2012*	*2013*	*2014*
TOTAL	**210**	**236**	**244** ✓

FRANCE

A mandatory employee profit scheme was set up in 1968 and an incentive profit sharing scheme has been in force since 1988.

MANDATORY EMPLOYEE PROFIT SHARING

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%, and which allows employees to benefit from a tax exemption.

CHANGES IN GROSS MANDATORY PROFIT SHARING

(€ million)	*2011* [1] [2]	*2012* [1] [2]	*2013* [1] [2]
	32.8	31.5	28.3

[1] Paid the following year. [2] Amounts after the "forfait social" levy.

Mandatory profit sharing for 2013 paid in 2014 represented the equivalent of 0.5 month's salary.

INCENTIVE PROFIT SHARING

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 28t 2011), L'Oréal proposed the payment in 2014 of a gross additional incentive amount of €1,100 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 a gross additional incentive amount of €1,100 were thus entered into with the Works Councils of L'Oréal and its subsidiaries in France. It was paid on September 30, 2014.

The total net amount of incentives allocated in 2014 is €123.9 million, plus the additional incentive payment to "share in profits for 2014" of €13.6 million.

CHANGES IN GROSS INCENTIVE AMOUNT

(€ million)	*2011* [1] [2]	*2012* [1] [2]	*2013* [1] [2]
	112.6	117.5	123.9

[1] Paid the following year. [2] Amounts after the "forfait social" levy.

For an annual gross salary of	*The gross Incentive amount for 2013 paid in 2014 and the additional incentive payment represented*
€ 25,000	€ 7,757 i.e. 3.72 months
€ 35,000	€ 8,880 i.e. 3.04 months
€ 45,000	€ 10,003 i.e. 2.67 months
€ 65,000	€ 12,249 i.e. 2.26 months

** On a full-time basis, 12 months' presence in 2013*

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 2014, 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: €60,864,905, plus the net additional incentive amount to "share in profits for 2014" of €5,592,482.

COMPANY SAVINGS PLAN AND FROZEN CURRENT ACCOUNT

(€ million)	*2012*	*2013*	*2014*
Company savings plan + Frozen current account + collective retirement savings plan	863	985	1,098

At December 31, 2014, 52% of the savings of L'Oréal employees were invested in L'Oréal shares, and 10,442 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.

The final vesting of these shares is conditional on the achievement of performance criteria.

In 2014, the Group continued its policy for conditional grants of shares:

- 1,978 employees were thus beneficiaries of the April 17, 2014 Plan (2,092 in 2013);
- 83% of the beneficiaries are outside France (61% in 2013);
- 47% of the beneficiaries are women (46% in 2013).

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.

FOR FURTHER INFORMATION, SEE SECTION 7.4. ON PAGE 275 OF THE 2014 REGISTRATION DOCUMENT.

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 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 80% of the countries in which L'Oréal is established, L'Oréal participates in establishing additional retirement benefits that exceed the minimum benefits provided for by social security for its employees (e.g. the United States, the Netherlands, Belgium, Canada, South American countries). It does so through a whole series of defined benefit and/or defined contribution schemes. 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.

L'Oréal does not propose company pension schemes in countries which do not have an appropriate legal framework or a long-term investment instrument and in countries where there is satisfactory public social security coverage. 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 1, 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 1, 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 1, 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 31, 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 1, 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 400 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 31, 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 31, 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 1, 2008, as well as a supplemental agreement applicable as from January 1, 2009.

A 2nd supplemental agreement was signed on June 6, 2014, applicable as from January 1, 2015: all categories of employees (executives, sales representatives, administrative staff, manual workers, technicians and supervisors) will be beneficiaries of the scheme.

This scheme, which is co-funded by L'Oréal and the employee, makes it possible to improve pension savings for everyone.

In 2015, L'Oréal will contribute on Bracket A, then in 2016, L'Oréal and the employee will both contribute on this Bracket.

For the portion of remuneration exceeding Bracket A, capped at 6 times the French annual social security ceiling, the contributions for both the Company and employees will increase gradually, in 2015 and 2016.

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.

(€ million)	*12.31.2012*	*12.31.2013*	*12.31.2014*
Number of members	13,549	13,823	14,092
Total net contributions (in € million)	**9.20**	**9.51**	**10.2**

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 were confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3, 2009:

The existing arrangements are, in particular:

- 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 profit sharing 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.

	12.31.2012			*12.31.2013*			*12.31.2014*		
	Men	*Women*	*Total*	*Men*	*Women*	*Total*	*Men*	*Women*	*Total*
Early retirement leave	65	128	193	81	183	264	78	191	269
Compulsory retirement on the Company's initiative	3	0	3	2	0	2	0	0	0
Voluntary retirement	66	135	201	80	150	230	94	188	282

Source: HR France statistics - 2012, 2013 and 2014.

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.

(€ million)	*12.31.2012*	*12.31.2013*	*12.31.2014*
Provision for pension commitments in consolidated balance sheet liabilities	706.7	621.3	1,049.4

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;
- in case of 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	*12.31.2012*	*12.31.2013*	*12.31.2014*
Net Employee Benefit Contributions for the financial year	11,445	11,985	12,500 [1]

[1] *Estimated.*

MINIMUM GUARANTEED LUMP SUM DEATH BENEFITS

Since December 1, 2004, and January 1, 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 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 its French subsidiaries can continue to benefit from a healthcare scheme.

Retirees of L'Oréal S.A. and certain companies, who retired prior to December 31, 2014, benefit from a contribution by L'Oréal, subject to a membership duration clause, specified in the regulations for additional defined benefit pensions.

This additional defined benefit pension scheme was closed as from December 31, 2014. All the retirees who were beneficiaries of this scheme will continue to benefit from it.

For employees who are close to retirement age, a transitional "transition capital" scheme was set up in the form of a collective company-level agreement: it provides for the payment of a capital sum at the time of retirement (between €1,000 and €3,500) depending on age, for all employees aged 52 and over at January 1st, 2015.

YOU CAN FIND THIS INFORMATION IN "COMPANY SAVINGS PLAN AND FROZEN CURRENT ACCOUNT" SECTION ON PAGE 220 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

Labor/management relations

LA4 *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 ethical principles 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 meeting 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.

Occupational health and safety

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 programmes*

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 social dialogue with the committees devoted to this topic or else, failing this, with the employee representative bodies.

Even though 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, 84 agreements have been identified as being in force in the Group at December 31, 2014 which deal, totally or partially, with health and safety. This does not include the national sectorial 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 favouring 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 November 9, 2010 incorporated into Law No. 2014-40 of January 20, 2014.

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 if the employee so wishes.
- 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. Since it was put in place, over 9,200 employees have been able to benefit from this assessment system.

Within the scope of the provisions of French Law No. 2010-1330 of November 9, 2010, French decrees No. 2011-354 of March 30, 2011 and No. 2011-824 of July 7, 2011 and French Law No. 2014-40 of January 20, 2014, 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 5, 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 2014, there were 38 Health, Safety and Working Conditions Committees (CHSCT) and 1 Health, Hygiene, Safety and Working Conditions Committee (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.

Occupational health and safety

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.

YOU CAN FIND INFORMATION ON THE HEALTH AND SAFETY CONDITIONS IN SECTION 6.2.2.4. "HEALTH AND SAFETY" ON PAGE 226 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT.

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*

OCCUPATIONAL DISEASES PER GEOGRAPHIC ZONE - GROUP (COSMETICS + THE BODY SHOP)

Western Europe	60
North America	31
Asia, Pacific	8
Latin America	7
Eastern Europe	0
Africa, Middle East	0
Total	**106**

Less than 0.15% of the Group's employees are affected by occupational diseases.

ABSENTEEISM - GROUP (COSMETICS AND THE BODY SHOP)

The overall rate of absenteeism amounts to 4.93% ✔, of which 2.36% ✔ relates to sick leave.

