

2017 Sustainability Report

ORIFLAME
— S W E D E N —



Content

Introduction	2	Great products	49
Sustainability highlights	4	Sustainable product development	52
Statement from the CEO	6	Product safety	54
Geographical footprint	8	Social and ethical standards	55
Oriflame in brief	10	Goals & commitments	56
Beautiful Change	13	Thriving planet	59
Our way to communicate sustainability efforts	13	Sustainable sourcing	62
Sustainability strategy	17	Greenhouse gas emissions and climate change	64
Organising for improvement	18	Water	66
Valuing our culture	19	Waste management	67
Stakeholder engagement and dialogue	20	Oriflame sites and operations	69
Materiality	22	Goals & commitments	70
Opportunity and risk management	24	Sustainable suppliers	75
Ethics and Code of Conduct	28	About this report	80
Successful people	31		
Consultant satisfaction	34		
Employees	36		
Human rights	41		
Oriflame Foundation	42		
Better hygiene, better health in Indonesia	43		
Cooperation with World Childhood Foundation	44		
Supporting Fairtrade communities in India	45		
Goals & commitments	46		

Our sustainability strategy is a five-year plan, consisting of three key areas:



SUCCESSFUL
PEOPLE



GREAT
PRODUCTS



THRIVING
PLANET

Enabling change

Oriflame's business success is built on a simple formula: combine people's natural desire to improve their lives with the right opportunity, and it creates real, positive, change.

We are proud to offer people all over the globe the opportunity to make that change. If they share our passion for beauty and wellness, we can help them bring more of it into the world. For the majority, that means saving money while enjoying our responsible beauty and wellness products. For the others, it means using our direct-selling model to earn an income or to build a business.




Oriflame has a proven business model, perfect for the modern networking world. It is flexible, digital and powered by millions of trusted relationships and recommendations. With no risk beyond a small joining fee, we offer "entrepreneurship in a box".

By accelerating our business, we have a positive impact on people and communities around the world. The value of local entrepreneurship in our global society is well recognised, from the jobs it generates to the skills it nurtures.

50 years in, Oriflame is the choice of three million people. Looking ahead, we are committed to continuing to build on this simple formula – empowering people and enabling positive change around the world.

Sustainability highlights

During the year our sustainability work continued to progress. More information of our key achievements in each strategic area is presented in the separate chapters.

FOCUS AREAS	ACHIEVEMENTS 2017	COMMENTS
Successful people Create opportunities for people to improve their lives	 €390m to Consultants through bonuses	Oriflame distributed almost €390m directly to its Consultants through bonuses and other forms of recognition.
Great products Develop responsible products that bring beauty and wellbeing	Only natural origin exfoliants 	In 2017 we continued to use natural origin scrubs – such as almond shell, fruit seeds and silica – in all of our exfoliating products. We have no plastic microbeads in our products and we have stopped using plastic glitter in our rinse off products.
Thriving planet Drive environmental sustainability throughout the business	 99% of cartons and leaflets sourced from certified forests	In 2017 97% of our catalogue paper came from credibly certified sources and 99% of the display packaging cartons and leaflets were sourced from FSC™ certified forests.





Statement from the CEO

In 2017 we celebrated our 50th birthday as a company. A true milestone. It's a time for reflection on our successes and shortcomings. Respect for nature and people has always been a part of our culture since Oriflame was created. During those 50 years we have progressed a lot in regard to our sustainability commitments. However, in the light of global resource scarcity, climate change and runaway biodiversity loss, we need to accelerate our activities and step up our game. When revamping our Sustainability strategy in 2018, I hope to see some engaging long-term goals that guides us towards contributing to both the UN Sustainable Development Goals as well as challenge ourselves to sustain the forefront position we have in our industry. I am also pleased to confirm that Oriflame Cosmetics reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In 2017, we launched our Sustainability communication concept Beautiful Change. This concept is a way for us to start telling all the amazing stories we have from around the world that contribute to making the world a better place. From creating opportunities for people to improve their lives and bringing beauty and wellbeing to the many, to giving back to local communities and nature. We have so much to share!

Economically 2017 showed amazing progress. Sales grew by 9% in Euro and the operating margin increased from 9.5% to 11.7%. These profits have now made us net debt free, which increases our resilience and willingness to become even more strategical within the area of sustainability.

"By accelerating our business, we have a positive impact on people and communities around the world. The value of local entrepreneurship in our global society is well recognised, from the jobs it generates to the skills it nurtures. Not to mention the empowerment of our Consultants – the majority of whom are women."

For almost a decade now, I have seen our sustainability efforts improve. Since 2013 close to 100% of all catalogue paper used are from credibly certified sources. An increasing number of our ingredients are biodegradable, and we have a growing amount of post-consumer recycled plastic (PCR) in our bottles. By 2020, PCR should be 20% by weight in all our product packaging. Our forthcoming plastic strategy will address this and what the most sustainable way forward should be.

As the first company in our industry, all our use of palm oil was covered by so called Roundtable on Sustainable Palm Oil (RSPO) Credits already in 2010. In 2018, we raise the bar even further and move towards more usage through Mass Balance. This means that we effectively engage the supply chain actors of palm oil to be part of the sustainable palm oil trade and hence taking steps in supporting the production and usage of sustainable oil palm products.

We know that to sustain life on this planet, we need to move towards a carbon free society. Since 2010, Oriflame has

reduced its absolute greenhouse gas emissions by 24%. Our goal in 2020 is to reduce emissions per sales by 50% compared with 2010. The results of 2017 shows a reduction of 18% since 2010. We will therefore focus on actions to reduce our climate impact further to reach the goal. In 2018 we want to increase the use of renewable energy and hence we commit to 100% renewable electricity in Oriflame operated buildings by 2020.

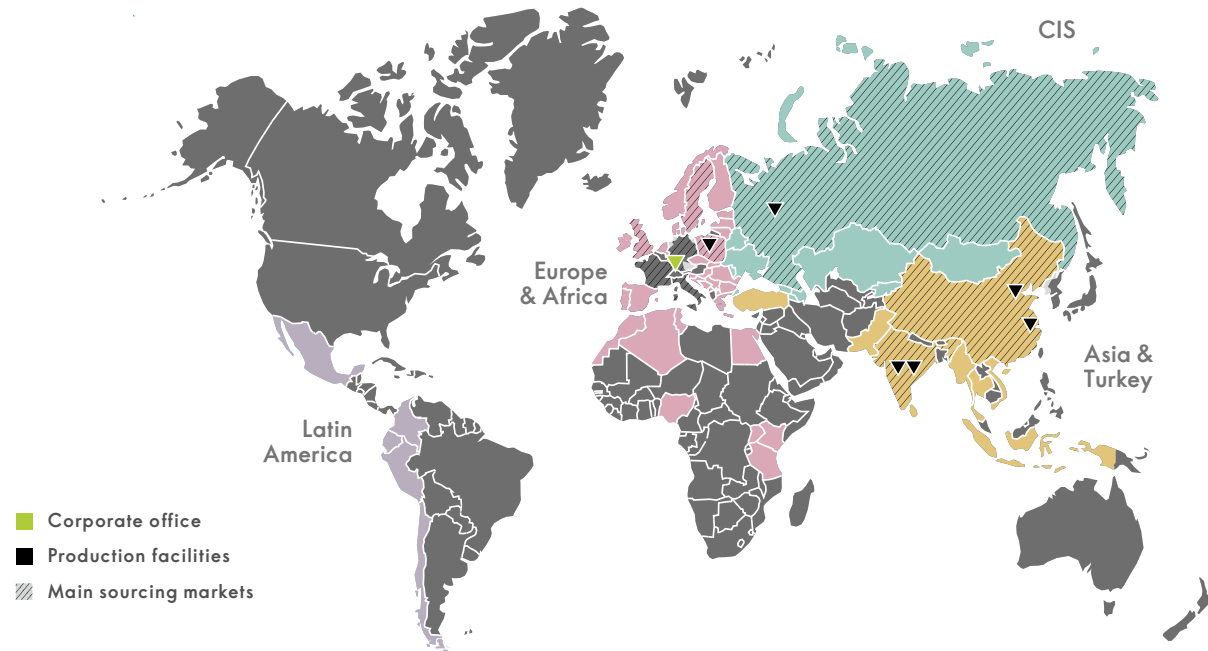
Oriflame, despite our products, is really a people's company. It's part of our culture and it's part of our value creation. I would say that Oriflame's business success is built on a simple formula: combine people's natural desire to improve their lives with the right opportunity, and it creates real, positive, change. Whether you are a consultant, or an employee.

Oriflame has a proven business model, perfect for the modern networking world. It is flexible, digital and powered by millions of trusted relationships and recommendations. With no risk, we offer "entrepreneurship in a box". By accelerating our business, we have a positive impact on people and communities around the world. The value of local entrepreneurship in our global society is well recognised, from the jobs it generates to the skills it nurtures. Not to mention the empowerment of our Consultants – the majority of whom are women. This is not to be underestimated when building our sustainable future.

50 years in, Oriflame is the choice of three million people. Looking ahead, we are committed to continuing to build on this simple formula – empowering people and enabling positive change around the world.

Magnus Brännström, CEO & President

Geographical footprint



Our sales markets

Sales in over 60 markets, including markets operated by franchisees. Six of these have been identified as strategic markets (Mexico, Russia, Turkey, India, China and Indonesia), where the company will focus its resources and investments in order to grow its global business going forward.

Production

Six production facilities in four countries (Poland, China, Russia and India).

Group Distribution Centres

Four Group Distribution Centres in four countries (Poland, Hungary, Ukraine and Russia).

Offices

- Corporate office in Schaffhausen (Switzerland).
- Group Support Offices in Dublin (Ireland), Luxembourg (Luxembourg), Stockholm (Sweden), Stuttgart (Germany) and Warsaw (Poland).
- Global IT Centre of Excellence in Olomouc (Czech Republic).
- GS Finance Centre of Excellence in Warsaw (Poland).