	Number of days of absenteeism	*% of absenteeism*
Western Europe	442,261 ✔	6.7% ✔
North America	97,522 ✔	3.0% ✔
Asia, Pacific	147,344 ✔	3.7% ✔
Latin America	88,035 ✔	4.3% ✔
Eastern Europe	74,203 ✔	6.5% ✔
Africa, Middle East	16,158 ✔	3.5% ✔
Total	**865,523** ✔	**4.93%** ✔

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...)

RATES AND TYPES OF ACCIDENTS IN THE WORKPLACE

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.

For several years, L'Oréal has applied a well-established policy in the field of health (H) and safety (S). This defines the Group'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 (EHS) policy described in the section on "Environmental information".

Comprehensive programmes have been set up, 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 target to improve the results obtained.

Performance summary

Overall, 2014 was a good year for the Group as a whole with a healthy improvement for all sectors. For the first time, all the sites had a conventional frequency rate (TFc) of less than 1.1 ✔✔ and, in particular, Operations which, with a TFc of 0,65 ✔✔, are close to the targets for 2015. Moreover, sales forces and shops recorded an improvement of 31.4%.

The Group's performance improved by 32.9% compared to 2013. The 130 lost-time accidents (L'Oréal staff and temporary employees) registered in the Group in 2014 break down as follows:

TFc	*2012*	*2013*	*2014*	*Variation vs. 2013*
Factories and distribution centres	1.49	1.17	0.65	↓ - 44,40 %
Administrative sites	1.8	1.17	0.77	↓ - 34,20 %
R&I sites	2.3	2.6	1.95	↓ - 25,00 %
Sales Forces & Shops	2.84	3.15	2.16	↓ - 31,40 %
Group: all sites	1.72	1.64	1.10 ✔✔	↓ - 32,90 %

** TFc = Number of lost-time accidents per million hours worked by L'Oréal staff*

NUMBER OF LOST-TIME ACCIDENTS BY GEOGRAPHIC ZONE – GROUP (COSMETICS + TBS, L'ORÉAL STAFF)

GROUP : Factories, Distribution centres, Administrative and RI sites	*Number of lost-time accidents at L'Oréal in 2014*
Europe	87
Africa, Middle-East	1
North America	29
Asia, Pacific	3
Latin America	1
Total	**121**

In total: 121 lost-time accidents (Factories: 12 – Distribution centres: 6 – Administrative and R&I sites: 103)

Total number of fatal accidents: 0 (zero)

NUMBER OF LOST-TIME AND NON-LOST TIME ACCIDENTS - GROUP (COSMETICS + TBS, EMPLOYEES FROM OUTSIDE L'ORÉAL)

GROUP	*2014*
Number of lost-time accidents reported	38
Number of non-lost time accidents reported	113
Total	**151**

ENLARGED FREQUENCY RATE

The Group also measures the performance in terms of enlarged frequency rate: TFe*, which has improved by 28% as compared to 2013. The 130 lost-time accidents (L'Oréal staff and temporary employees) and 44 non-lost time accidents with adjustments to tasks (L'Oréal staff) recorded in the Group in 2014 break down as follows:

TFe	*2013*	*2014*	*Variation vs. 2013*
Factories and distribution centres	1.65	1.17	↓ - 29 %
Administrative sites	0.93	0.65	↓ - 30 %
R&I sites	2.44	2.31	↓ - 5 %
Sales forces & Shops	4.15	2.92	↓ - 30 %
Group: all sites	1.77	1.28	↓ - 28 %

*(*TFe = : number of lost-time accidents (L'Oréal staff and temporary employees) + number of non-lost time accidents with adjustments to tasks (L'Oréal staff) per millions of hours worked by L'Oréal staff and temporary employees.*

Occupational health and safety

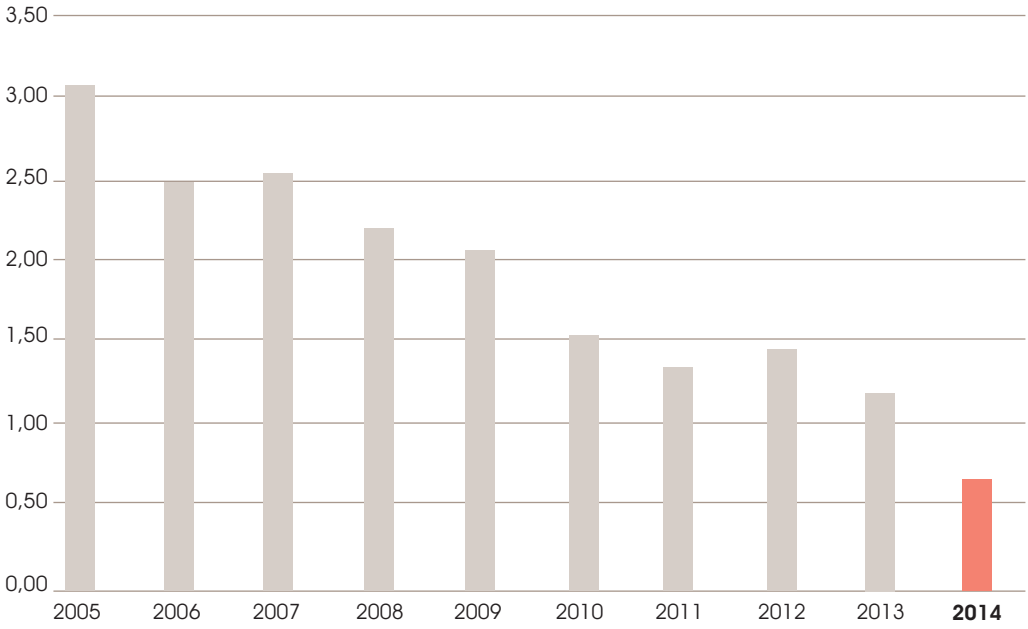
FOCUS ON OPERATIONS

Safety target for factories and distribution centres

The initial target for 2015 was to reach a TFc of less than 0.6, namely a 81% improvement in the score with regard to safety by 2015 (2005 baseline: TFc = 3.09), the results for 2014 are close to this figure with TFc = 0.65 ✔✔.

Performance summary for factories and distribution centres since 2005

TFC (CONVENTIONAL FREQUENCY RATE) – FACTORIES AND DISTRIBUTION CENTRES



Target: zero accident in 2014 [1]

Out of 99 factories and distribution centres, 86 recorded a zero lost-time accident rate.

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 50% versus 2013 for operations and 40% for the group. It amounts to 0.03 ✔✔ in 2014 for operations and also for the group.

Millions of hours – l'oréal staff – without a lost-time accident since 2005 – operational and administrative sites:

- 4 factories, 8 distribution centres and 10 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 14 administrative sites have now exceeded 3 million hours.

(1) L'Oréal permanent staff.

Occupational health and safety

LA7 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 continuous improvement.

LA8 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.

84 agreements have nevertheless been identified as being in force at December 31, 2014 which deal, totally or partially, with health and safety.

Training and education

LA9 Average hours of training per year per employee by gender, and by employee category

Through its *Sharing Beauty With All* programme, the Group undertakes to give all its employees access, everywhere in the world, to at least one training session per year by 2020. In 2014, 81.7% of the Group's employees received at least one training during the year.

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 "HR Learning" 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 2014 was 1,599,742 ✓ for the Group scope.

The number of employees trained in 2014 was 64,220, with each of them having received 24.9 hours of training over the year.

62% of those trained are women.

In 2014, L'Oréal France devoted €19,337 thousand to professional training for its employees, representing 2.5% of its payroll.

- Number of persons trained in 2014: 10,500 or 86.1% of the workforce at December 31, 2014.
- Number of hours of training in 2014: 282,288 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.")