Supply Chain

Close to 500 million units are sourced annually from more than 50 global and regional finished goods suppliers and shipped to Oriflame's markets worldwide. Oriflame manufactures around 55% of its cosmetics product volumes in-house. Main sourcing markets include Poland, Russia, India, China, UK, France, Sweden, Italy and Germany.



Oriflame in brief

Founded in 1967, Oriflame is a beauty and wellness company selling direct in more than 60 countries. Our wide portfolio of Swedish, nature-inspired, innovative beauty products is marketed through approximately 3 million independent Oriflame Consultants, generating annual sales of around €1.4 billion.

This is Oriflame

The main components of the Oriflame brand are displayed as the foundation of the Oriflame house. The fundamentals – Mission, Values and the Swedish attributes – define Oriflame as a company. They summarise the most important and long-lasting qualities of the Oriflame community, describing what has made Oriflame great in the past and what will carry the company successfully into the future. Combined with the company fundamentals, the beauty and business offerings are what build the uniqueness of the Oriflame brand. This uniqueness is summarised in the Brand Positioning Statement; Beauty by Sweden. The roof of the Oriflame house symbolises the company's vision – the long-term strategic direction in which the company is moving towards and the ultimate goal.

Our values and Swedish heritage

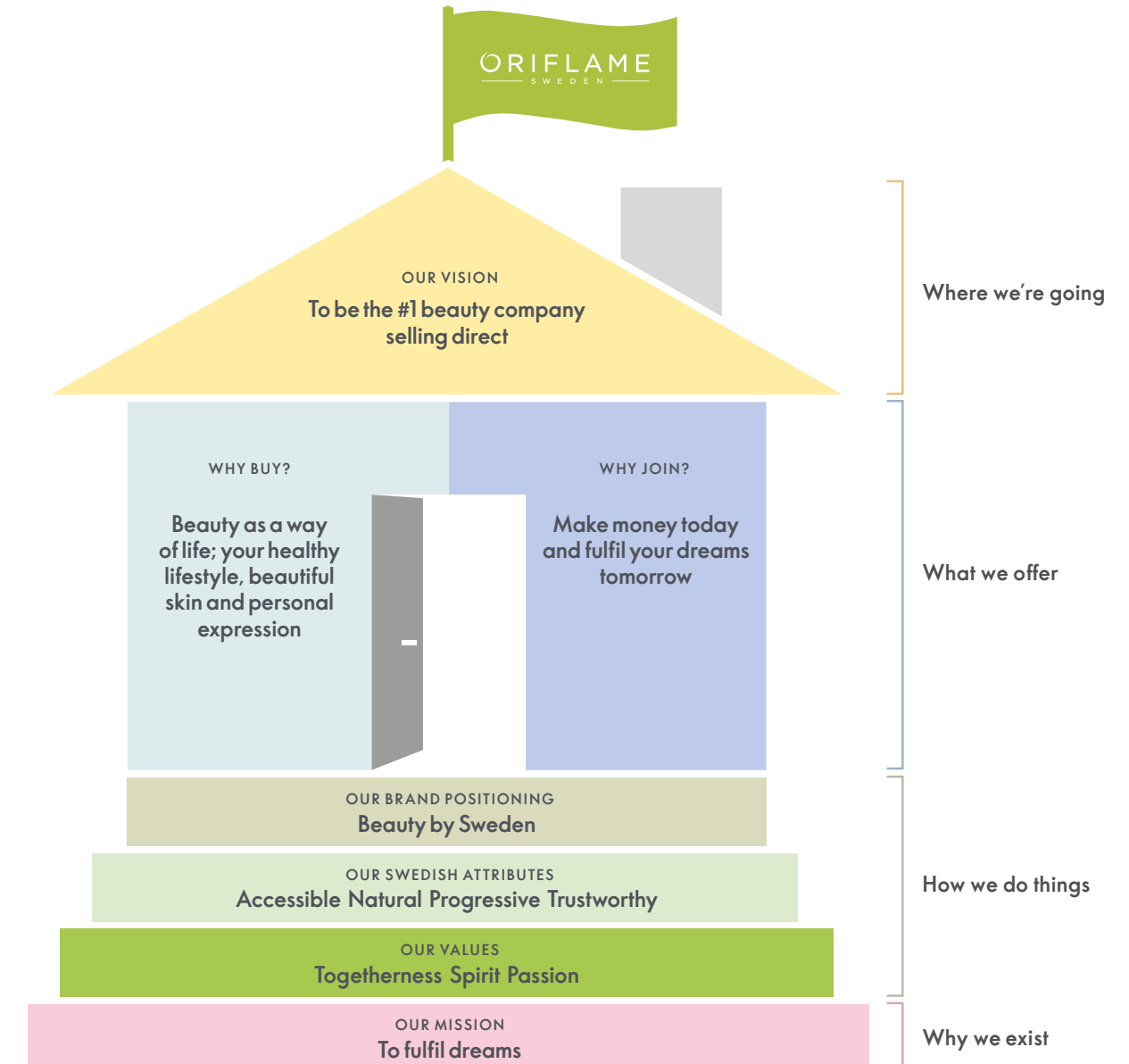
Oriflame is proud of its Swedish heritage, as it plays a vital role in what makes the company unique and has helped to define how the company operates. We have chosen to use the four Swedish Attributes of Accessible, Natural, Progressive and Trustworthy to characterise how we view our Swedish heritage. Together with our values of Togetherness, Spirit and Passion, these words encapsulate our general approach to business and help guide us as we develop our beauty and business offerings.

The beauty offering

Oriflame sees beauty as a way of life based on a healthy lifestyle, beautiful skin and personal expression. Oriflame offers a wide and dynamic assortment of high-quality products that harness the best of nature with advanced Swedish Science, and use safe Eco-Ethically screened ingredients. The portfolio spans six complementary categories: Skin Care, Colour Cosmetics, Fragrance, Personal & Hair Care, Accessories and Wellness.

The business opportunity

Since the very beginning, Oriflame has made entrepreneurship accessible. With an attractive joining fee and no need to invest in product inventory, Consultants have the opportunity to start using and selling the Oriflame products and making money from day one. Oriflame acknowledges the importance of offering an attractive earnings proposition that is trustworthy, simple and easy to understand. This is supported by an increased focus on selling more per customer contact by presenting daily routines offered in sets at good value, as well as an integrated suite of attractive and modern business tools that help the Consultants to manage and develop their business.





Beautiful Change

Our way to communicate sustainability efforts

In 2017 we created and launched the Beautiful Change concept. Beautiful Change is a concept that communicates Oriflame's sustainability initiatives and achievements in a simple, emotional and engaging way. It is the heart of Oriflame's sustainability communication and the main target group is our Consultants. We want to educate them in the sustainability subject and show that it should not be difficult to make a positive change in the world we live in. It can be as simple as remembering to turn off the tap when you wash your hair. If we all do it – we can truly make a difference. We want to spread a very simple message that can have a very big impact – everyone can Make a Beautiful Change. This is an opportunity for us because many of our Consultants and customers are in markets with low interest and understanding of sustainability issues. That is why one of our most ambitious commitments has been to reduce consumer impact by providing educational information to one million people.

Unveiling the beautiful change



Oriflame India launched the Beautiful Change concept through an inspirational story on the power of our actions reaching more than 6 million people.

Oriflame India brought onboard National Award-winning Bollywood actress Kalki Koechlin as its brand ambassador to launch the much-awaited concept of Beautiful Change. Oriflame created an emotionally gripping digital film featuring Kalki as an independent, strong-willed woman stirring up the important conversation of gender diversity and pushing the social message of empowering women through education. The film inspired and motivated the viewers in making a small yet positive change in someone's life. It raised awareness about how everyone has the power to make a Beautiful Change through small daily actions. It reinforced the message that Beautiful Change is also about celebrating and sharing stories of people, who believe in themselves and

in the fulfilment of their dreams, and how small actions can have a big impact. The video received a wide media coverage and it was featured in several media publications, both locally and internationally. It went viral and inspired more than 70,000 reactions, comments, and shares, reaching and inspiring more than 6 million people worldwide!

To further mark its ongoing commitment to sustainability and bring beauty and wellbeing to many, Oriflame India is committed to highlight different stories of beautiful change by its beauty and sustainability experts. One example of this was the launch of the Love Nature range in the country, done through a one-of-a-kind event and an experiential day to describe the importance of maintaining healthy water environments and the use of biodegradable products. The attendees were left captivated with information about Oriflame's initiatives toward reducing impact of water. After an invigorating session, Oriflame India was able to communicate this message to the larger audience, through various articles, stories and online posts.