NUMBER OF HOURS OF TRAINING

	2012	2013	2014
Total number of hours of trainings	1,063,172	1,325,136	1,599,742 ✓

NUMBER OF HOURS OF TRAINING

2014 COSMETICS + TBS	Total number of hours of training	Number of employees trained	Average number of hours of training per employee trained
Western Europe	749,097	24,790	30.2
North America	183,894	14,562	12.6
Asia, Pacific	345,745	11,542	30.0
Latin America	163,909	6,866	23.9
Eastern Europe	123,843	4,941	25.1
Africa, Middle-East	33,254	1,519	21.9
TOTAL	**1,599,742** ✓	**64,220**	**24.9**

FURTHER INFORMATION ON THE SKILLS MANAGEMENT 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 FACTSHEET.

FOR FURTHER INFORMATION CONCERNING TRAINING AT L'ORÉAL, SEE SECTION 6.2.2.5. "TRAINING" ON PAGE 229 OF THE 2014 REGISTRATION DOCUMENT.

LA10 Programmes 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 "HR Learning" 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. L'Oréal offers its employees the possibility of receiving training throughout their working life in order to ensure that the company remains competitive.

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 in the world 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 maintaining a sustainable competitive advantage. As 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 2014, 1,019 employees were on long-term international assignments in 61 different countries. There was a 10% decrease in "country" positions, but the number of expatriates remained stable in international positions (Zones, Divisions, R&I). 40% of these employees were women and 8% were under 30 years of age. Out of the 1,019 expatriates, 24% 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 seconds 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 L'Oréal's culture and values as well as contributing to the Group's strategic coherence.

A symbolic seminar, "L'Oréal Insight", brought together 218 young managers of 35 different nationalities in 2014. In total, nearly 500 strategic employees, from countries all over the world, attended at least one of the company's key international seminars in 2014.

« MY LEARNING »

In 2014, in relation with the aim of "Learning for All", the HR Learning teams accelerated the deployment of the "My Learning" platform at international level. This represented 72,000 hours of remote training for more than 40,000 regular users of the platform, representing a big increase over 2 years: the number of hours has been multiplied by 3.5 and the number of users by 6.

The use of a single platform for the whole of L'Oréal guarantees the sharing of the Group's corporate 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, and so on) 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.

The changes scheduled for 2015 will make it possible to offer an increasingly innovative training experience with serious games, interactive videos and solutions accessible from mobile devices.

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 graduate 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 THE SKILLS MANAGEMENT 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 FACTSHEET.

FOR FURTHER INFORMATION CONCERNING TRAINING AT L'ORÉAL, SEE SECTION 6.2.2.5. "TRAINING" ON PAGE 229 OF THE 2014 REGISTRATION DOCUMENT.

LA 11 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 collective performance at the centre of the company, in pursuit of a long-term vision. Each employee has a one-to-one end-of-year interview and more and more often a mid-year interview focusing on development. In most countries, preparation and validation are carried out using the MAP (Managing and Appraising Performance) system.

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:

- **Employees' mastery of their position**, annual targets and professional skills
- **Career management:** taking into account employees' wishes, their assessment and achievement of targets
- **Training decisions** in accordance with individual development needs
- **Decisions on salary** (taking into account employees' mastery of their position and achievement of targets)

The MAP system is accessible to 46,808 employees worldwide. This year, it was used by 35,309 people in 68 countries. It is planned to extend it to the entire employee population to gradually replace the paper format: it is accessible on tablets for sales representatives and in simplified form for factory staff.

Details of the content of the two MAP interviews are as follows:

The Mid-Year Interview (EMA)

The mid-year interview is conducted halfway through the year. It allows employees to take a step back and think about their day-to-day activities, gauge the level of mastery of their position with their manager and define a development plan to strengthen their qualities and support the development of new skills.

Aims:

- To conduct a review of employees' mastery of their position and their skills
- To prepare a personalised development plan for the next twelve months

The mid-year interview (EMA), which is 100%-focused on development, shows the Group's desire to give each and every one of its employees opportunities to grow, to lean and to acquire professional skills, whatever their positions.

The End-of-Year Interview

Aims:

- To assess performance over the past year
- To set targets and give prospects for the coming year
- To discuss the employee's career aspirations and give employees visibility with regard to their future

The End-of-Year Interview offers an ideal opportunity for employees to talk with their level + 1 and level + 2 managers about these subjects that are so important: their performance, the challenges they will face for the coming year and their career aspirations.

It must take place in a spirit of open dialogue and be objective.

31,927 end-of-year interview reports were jointly approved by employees and their manager upon completion of the interview campaign at the end of 2014.

Diversity and equal opportunity

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 - 2014)

	Total	*Men*	*Women*	*Average age*	*% of women*
Western Europe	31 080	9 842	21 238	39	68%
North America	15 441	4 187	11 254	37	73%
Asia, Pacific	16 486	4 967	11 519	34	70%
Latin America	8 522	3 098	5 424	35	64%
Eastern Europe	5 241	1 720	3 521	35	67%
Africa, Middle-East	1 841	955	886	35	48%
Total	**78 611** ✓	**24 769** ✓	**53 842** ✓	**37**	**68%** ✓

Women account for 68% ✓ of the Group's total workforce,

- 60% of executives
- 64% of executives hired
- 40% of expatriates
- 46% of new expatriates over the year
- 47% of Management Committee members monitored internationally
- 33% of Executive Committee members (5/15)
- 48% of the brands are managed by women
- 47% of the 49 employees appointed as Heads of Divisions in 2014 were women.

GENDER BREAKDOWN BY AGE BRACKET IN THE MANAGEMENT COMMITTEES - WORLD – 2014

	Under 30	*30-50*	*Over 50*	*Total*
Women	1 %	81 %	18 %	100 %
Men	1 %	75 %	24 %	100 %

BREAKDOWN OF WORKFORCE BY AGE

	Total	*< 25*	*25-29*	*30-34*	*35-39*	*40-44*	*45-49*	*50-54*	*55-59*	*> 60*
Western Europe	31 080	3 268	4 843	4 638	4 291	4 285	3 938	3 181	2 040	596
North America	15 441	2 675	2 584	2 146	1 730	1 614	1 479	1 451	1 072	690
Asia, Pacific	16 486	1 969	3 929	4 227	3 037	1 747	837	450	197	93
Latin America	8 522	807	1 839	1 919	1 461	1 127	697	441	186	45
Eastern Europe	5 241	361	1 342	1 333	1 014	568	300	151	120	52
Africa, Middle-East	1 841	155	473	444	309	212	139	66	35	8
Total	**78 611**	**9 235**	**15 009**	**14 707**	**11 842**	**9 553**	**7 390**	**5 740**	**3 650**	**1 484**

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

2009	4.71%
2010	5.44%
2011	5.08%
2012	5.46%
2013	6.06%
2014	6.08%

FOR INFORMATION CONCERNING THE GOVERNANCE BODIES, SEE PAGES 37 ET SEQ. OF THE 2014 REGISTRATION DOCUMENT OR THE GRI GOVERNANCE FACTSHEET IN THIS REPORT.

Equal remuneration for women and men

LA 13 *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 with the company for two consecutive years. Employees who have changed category are compared in the category to which they belong in the 2nd year.

	2013			*2014*			*% change in average salary*		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	6 531	5 588	5 990	6 816	5 858	6 266	4,4 %	4,8 %	4,6 %
Sup. and tech.	3 279	3 250	3 257	3 388	3 363	3 368	3,3 %	3,4 %	3,4 %
Administrative staff	2 479	2 381	2 420	2 565	2 466	2 505	3,5 %	3,6 %	3,5 %
Manual workers	2 821	2 716	2 783	2 907	2 832	2 880	3,0 %	4,3 %	3,5 %
Sales representatives	4 318	3 847	4 123	4 500	3 074	4 323	4,2 %	5,9 %	4,9 %

EMPLOYER CONTRIBUTIONS

At L'Oréal SA, the annual amount of employer contributions in 2014 totals €227,316,635.

Supplier assessment for labor practices

LA 14 *Percentage of new suppliers that were screened using labor practices criteria*

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.

834 audits ✔✔ were carried out in 2014, making over 6,100 audits of this kind since 2006.

The social audits conducted have enabled L'Oréal to date to cover 81% of the portfolio of suppliers subject to audit.

In 2014, 55% of these audits were carried out in Asia.

In 2014, there were major instances of non-compliance at 55% 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 39% of the suppliers who were initially non-compliant.

488 audits (out of 834) were initial audits (audited for the first time), so 58% of the audits were of 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 (72 audits were conducted in 2014). 6 supplier sites are the subject of a specifically targeted support programme.

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 disclosures on 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 2014, 834 audits were carried out, making over 6,100 such audits since 2006.

Breakdown of instances of non-compliance per subject audited	*2014*
% of non-compliance with regard to wages and compensation	22
% of non-compliance with regard to working hours	22
% of non-compliance related to working, health and safety conditions	38
% of non-compliance with regard to harassment	0.5
% of non-compliance with regard to disciplinary practices	4

This data can be interpreted as follows: 22% of (major or minor) instances of non-compliance noted in 2014 (out of all the social audits) concerned "Wages and compensation".

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 2014, there were major instances of non-compliance at 55% 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 39% of the suppliers that were initially non-compliant.

FOR FURTHER INFORMATION, SEE THE GOVERNANCE FACTSHEET, ASPECT: HUMAN RIGHTS, 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 2014 no significant complaint was reported to the Corporate Labour Relations Department.

L'ORÉAL

Human Rights

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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

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HR5 - 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 ..... p. 13

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Disclosures on management approach

L'Oréal became a signatory of the United Nations Global Compact in 2003 and is committed to respecting and promoting Human Rights.

L'Oréal's Chairman and Chief Executive Officer has given the Senior Vice President and 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 Chief Ethics Officer meets systematically with each new Country Manager in order to raise their awareness in particular on Human Rights issues and corruption prevention.

L'Oréal ensures that Human Rights are observed with regard to its employees thanks to the actions taken by the Human Resources functions and by its suppliers and subcontractors through the initiatives taken by the Purchasing function (see the "Supplier Human Rights Assessment" section for further details).

L'Oréal sets out its Human Rights policy in documents such as "The L'Oréal Spirit" or the Code of 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.

The paragraph on "Respecting Human Rights" of the Code of Ethics set outs the commitments made by L'Oréal to respect and promote Human Rights, namely by reference to the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. L'Oréal also supports the United Nations Women's Empowerment Principles. Present in many countries, L'Oréal is particularly vigilant on issues covered by the Fundamental Conventions of the International Labour Organisation (abolition of child labour and forced labour, respect of freedom of association), the promotion of diversity, women's rights, respect for the rights of people to use their natural resources and the right to health.

Furthermore, several chapters of the Code of 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.

The third edition of the Code of Ethics was launched in 2014. Available in 45 languages and Braille in French and English, it is distributed to all employees worldwide. This Code of Ethics is available on www.loreal.com.

Every year since 2009, L'Oréal has organised an Ethics Day in order to ensure ongoing internal communication on this topic. In 2014, 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. In 2014, more than half the Group's employees took part in this dialogue and over 4,000 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 available in 26 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 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. A compulsory e-learning course on ethics is being rolled out to all countries. At December 31, 2014, over 43,000 employees had completed the course.

L'Oréal also organises training for the functions more particularly concerned by Human Rights, especially purchasers. Training in responsible purchasing practices, in the "*Buy & Care*" programme and in social audits is a compulsory part of the induction programme 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;
- socio-cultural and ethnic origin.

The Group focuses more particularly on the areas of human resources, *Solidarity Sourcing* and marketing.

At December 31, 2014, with a network of more than 96 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.

DISABILITY

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:

1. raising awareness;
2. accessibility to information and infrastructures;
3. partnerships;
4. recruitment; and
5. long-term employment.

To accelerate the mobilisation of its subsidiaries, in 2008 L'Oréal put in place the " Disability Initiatives Trophies" which reward operational entities for their concrete actions in favour of the inclusion of people with disabilities . These awards, which are held 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. Finally, in 2014, 65 countries in the Group showed their commitment to this initiative by submitting 80 projects .

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. The first award-winner has been working in close collaboration with L'Oréal Austria since 2014. L'Oréal actively supported the launching of the second edition of the award in 2014, to be presented in March 2015.

December 3rd is the International Day of Persons with Disabilities declared by the United Nations. A communication kit was sent to all the Group's subsidiaries in November 2014 in order to help them to organise a day or a whole week to raise awareness with regard to disability. To date, five Group subsidiaries have gone into action and created events to raise awareness among their employees: Brazil, United States, Mexico, China and Uruguay. France also mobilised the head office teams to raise awareness on this topic.

Finally, 28 countries focused part of their diversity strategy on social and ethnic origins. With regard to recruitment, 59 countries in which the Group operates 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. In 2014, L'Oréal once again hosted the ENAR conference in order to explore best corporate practices to address the question of ethnic and cultural origin in the workplace.

L'Oréal has moreover developed a diversity report in France around hundred indicators that together cover the six dimensions of the 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.

EQUAL PAY FOR MEN AND WOMEN

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

- In the field of socio-professional gender equality, in 2010 L'Oréal was awarded the first European gender equality label, the "Gender Equality European Standard" (GEES), for its entities in Europe:

  Summary of GEES certifications:

  - 2010 (initial audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
  - 2012 (initial audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.
  - 2013 (mid-term audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
  - 2014 (initial audit): Austria, Finland, Sweden, The Netherlands, Croatia, Bulgaria, Slovenia and Romania.
  - 2014 (mid-term audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.

In total, 24 entities of the L'Oréal Group have obtained the label and are regularly audited to measure their progress.

These efforts have been recognised by the Arborus Fund, the founding organisation for the GEES label. In November 2014, L'Oréal received a special award for the most extensive certification network in Europe.

L'Oréal SA obtained the Professional Equality label in 2013 and its mid-term audit carried out at the end of 2014 was successful.

Since 2009, L'Oréal has called on independent experts to analyse pay. The Group selected INED (Institut National d'Etudes Démographiques) to conduct the yearly pay analysis, which shows that L'Oréal is making real progress in its commitment to close the gender pay gap, with above-average results compared to other French companies. In 2014, the gender pay gap was 3.96%.

In 2014, L'Oréal was awarded the Human Capital Trophy in the "Place of Women in the Company" category for its initiative on "Successfully combining career and motherhood".

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

Finally, seven countries (Australia, Brazil, Canada, United States, India, Philippines and Russia) started the Economic Dividend for Gender Equality (EDGE) process to obtain certification with regard to social and professional equality of men and women in the world in 2014.

L'Oréal USA obtained the EDGE label in summer 2014 ✓✓. The other six ✓✓ countries are finalising the evaluation stage in order to receive certification.

In addition, L'Oréal obtained the Vigeo prize for its actions in favour of women and L'Oréal USA was recognized as one of the "Top 10 Champions of Global Diversity".

L'Oréal's suppliers and subcontractors are asked to comply with International Labour Organisation (ILO) conventions C100 and C111 on equal remuneration and 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 Labor Practices – Aspect: Labor/Management Relations – Disclosures on the Management Approach – Social Dialogue).

L'Oréal's suppliers and subcontractors are asked 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 2014, 408 employees aged between 16 and 18 worked within the Group's entities.

L'Oréal's suppliers and subcontractors are asked 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 Labour

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 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.

Rights of Indigenous Peoples

Consideration for the rights of indigenous peoples is embedded in various operating procedures.

For example, the Sustainable Construction and Design Guide specifies that when choosing a site, land or building for a plant or Research & Innovation centre or at the time of signature of an off-plan lease agreement, L'Oréal ensures that the seller became owner and paid compensation to any eventual occupants/users in compliance with international regulations.

In accordance with the requirements of the Convention on Biological Diversity which L'Oréal undertook to respect in 2005, respect for the rights of indigenous peoples includes obtaining a prior agreement and the guarantee of a fair return to local populations within the scope of responsible sourcing of raw materials.