50th Anniversary Cruise



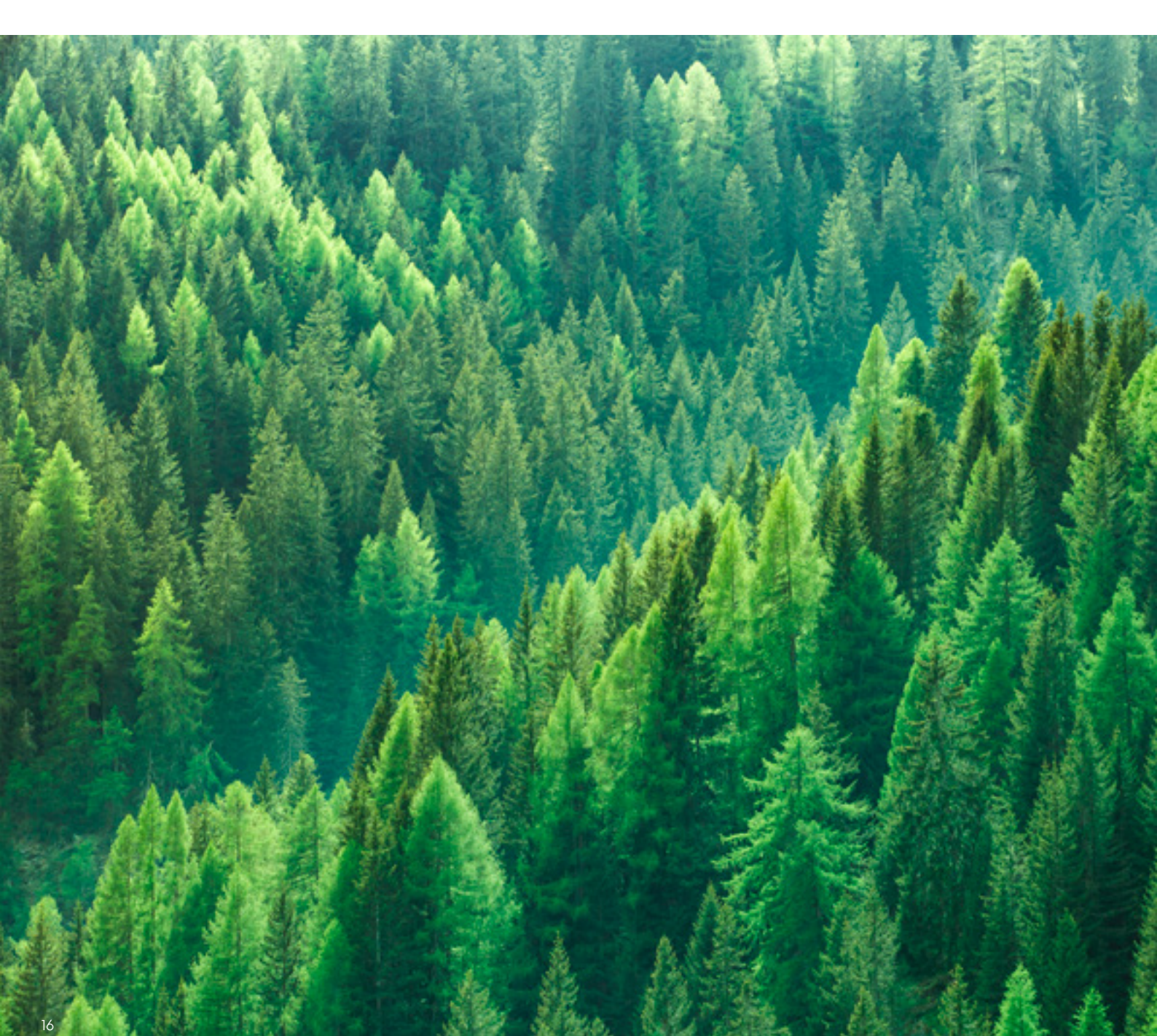
Oriflame's 50th Anniversary Cruise was the perfect opportunity to demonstrate that every small action counts.

During 2017, Oriflame celebrated the 50th anniversary by sailing in the Mediterranean with our top 6,000 Beauty Consultants. During the cruise Oriflame developed initiatives to positively impact the countries visited and to show the participants that it is not difficult to make a small positive change.

On the fourth day of the Global 50th Anniversary Cruise our ships docked in the picturesque town of Kusadasi in Turkey. Almost 6,000 people not only roamed the streets but also visited the nearby ancient city of Ephesus. In cooperation with the local authorities, Oriflame left a positive footprint in the village of Kirazli by planting an Oriflame Olive Grove

(1,000 olive trees). Once the trees have reached maturity, the Olive Grove will produce around 9 tonnes of olive oil annually to the local community and will give local farmers the opportunity to support their incomes.

To further show that small actions counts, Oriflame donated 1 Euro per conference participant to SOS Children's Villages in Greece. Since the global financial crisis of 2008, the rate of Greek children living in poverty has doubled to 40%. Oriflame's preferred global NGO partner, SOS Children's Villages, provides programs to support these children and their families. Given the drastic governmental cuts in public spending, such organisations have become crucial for providing much needed support.



Sustainability strategy

We have a vision to become a sustainable company. To achieve this vision we have a strategy that helps our business succeed while aiming to contribute to a more sustainable planet. We know we are on a long journey but we are already making good progress.

Sustainability is part of our heritage

Since the very beginning we have aimed to be “recognised for our commitment” to the environment and have understood our own “responsibility as a good corporate citizen” (Oriflame Values, 1969). Our long-term commitment to become a sustainable company is echoed across our business strategy – it is in our values and our Swedish attributes and our focus on using ingredients from nature.

Our business strategy is influenced in a number of ways:

- All our operations should be characterised by trust and respect. This is the foundation of our Values and Brand Attributes. It means that we are open and transparent, we keep our promises and act in a truthful and fair way, in our relationships and our interactions.
- We aim to pursue long term growth by acting “as a good corporate citizen by showing a strong sense of social responsibility and respect for nature”.
- One of the four key strategic brand attributes for our products is nature: “We were one of the first companies within the direct selling industry to develop products with ingredients sourced directly from nature. The inspiration from nature and natural ingredients continue to play an important part in our product portfolio”.