Since 2006, and regardless of whether the countries from which the raw materials originate have regulations 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 in a highly integrated manner, by jointly considering the ecological, economic and social issues at stake to ensure Sustainable Development through 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 freedom of access to their resources. The same requirements apply to patents filed by suppliers.

FOR FURTHER INFORMATION, SEE THE ENVIRONMENT FACTSHEET, ASPECT: BIODIVERSITY, INDICATOR EN14.

The Chief Ethics Officer is responsible for Human Rights issues and 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 reporting system covers all the subjects addressed in the Code of Ethics. This information namely helps to assess the Group's performance in terms of the application of Human Rights.

Supplier Human Rights Assessment

Within the framework of its commitments for 2020 under the *Sharing Beauty With All* programme, L'Oréal has undertaken to ensure that all its strategic suppliers[1] will be assessed and selected based on their societal and environmental performance and will have completed a self-assessment of their sustainability policy with the Group's support by 2020. All suppliers will also have access to L'Oréal training tools by 2020 in order to improve their sustainability policies. Lastly, 20% of strategic suppliers will be brought into the *Solidarity Sourcing* programme.

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 products and services).

The global volume of purchases directly related to production (packaging, raw materials and subcontracting) represented €3.64 billion in 2014 (Cosmetics scope, excluding The Body Shop).

The Group's Purchasing policy is thus 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.

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 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 accordingly undertake to 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.

L'Oréal's "*Buy & Care*" programme comprises 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.

(1) Strategic suppliers are those who bring significant value added to the Group by contributing, through their weight, their innovations, their strategic alignment and their geographic deployment, to accompanying L'Oréal's strategy on a durable basis.

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 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 have included 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/subcontractors, 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 6,100 social audits at over 4,200 supplier sites. In 2014, 834 social audits were carried out.

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 (72 audits were conducted in 2014). Six supplier factories engaged in focused improvement programmes.

Besides these on-site audits and to ensure compliance with these commitments throughout the chain of responsibilities, L'Oréal has initiated a programme for the evaluation of strategic suppliers and their sustainability policies. This evaluation, carried out in partnership with the service provider Ecovadis, is also included in the CSR section of the scorecard.

At the end of 2014, 92 suppliers had thus had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. This represents over 50% of the Group's strategic 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 available in 26 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 allegations regarding Human Rights violations are reported to the Chief Ethics Officer who is in charge of Human Rights policy. 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

HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

All framework agreements signed with suppliers/subcontractors in 2014 contain a societal clause providing for compliance with the Fundamental Conventions of the International Labour Organisation.

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.

A compulsory e-learning course on ethics, covering namely Human Rights topics (health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers) is currently being rolled out in all countries. As of December 31st, 2014, more than 43,000 employees had completed this course. In addition, the Ethics Department provided 11 classroom training sessions to 297 employees, representing 1,042 hours of training.

In 2014, 56 purchasers were trained in responsible purchasing practices. In all, 80% of the Group's purchasers have been trained in responsible purchasing practices since the training programme was launched.

Furthermore, in 2014, 90% 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, and 99% of the countries communicated on at least one of these topics.

Non-discrimination

HR3 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 again 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:

Today, with a network of more than 96 Diversity coordinators all over the world, including some "Champions of Diversity", 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, and nine charters in all (Germany, Austria, Belgium, Italy, Poland, Spain, Finland, France and Sweden), five of which were created on the initiative of L'Oréal. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter.
- L'Oréal has moreover developed a diversity assessment in France with a hundred or so indicators that together cover the six dimensions of the 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.

DISABILITY OUTREACH

With regard to disability, L'Oréal has been developing a global policy in favour of professional insertion of the disabled in the Company since 2008. This policy focuses on five priorities: raising awareness, accessibility to information and infrastructures, partnerships, recruitment and maintenance in employment.

To accelerate the mobilisation of its subsidiaries, in 2008 L'Oréal put in place 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. Finally, in 2014, 65 countries in the Group showed their commitment to this initiative by submitting over 80 projects .

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 on the organisational committee.

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. As a result of this partnership, 2013 saw the creation of 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. The first award-winner is now working in close collaboration with L'Oréal Austria. In 2014, L'Oréal actively supported the launching of the second edition of the award that will be presented in March 2015.

December 3rd is the International Day of Persons with Disabilities declared by the United Nations. A communication kit was sent to all the Group's subsidiaries in November 2014 in order to help them to organise a day or a whole week to raise awareness with regard to disability. To date, five Group subsidiaries have gone into action and created events to raise awareness among their employees: Brazil, United States, Mexico, China and Uruguay. France also mobilised the head office teams to raise awareness on this topic.

Non-discrimination

SOCIAL AND/OR ETHNIC ORIGINS

Finally, 28 countries focused part of their diversity strategy on social and ethnic origins. With regard to recruitment, 59 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. In 2014, L'Oréal once again hosted the ENAR conference in order to explore best corporate practices to address the question of ethnic and cultural origin in the workplace.

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.

EQUAL PAY FOR MEN AND WOMEN

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

In the field of socio-professional gender equality, in 2010 L'Oréal was awarded the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for its entities in Europe.

Summary of certifications:

- 2010 (initial audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
- 2012 (initial audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.
- 2013 (mid-term audit): Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and L'Oréal SA.
- 2014 (initial audit): Austria, Finland, Sweden, The Netherlands, Croatia, Bulgaria, Slovenia and Romania.
- 2014 (mid-term audit): Baltic countries (Estonia, Latvia, Lithuania), Portugal, Czech Republic, Hungary, Slovakia and Poland.

In all, 24 entities of the L'Oréal Group ✓✓ have obtained the label and are regularly audited to measure their progress. This testifies to their commitment, since these regular audits measure progress in gender equality in the workplace.

These efforts have been recognised by the Arborus Fund, the founding organisation for the GEES label. In November 2014, L'Oréal received a special award for the most extensive certification network in Europe.

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.

Finally, seven countries (Australia, Brazil, Canada, the United States, India, Philippines and Russia) started the EDGE (Economic Dividend for Gender Equality) process to obtain certification with regard to social and professional equality of men and women in the world in 2014.

L'Oréal USA obtained the EDGE label in summer 2014 ✓✓. The other six countries ✓✓ are finalising the evaluation stage in order to receive the certification.

In addition, L'Oréal obtained the Vigeo prize for its actions in favour of women and L'Oréal USA was recognized as one of the "Top 10 Champions of Global Diversity".

L'Oréal's suppliers and subcontractors are asked to comply with the ILO conventions C100 and C111 on equal remuneration and non-discrimination.

Framework agreements signed with the Group's main suppliers all contain a societal clause taking up the same commitments (for more information, please refer to the HR1 indicator in this factsheet).

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 2014, 1.9% 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 THE 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 231 OF THE 2014 REGISTRATION DOCUMENT.

Freedom of association and collective bargaining

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*

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.

RELATIONS WITH SUPPLIERS

L'Oréal's suppliers and subcontractors are asked to comply with ILO conventions C87 and C98 on freedom of association.

Framework agreements signed with the main suppliers all contain a societal clause taking up the same commitments (for more information, please refer to the HR1 indicator in this factsheet).

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 2014, 3.3% 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, PLEASE REFER TO SECTION 6.2.2.7, "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 231 OF THE 2014 REGISTRATION DOCUMENT.

Child labor

HR5 Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour

Although no substantial risks relating to child labour have been identified at L'Oréal sites, all Group sites across the globe are required to submit an annual report on such issues for oversight purposes.

No cases of child labour were identified as a result of the social audits performed in 2014 of the suppliers and subcontractors currently working with the Group.

In 2014, social audits carried out as part of the new supply/subcontractor selection process identified two cases of child labour involving children under 16. In the first case, the child was 15 years old. Since this prospective supplier also failed to meet other L'Oréal requirements, the Group decided not to work with the supplier. In the second case, the age of certain employees was unable to be verified. Since this prospective supplier also failed to meet other L'Oréal requirements, the Group decided not to work with the supplier.

Both cases described above concerned production sites in Asia.

FOR MORE INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, PLEASE REFER TO SECTION 6.2.2.7, "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 231 OF THE 2014 REGISTRATION DOCUMENT.

Forced or compulsory labour

HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour

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.

During the social audits carried out at the Group's suppliers and subcontractors in 2014, 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.

Security practices

HR7 *Percentage of security personnel trained in the organisation'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, where locally possible, L'Oréal favours security service companies 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.

Rights of Indigenous Peoples

HR8 *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 2014.

Assessment

HR9 Total number and percentage of operations that have been subject to Human Rights reviews or impact assessments

Since 2013, 86% of countries have carried out a self-assessment of ethical risks. An action plan is rolled out for any areas needing improvement as identified by the self-assessment.

All countries completed an annual ethics reporting. 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 2014, social audits were performed of suppliers in 47 countries on all continents. However, Asia is in the majority, with 55% of the audits performed. Since 2006, supplier audits have been performed in 77 countries.

Supplier 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 2014, 834 audits ✓✓ were carried out – on a par with 2011 and 2013. 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 81% of the eligible supplier portfolio.

BREAKDOWN OF L'ORÉAL SOCIAL AUDITS BY GEOGRAPHIC ZONE:

Zones	*2010*	*2011*	*2012*	*2013*	*2014*
Europe	119	134	191	167	141
NAZ	2	9	49	29	22
ZAL	84	65	152	172	170
ZAMO	23	73	118	30	39
Asia, Pacific	339	512	610	402	462
TOTAL	**567**	**793**	**1 120**	**800**	**834** ✓✓

ZAL: Latin America Zone - ZAMO: Africa, Middle East Zone - NAZ: North America Zone

A total of 72 audits were also carried out by The Body Shop in 2014.

HR 11 *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.

THE FOLLOWING CASES OF NON-COMPLIANCE WERE IDENTIFIED AS A RESULT OF THE SOCIAL AUDITS CARRIED OUT IN 2014

Audit findings	*2013*	*2014*
Access refused	2 %	3%
Zero tolerance	4 %	5%
Satisfactory or ongoing improvement	47 %	45%
Immediate action necessary	47 %	47%

Breakdown of cases of non-compliance by audited issue	*2013*	*2014*
% of cases of non-compliance relating to child labour	4	3 ✓✓
% of cases of non-compliance related to wages/remuneration	18	22 ✓✓
% of cases of non-compliance related to working hours	21	22 ✓✓
% of cases of non-compliance related to working conditions, health and safety	37	38 ✓✓
% of cases of non-compliance related to audited issues	18	16 ✓✓

These findings can be summarised as follows: 22% of cases of non-compliance identified in 2014 (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 2014, there were major cases of non-compliance found at 55% ✓✓ 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 39% of the suppliers who were initially non-compliant.

Human Rights grievance mechanisms

HR 12 *Number of grievances about Human Rights impacts filed, addressed, and resolved through formal grievance mechanisms*

No alleged Human Rights violations were reported to the Chief Ethics Officer in 2014.

Society

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SO3 - Total number and percentage of operations assessed for risks related to corruption and significant risks identified ..... p. 10

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SO6 - Total value of political contributions by country and recipient/beneficiary ..... p. 12

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SO7 - Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes ..... p. 13

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SO8 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations ..... p. 14

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SO9 - Percentage of new suppliers that were screened using criteria for impact on society ..... p. 14

SO10 - Significant actual and potential negative impacts on society in the supply chain and actions taken ..... p. 14

GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY ..... p. 15

SO11 - Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms ..... p. 15

Disclosures on management approach

L'Oréal's societal commitments are described in "The L'Oréal Spirit" on the first page of L'Oréal's Code of 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

Sharing Beauty With All programme

Within the framework of the *Sharing Beauty With All* programme, L'Oréal has made a commitment in favour of the surrounding communities, in particular to enable 100,000 people from underprivileged communities to access work by 2020.

INVOLVING LOCAL COMMUNITIES IN 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 known as "*Solidarity Sourcing*".

Its aim is to help to give people from underprivileged communities durable access to employment and income. This initiative represents an opportunity for beneficiaries to reintegrate into society. *Solidarity Sourcing* fundamentally changes L'Oréal's purchasing process by reaching out to new categories of suppliers in a bid to build fair, durable commercial relationships that will create economic and societal value. L'Oréal intends to expand the programme in all of the countries in which it operates.

INVOLVING LOCAL COMMUNITIES WHEN ESTABLISHING L'ORÉAL SITES

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 strong 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 – award prizes in recognition of 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. Through these initiatives, L'Oréal is eager to demonstrate its good citizenship, and to show that it has strong roots in its surrounding community.

YOU CAN FIND THIS INFORMATION IN SECTION 6.4.1., "TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF ACTIVITIES" ON PAGE 246 OF THE 2014 REGISTRATION DOCUMENT.

Anti-corruption

COMMITMENT

L'Oréal is a signatory of the United Nations Global Compact, supports the fight against corruption, and undertakes to comply with the United Nations Anti-Corruption Convention of October 31, 2003 and to apply all the 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 Ethics publicly states a zero-tolerance policy on corruption. It applies to all Group employees, executive officers and directors, and members of the Executive and Management Committees, and to those of its subsidiaries worldwide.

L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages and in Braille in French and English, it is distributed to all employees everywhere in the world.

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 in handling situations which they may encounter in the performance of their duties. It reaffirms L'Oréal's anti-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), reiterates 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.

To complete the corruption prevention policy, an employee guide was distributed in 2014 on a Groupwide basis to specify the rules with regard to gifts and invitations.

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 and 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 Senior Vice-President & Chief Ethics Officer.

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, the Group communicates regularly – both internally and externally – on the implementation of its anti-corruption policy and programme.

The risk of corruption is included in the Group-level risk assessment: a tool enables Country Managers to assess their possible local ethical risks (including corruption) and to take the necessary corrective action.

L'Oréal's commitment is supported by Human Resources procedures. Thus, an "Obtains results with integrity" competence is now included in the annual appraisal system for all our 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 Chief Ethics Officer who has access to all the documents and information concerning the Group's activities and can rely on all the Group's teams and resources to conduct his assignment successfully. This website is available in 26 different languages.

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 proposed 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 in particular has been taken into account.

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.

L'Oréal reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

Public Policy

Being an active member of professional associations in the countries where its industry is represented, L'Oréal participates 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 various professional associations such as Cosmetics Europe, the European Cosmetics Federation, the PCPC (Personal Care Products Council), 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 July 27, 1976 on the approximation of the laws of the Member States relating to cosmetic products (the "Cosmetics Directive").

The directive, the legal instrument chosen at the time by the European authorities, gradually proved to be insufficient to ensure the freedom of movement 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 November 30, 2009 on cosmetics 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 .

The Group was associated with the official press statement by Cosmetics Europe 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 cosmetics products.

The International Product Communication Evaluation Department makes sure of the conformity of product communications before they are put on the market. The Group's Code of Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Marketing Communication Practice.

In 2012, L'Oréal, as a member of Cosmetics Europe, also signed the charter on responsible advertising and marketing communication of cosmetic products.

The purpose of this charter is to set the cosmetics industry common ground towards responsible cosmetics advertising and marketing communication in Europe.

It 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 these 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;
- 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 run a training programme for employees in marketing to raise their awareness of good communication practices. At the end of 2014, 855 employees had received information and training on this issue.

Anti-competitive Behaviour

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. Since 2011, it has 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.

(1) Cosmetics Europe charter for responsible advertising and marketing communication: http://www.febea.fr/uploads/media/2012_10_02_-_FEBEA_-_RECOMMANDATION_CHARTE_PUBLICITE__01.pdf

Compliance

The purpose of the Risk Management and Compliance department, created in 2012, 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, PLEASE REFER TO THE 2014 REGISTRATION DOCUMENT, SECTION 2.5.2.3. "RISK MANAGEMENT" ON PAGES 91 AND 92 AND SECTION 2.5.3. "THE PLAYERS" UNDER "THE RISK MANAGEMENT AND COMPLIANCE DEPARTMENT" PARAGRAPH ON PAGE 94.