Managing sustainability based on impact

Since 2010 we have adopted an impact based approach to achieving sustainability. We started by identifying and understanding how we impact the world around us – within our own operations and along the length of our value chain. From this foundation we built a sustainability strategy that focused on our most significant impacts and where we have the biggest opportunities to achieve change.

An exciting journey

Our medium term ambition is to become known as a champion for sustainability. If we achieve this, we will be able to use our sustainability initiatives to build our brand and increase credibility among stakeholders. Our five year strategy is detailed in the Oriflame Sustainability Plan and consists of three key areas, 14 goals and 37 commitments.



Successful People – we are creating opportunities for people to improve their lives



Great Products – we are making products that bring beauty and wellbeing



Thriving Planet – we are driving environmental sustainability throughout our business

These areas all have a clear link to our material impact and to our business opportunity. In 2018 we will be working on updating our strategy. We recognise the relevance of the UN Sustainable Development Goals and our role on its implementation and, therefore, we are working on incorporating its principles within our strategy.

You can follow our progress regarding each key area, goal and commitment in this Sustainability Report.

Organising for improvement

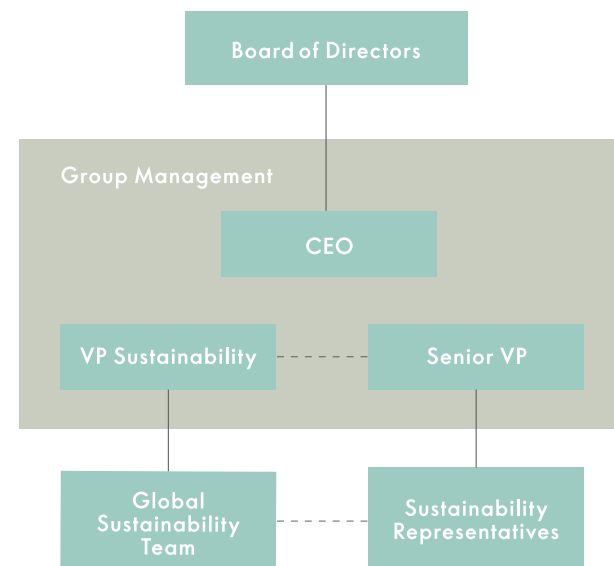
To make sure our sustainability strategy is successful, we need to give it the same kind of attention, respect and level of organisation as our other business strategies. That is why our Chief Executive Officer and the Board of Directors oversee the sustainability strategy.

A global sustainability team is responsible for developing global targets, supporting the organisation by identifying responsibilities, helping to set goals and targets and monitoring and reporting progress externally. The Vice President Sustainability is part of the Group Management.

However, because of the collaborative nature of our business and the entrepreneurial people we employ, we have structured the strategy so that the responsibility of fulfilling its commitments is spread right across our business.

We have taken several steps to make sure this responsibility is felt and acted upon:

- We are integrating sustainability goals into performance targets of key Senior Managers (and lower levels when appropriate).
- We provide ongoing training in specific areas of sustainability to those who require it.
- We communicate with employees about sustainability through our intranet and other channels. Materials including e-learning are available to all employees globally, and gives a basic introduction to sustainability and what it means to our business.



We are also working on more ways to engage both our employees and our 3 million Consultants around sustainability issues.

Valuing our culture

Oriflame's culture is based on entrepreneurship and respect for and belief in people's capabilities. It consists of three core values: togetherness, spirit and passion. These values derive from the passionate, team-playing people in our organisation, and are characterised by the pursuit of new solutions and improved results.

TOGETHERNESS

Togetherness is about inspiring a dynamic and energetic community. Believing that working with others achieves more than working alone. Having the ability to absorb and respect opinions and beliefs that are different from your own in order to move forward.

SPIRIT

Oriflame is a company built by true entrepreneurs. Spirit in Oriflame is winning and fighting attitude and the deep belief that everything is possible if one keeps trying. Driven by constant curiosity, unable to leave things unresolved. Spirit is not being afraid of making mistakes, but dare to try things never done before.

PASSION

Passion is the energy and self-confidence that turn possibilities into realities. More than logic or what is rational, this is the feeling inside that propels actions and guides decisions. Passion means being on fire for the things you do. Passion makes you believe that one should dream and that dreams are possible. Passion inspires, sustains and changes lives.

We understand that culture does not just happen, so we take care to nurture and enhance it whenever possible, also in seminars and training. Because it is important that our Consultants also understand and represent our culture, we present and discuss our values in our initial business opportunity presentation, at conferences and in all Oriflame Academy training. Our values are also included in our Code of Conduct, which is rolled out to all employees as well as in the Consultant Code of Conduct.

Stakeholder engagement and dialogue

Our business' success is created by people – from our employees, Consultants, customers and suppliers, to our shareholders, civil society and the general public. These are all our stakeholders, and they rightly expect global companies – like Oriflame – to pursue the highest levels of social and environmental responsibility.

We are determined to become a leader when it comes to meeting that expectation. To that end, we maintain a good level of dialogue with our stakeholder groups so we can better understand and incorporate their expectations. We engage our stakeholders through a range of methods, including Consultant meetings, consumer questionnaires, employee surveys and investor dialogues.