Supplier Assessment for Impacts on Society

Our suppliers' footprint on the environment and on society is part of L'Oréal's wider footprint.

Sharing Beauty With All programme

By 2020, within the Developing Sustainably pillar of *Sharing Beauty With All*, 100% of the Group's strategic suppliers will be participating in its sustainability programme.

Grievance Mechanisms for Impacts on Society

L'Oréal attaches crucial importance to the dialogue with its stakeholders. Admittedly, this dialogue provides the opportunity for the Group to share its strategy, its objectives and its achievements but it also nurtures progress, as L'Oréal is keen to take into consideration the expectations of civil society when building its sustainability policy in order to always go further. Since the importance and handling of the challenges related to corporate social and societal responsibility differ from one country to the next, L'Oréal has set up stakeholder forums all over the world in order to promote a dialogue at a local level with regard to both local and global issues.

L'ORÉAL HAS ALSO SET UP A PAGE ON THE LOREAL.COM WEBSITE ALLOWING ANYONE WHO WISHES TO ASK QUESTIONS RELATING TO SUSTAINABLE DEVELOPMENT. PLEASE VISIT:
HTTP://WWW.LOREAL.COM/CONTACTFORM.ASPX?TOPCODE=CORPTOPIC_CONTACT_BLOCS_ENVIRONMENT

Local communities

SO1 *Percentage of operations with implemented local community engagement, impact assessments, and development programmes*

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 known as "*Solidarity Sourcing*".

Its aim is to help to give people from economically vulnerable communities durable access to employment and income. The initiative represents an opportunity for beneficiaries to reintegrate into society. *Solidarity Sourcing* fundamentally changes L'Oréal's purchasing process by reaching out to new categories of suppliers in a bid to build fair, durable commercial relationships that will create economic and societal value. L'Oréal intends to expand the programme in all of the countries in which it operates.

Sharing Beauty With All programme

The *Solidarity Sourcing* programme falls within one of the five pillars of the *Sharing Beauty With All* programme (Sharing Growth with Communities), which aims to enable more than 100,000 people from underprivileged communities to access work by 2020.

In 2014, this programme consisting of 250 projects offered access to work to more than 27,000 people all over the world (excluding The Body Shop). Furthermore, The Body Shop's *Community Fair Trade* programme helped 25,000 people access work. In total, more than 52,000 people across all geographic areas currently enjoy benefit from the Group's programme.

In 2014, deployment of the programme accelerated both on the initiative of L'Oréal and on that of its suppliers.

In addition to purchasing, its initial scope of action, the programme now relies on contacts in all the Group's zones and divisions who work in partnership with the *Sharing Beauty With All* representatives in each country. The Asia Pacific zone was a pioneer in this initiative to raise awareness and for co-construction of *Solidarity Sourcing* projects, and it will soon be extended to other zones.

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, South Africa, and Benelux, and for all indirect purchases in Europe.

FOR FURTHER INFORMATION CONCERNING SOLIDARITY SOURCING, PLEASE REFER TO "PROMOTING INCLUSION IN OUR COMMUNITIES" ON PAGE 25 OF THE SHARING BEAUTY WITH ALL 2014 PROGRESS REPORT.

FAIR TRADE

Recognised 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 2014, more than 50 fair trade-sourced raw materials were included in 10.5% of products manufactured (excluding The Body Shop).

For The Body Shop, over 90% of products sold contain ingredients from the "*Community Fair Trade*" (CFT) programme.

In 2014, a total of 27,000 people therefore benefited from fair trade-sourced raw material purchases (excluding the CFT).

In 2014, 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 pre-financing for their crops in April-May, at the end of the dry season when stocks of food have been almost used up, along with a purchase price that is higher than the market price;
- 100% of soya oil supplies come from a fair trade source in Brazil;
- 100% of sesame oil purchases are from fair trade sources and more than 500 product formulas containing sesame oil from fair trade sources were manufactured;
- In Brazil, four raw materials were integrated into our *Solidarity Sourcing* programme: Pacaxi oil and Muru Muru butter used in hair products, white clay used in personal hygiene products, and Cupuacu butter in personal care products.

THE BODY SHOP'S COMMUNITY FAIR TRADE PROGRAMME

2014 marks 27 years of The Body Shop's pioneering *Community Fair Trade* programme. The brand works directly with 26 suppliers and over 25,000 workers to source high quality, traceable, ingredients gifts and accessories from around the world. The programme positively impacts more than 320,000 people in the suppliers' extended community providing basic life-changing benefits such as clean drinking water, schools, educational materials, medical facilities and a fair income.

The *Community Fair Trade* Programme is governed by the principles laid out in the *Community Fair Trade* Charter (available at http://thebodyshop.com/content/pdf/cft-charter.pdf). These principles determine how suppliers are selected, their commitments to The Body Shop and the benefits they receive in return. The programme is externally certified by the Institute for Market Ecology (IMO). Impact on the suppliers and their wider communities is assessed through annual supplier self-assessments, bi-annual on-site assessment visits and tri-annual audits by IMO which are supported by more in depth impact assessments as appropriate.

The Body Shop's commitment to *Community Fair Trade* has continued to grow; more than 90% of its products now contain *Community Fair Trade* ingredients, up from 85% in 2011. Since acquisition in 2006 by L'Oréal The Body Shop has worked closely with other L'Oréal brands, in 2012 introducing them to its *Community Fair Trade* soya bean oil and babassu oil suppliers in addition to the *Community Fair Trade* Aloe Vera, Olive, Sesame, Soya and Sugar already used in their products.

The Body Shop was recognised for their pioneering *Community Fair Trade* programme by the prestigious Business in the Community charity, who named them International Responsible Business of 2013. They were also reaccredited for this award in 2014. Since winning the award in 2013, The Body Shop has introduced a 26th supplier to its pioneering *Community Fair Trade* programme.

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, PLEASE VISIT: HTTP://WWW.ETHICALTRADE.ORG.

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 across 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 2014, over 24,000 people in 62 countries and 420 partner organisations took part in the 6th edition of this event, which has become a real, federating and meaningful occasion within the Group. In all in 2014, some 32,000 people benefited from this initiative.

Anti-corruption

SO3 *Total number and percentage of operations assessed for risks related to corruption and the significant risks identified*

The risk of corruption is included in the Group-level risk assessment: a tool enables Country Managers to assess their possible local ethical risks (including corruption)and to take the necessary corrective action.

L'Oréal's commitment is supported by Human Resources procedures. Thus, an "Obtains results with integrity" competence 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. The website is available in 26 different languages.

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 2014 not to work with a prospective supplier based in China following allegations of attempted corruption by the external auditors responsible for the social audits.

Anti-corruption

SO4 Communication and training on anti-corruption policies and procedures

L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption. It applies to all Group employees, executive officers and directors, and members of the Executive and Management Committees, and to those of its subsidiaries worldwide.

L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages and in Braille in French and English, it is distributed to all employees worldwide.

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 in handling 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 is posted online on L'Oréal's website (www.loreal.com).

To complete the anti-corruption measures, an employee guide was rolled out across the Group in 2014 specifying the rules regarding gifts and invitations.

L'Oréal's commitment is supported by Human Resources procedures. Thus, an "Obtains results with integrity" competence is now included in the annual appraisal system for all our employees.

A compulsory e-learning course on ethics covering namely anti-corruption issues is currently being rolled-out in all countries. As of December 31st, 2014, over 43,000 employees had completed the course.

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 L'Oréal's partners is one of the principles of the aforementioned prevention policy.

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 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. The website is available in 26 different languages.

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 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 2014 not to work with a prospective supplier in China following allegations of attempted corruption by the external auditors responsible for the social audits.

Public 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.

Anti-competitive behavior

SO7 Total number of legal actions for anti-competitive behaviour, 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.

€ millions	**12.31.2014**	12.31.2013	12.31.2012
Non-current provisions for liabilities and charges	**193.6**	**174.5**	**181.9**
Other non-current provisions [1]	193.6	174.5	181.9
Current provisions for liabilities and charges	**722.0**	**528.8**	**533.8**
Provisions for restructuring	65.5	98.2	129.4
Provisions for product returns	244.4	226.6	211.3
Other current provisions [1]	412.1	204.0	193.1
TOTAL	**915.6**	**703.3**	**715.8**

[1] *These items include 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.*

The provisions relating to investigations carried out by competition authorities amount to €239.4 million at December 31, 2014 compared with €43.0 million at December 31, 2013 and €45.0 million at December 31, 2012 (see note 29.2. of the 2014 Registration Document).

This caption also includes investments in associates when the Group's share in net assets is negative (see note 17 of the 2014 Registration Document).

YOU CAN FIND THIS INFORMATION IN NOTE 24, "PROVISIONS FOR LIABILITIES AND CHARGES" ON PAGE 162, CHAPTER 4 OF THE 2014 REGISTRATION DOCUMENT.

Compliance

SO8 *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations*

Concerning the amount of substantial fines for non-compliance with laws and regulations, see response SO7 in this factsheet

Supplier assessment for impacts on society

SO9 *Percentage of new suppliers that were screened using criteria for impacts on society*

SO10 *Significant actual and potential negative impacts on society in the supply chain and actions taken*

GLOBAL RESPONSE

Within the framework of its commitments for 2020 under the *Sharing Beauty With All* programme, L'Oréal has undertaken to ensure that all its strategic suppliers will have completed a self-assessment of their sustainability policy with the Group's support by 2020.

L'Oréal does not directly measure its suppliers' negative impacts on society.

However, to ensure compliance with these commitments throughout the chain of responsibilities, L'Oréal has initiated a programme for the evaluation of strategic suppliers and their sustainability policies. This evaluation, carried out in partnership with the service provider Ecovadis, is also included in the CSR section of the scorecard. At the end of 2014, 92 suppliers had had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. This represents over 50% of the Group's strategic suppliers.

The Group has also 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

SO11 *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.

Product responsibility

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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 ("Worldwide Safety Evaluation", or WSE) 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 these industries in order to develop alternative multi-disciplinary solutions in the field of safety assessment.

Thanks to this longstanding commitment, the Group was able to comply with the regulatory requirements which prohibit the offering for sale on the European market of cosmetics products containing any ingredient that has been tested on animals after March 11, 2013. L'Oréal no longer carries out animal testing in laboratories for any of its products or ingredients, anywhere in the world. The Group also does not delegate responsibility for doing so to anyone else. An exception could be tolerated if an authority so requires for safety or regulatory reasons.

The safety assessor must issue its approval before any new products can be manufactured. The raw materials used in the manufacture of cosmetics 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 a 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 (WRA) 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 WRA 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 cosmetics 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.

The International Product Communication Evaluation Department makes sure of the conformity of product communications before they are put on the market. The Group's Code of Business Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Communication Practice.

Moreover, 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.

The 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;
- 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 sought to raise its marketing teams' awareness of good communication practices. At the end of 2014, 855 employees had received information and training on this issue.

Customer Privacy

The development of innovative products and their adaptation to market requirements is an ongoing priority for the Group.

If the Group fails to anticipate or interpret changes in consumer behaviour and new trends, its sales could be affected.

The development of digital communication and e-commerce creates greater proximity between L'Oréal and its consumers, by setting up decision-making aid services with regard to product purchases and product use.

Compliance

L'Oréal has set up a Worldwide Regulatory Affairs Division (WRA) 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 WRA 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. 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

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 – as regards products launched on the European market – by a very detailed cosmetics 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 cosmetics products to which they relate.

FOR FURTHER INFORMATION CONCERNING COSMETO-VIGILANCE AT L'ORÉAL, SEE THE PR2 SECTION IN THIS FACTSHEET.

2. L'OREAL'S COMMITMENT IN THE FIELD OF PREDICTIVE EVALUATION

For over 30 years, the L'Oréal Group has been investing 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 cosmetics 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 cosmetics 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.
  Amalthée 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.
  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.
- Since 2011: Over 100,000 units of reconstructed tissue are produced each year in Lyon at Episkin SA's Gerland factory.

FOR FURTHER INFORMATION CONCERNING PREDICTIVE EVALUATION AT L'ORÉAL,
PLEASE VISIT: http://www.lorealpredictive.com/en/

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.

L'Oréal develops integrated safety assessment strategies and participates in European working groups with Cosmetics Europe and contributes to and shares scientific progress with ECVAM, the OECD and EPAA with the aim of developing shared, validated predictive tools. In 2014, information was given on this strategy and on certain advances at various congresses. In this respect, the Group was involved as both sponsor and co-organiser (Steering Committee member) of the World Congress on Alternatives and Animal Use in the Life Sciences (WC9-Prague), the ERGCED in Paris, as well as SOT-Beijing and the Workshop of Cosmetic Alternative Methods in Guangzhou (both in China). To support this work and its approaches, the Group published and/or co-published 11 scientific articles in reviews with an international readership (Altex, Dermatitis, Toxicology *in vitro*, archives of Toxicology, Environmental Toxicology and Chemistry, Artificial Intelligence Research).

Reconstructed tissue

L'Oréal's research teams have been conducting research into cellular biology and tissue engineering for over 30 years now, with a view to reconstructing various models of human skin and epithelia.

The main aims of the different models are:

- 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).
- Creating, validating and standardising new alternative predictive tests for assessing and guaranteeing product safety.
- Helping to assess the safety of raw materials and finished products.
- Making available approved tools for cosmetics industry players and providing training on these methods.

In 2014, the sale of reconstructed tissue models for use to assess the safety of ingredients and formulas continued at both national and international level.

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

With regard to eye irritation, the SkinEthic-HCE reconstructed 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. Work in preparation for scientific approval continued apace in 2014.

New ingredients are tested whenever necessary using a combination of complementary in vitro/in silico models (integrated assessment strategies).

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.

L'Oréal has a cosmeto-vigilance network with teams based in most of its markets, including in those with no cosmeto-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 2014, 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 cosmeto-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, cosmeto-vigilance teams comprise around 85 people (including around 20 doctors) spanning 95 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 are 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.

Product and Service Labeling

PR3 *Type of product and service information required by the organisation's procedures for product and service information and labelling, 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, 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 Arôma 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: CO_2 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.

Product and Service Labelling

PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes

Authorities in several countries (India, Indonesia, Germany, Italy, Lebanon, Switzerland, France, Brazil, etc.) have asked questions about the information made available to consumers on labels of products marketed. These questions concerned for example the size of font on the label, the consistency of the information shown on packaging, the language used, the dates shown on the packaging, the absence of regulatory information, the absence of a list of ingredients, whether or not the list of ingredients is exhaustive or the batch number is indelible, and so on. All questions were systematically answered by local regulatory teams and the requisite changes made to the labelling when this was deemed warranted.

In three cases, the related incidents were punished by fines.

Authorities in several other countries (e.g., Costa Rica and Paraguay) blocked products upon entry into the country owing to non-compliant labels (i.e., no translation provided). These labels were modified accordingly.

In Italy, certain distributors asked questions as to the labelling for certain products. All such questions were answered and the appropriate changes made to the labelling where this was deemed warranted.

Lastly, within the scope of the self-regulation procedure set up by L'Oréal, products with non-compliant labelling (in terms of the list of ingredients) in the United States and Kurdistan were voluntarily withdrawn from the market.

Marketing Communications

PR6 Sale of banned or disputed 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.

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

In 2014, following the review of 123 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 only 51 claims. This figure should be considered against the number of new formulas launched on the market in 2014.

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 discussions 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.

For more information about product compliance, please refer to 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"; PR6, "Sale of banned or disputed products"; and PR4, "Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes" in this report.