Beyond this, we consult non-governmental organisations (NGOs) to discuss sustainability challenges and receive feedback on our efforts. This is a vital part of how we stay accountable and continue to improve our performance.

During our materiality assessment, we collected input from all major stakeholder groups to help validate our identified material issues.

Memberships of associations or advocacy organisations

The organisations below are some of those that Oriflame is a member of, or works closely with.

- Cosmetics Europe
- World Federation of Direct Selling Associations
- Seldia, the European Direct Selling Association
- United Nations Global Compact
- The Roundtable on Sustainable Palm Oil (RSPO)
- The Responsible Mica Initiative (RMI)
- Swedish Network for Business and Human Rights

	How we engage on sustainability	Key issues raised
Consumers	<ul style="list-style-type: none"> • Consumer research, primarily product focused • Consumer surveys, sometimes including Oriflame Consultants in their role as consumers 	<ul style="list-style-type: none"> • Product ingredients & safety • Sustainable/environmentally responsible products • Customer engagement
Consultants	<ul style="list-style-type: none"> • Online surveys, collecting information on overall Consultant satisfaction regarding product range, price, quality, support, training, customer service etc. • New method to measure consultant satisfaction launched in 2014, the Net Promoter System 	<ul style="list-style-type: none"> • Consultant engagement • Job creation/recruitment & benefits • Community engagement
Employees	<ul style="list-style-type: none"> • Employee engagement survey covering Oriflame's main markets. Information collected about employee work situation regarding managers, performance management, recognition and rewards, development, empowerment etc. • For our most recent materiality assessment, short survey with 30 senior managers on priorities within sustainability • Continuous training and feedback 	<ul style="list-style-type: none"> • Performance management • Recognition and rewards • Personal development • Empowerment – leadership, corporate culture
Investors	<ul style="list-style-type: none"> • Meetings with investors – one-on-one meetings, quarterly road-shows, capital markets days and conference calls • For our most recent materiality assessment calls/meeting with selection of investors/analysts 	<ul style="list-style-type: none"> • Sustainable sourcing • Supply chain • R&D and ingredients • Customer relations
NGOs	<ul style="list-style-type: none"> • One-on-one meetings discussing both general strategy and more specific questions • Discussions at industry events • NGO Roundtable meeting hosted by CEO with approx. ten NGOs attending giving feedback on sustainability strategy, open forum for discussion and feedback 	<ul style="list-style-type: none"> • Supply chain • Transparency & communication • Product ingredients & safety • Female empowerment
Suppliers	<ul style="list-style-type: none"> • Regular meetings/site visits with Oriflame teams regarding purchasing, packaging etc. • Regular site audits • Supplier self-assessment survey 	<ul style="list-style-type: none"> • Sustainable product development • Supply chain
Society	<ul style="list-style-type: none"> • Participation in industry initiatives and standardisation bodies. E.g. <ul style="list-style-type: none"> • DSA (Direct Sales Association) • Cosmetics Europe • RSPO (Roundtable on Sustainable Palm Oil) • Swedish Network for Business and Human Rights • WDFSA (World Federation of Direct Selling Associations) – chair manned by our CEO • The Responsible Mica Initiative • Community involvement, including Oriflame Foundation initiatives 	<ul style="list-style-type: none"> • Responsible sourcing • Human rights • Ethics and fraud • Charity

Materiality

Understanding our impact

Our current sustainability strategy was adapted four years ago in order to expand and deepen our progress. During the development of this strategy we conducted an in-depth materiality assessment to gain a clearer view of the issues most material to our business. Materiality refers to the issues that reflect an organisation’s significant economic, environmental and social impacts, and substantively influence the decisions of stakeholders. In addition to conducting the in-depth analysis, we are continuously monitoring and evaluating relevant areas to make sure we are focusing on the right issues.

A closer look at our process

In the first step of our materiality assessment we used all our existing knowledge and research of our direct and indirect impacts to create a list of material aspects. The next step was an extensive review of media, industry associations and peers to identify what social, environmental and economic topics were raised by our stakeholders. We also made sure that the topics that we report to Global Compact were considered in the list of material issues. We then asked our most important stakeholder groups to help us prioritise what they believed were the most relevant aspects to them. This included speaking with Oriflame employees, customers, investors and social actors such as NGOs.

The result was a prioritised list of aspects, which we then combined with our sustainability strategy and other indicators from the Global Reporting Initiative (GRI). We used this to inform and reevaluate our original list of Oriflame’s biggest impacts and relevant issues.

This approach meant we could be certain the final list did not omit any issues – such as, for example, the wide range of environmental issues that are so important to our business strategy. And that we could prioritise the list accordingly. As a result of this work, we have been able to identify the GRI indicators that we report on. Moreover, it has helped us to fully understand our business impact, to improve our knowledge on what our stakeholders find important and care for, and to develop our priorities and processes.



Opportunity and risk management

Oriflame's strategy takes a value chain approach to managing risk and creating opportunity – see below for what this looks like in practice.

Raw Materials

Managing risk and impact:

We are working to reduce the impact of the raw materials we select for our products. Palm oil and paper have significant negative environmental impacts if not sourced from sustainably managed forests, therefore we work actively with improving our sourcing. We are gradually working to reduce the use of petroleum in formulations, and replace them with plant-based alternatives where possible. Oriflame no longer uses plastic microbeads in new product developments, since 2014 Oriflame is only using natural origin exfoliants such as castor wax, olive stone, almond shell and sugar. We are continuously reviewing and managing contentious raw materials.

Creating opportunity:

Looking at raw materials from a risk perspective and proactively hunting for better substitutes makes us more creative. A proactive approach to finding low-impact alternatives will help us earn and keep the trust of customers and other stakeholders. The work we are doing with plant stem cells is a great example of this, another area is the work to improve the biodegradability profile of our rinse-off products.

Suppliers

Managing risk and impact:

A significant share of our impact comes from our supply chain. We are working hard to ensure social and environmental standards are met by those who manufacture our ingredients, components and products. We also want to ensure compliance with our standards further up the supply chain – that is, the people who work with our direct suppliers. For example by making sure that the farmers who supply us with palm oil and forest based products work in acceptable conditions.

Creating opportunity:

When we take this kind of social and environmental approach it makes sense to build longer term relationships with our suppliers. As a consequence, the relationships strengthen and transaction costs are brought down because of an increased level of mutual trust.



Manufacturing

Managing risk and impact:

Although the impact of our own manufacturing sites is relatively low from a product life-cycle perspective, it is symbolically important. Approximately 55% of our cosmetic products are produced internally at different sites in Poland, Russia, India and China.

Creating opportunity:

When we manufacture our own products we have better control over the whole production environment, from the ingredients used to making certain production is efficient and limits waste, and ensuring compliance with internationally recognised standards in relation to labour conditions.



Transportation

Managing risk and impact:

Our Consultants and customers are located in over 60 markets, which means we ship products around the world. Transportation therefore has a significant impact on our carbon footprint. The vast majority of shipments are by sea or truck freight – we try to avoid air freight as much as possible.

Creating opportunity:

Managing the environmental impact of transportation has a direct positive impact on the costs of transportation. For example, due to ongoing changes to our packing and loading routines (so that more can fit in each container) we have saved more than €5.5 million since 2010.



Consumer use phase

Managing risk and impact:

We want to help our customers make less impact when they use our products. We are working to reduce the emissions to water from our rinse off products – like shower gel and soap and we still have areas to address such as hair colourants. In 2017 we launched our new Love Nature rinse off range with biodegradable formulations. This is particularly important in countries with underdeveloped water treatment plants. One way we can do this is through finding ways to improve our choice of raw materials.

Creating opportunity:

If we communicate our sustainability efforts and achievements properly, and get our Consultants and consumers to participate in our journey, we will improve our brand image and strengthen our relationship with them. This can lead to improvements in customer loyalty and satisfaction as well as decreased environmental footprint.



Waste

Managing risk and impact:

The packaging we use for our products constitutes a significant share of our waste. We want to reduce waste by using materials more efficiently, by reusing materials wherever possible and by contributing to increase recycling, both within our own operations and among our consumers. For example, we are using post consumer recycled (PCR) plastics where possible in our plastic tubes.

Creating opportunity:

As with transportation, the more waste-efficient we make our packaging, the greater cost savings we will see overall. Working to 'close the loop' drives innovation. For example, we have found ways to use materials for packaging – such as plastic – that has already been recycled.



Oriflame Consultants

Managing risk and impact:

Every year Oriflame invites its top Beauty Consultants to conferences at different locations around the world. These events are a core part of our business model because they provide thousands of leaders with an incentive to achieve new targets. We have started to implement our Sustainable Conference Guidelines, which will help us limit the environmental impact and improve the social impact of our conferences as much as possible.

Creating opportunity:

As well as their environmental impact, these conferences also have a social impact – a positive one. Together with our day-to-day work, they are one of the main channels for us to help Oriflame Consultants build their self-confidence, networks, abilities and knowledge. They also give us a good opportunity to educate and inspire the Consultants on sustainability issues. The new communication concept Beautiful Change is also a tool for us to impact in a positive way. The 3 million consultants, influenced and inspired by our communication, will hopefully make small acts of beauty, together creating massive positive environmental and social change.



Product design

Managing risk and impact:

We are working to incorporate sustainability into our product development right from the design phase. This affects decisions about the materials we choose, as well as ensuring products can be efficiently produced and transported, as well as guaranteeing products can be recycled at the end of life.

Creating opportunity:

Our products bring beauty and wellbeing into the lives of our customers. Our big ambition is to be able to include sustainability into that offer as well. Responsible products will help us attract new customers, strengthen our brand and push us to be more innovative and efficient.

Ethics and Code of Conduct

For us at Oriflame, we want all our business activities to be recognized by honesty and respect. We do not accept any form of corruption. Our [Code of Conduct](#) reinforces our position on zero-tolerance towards corruption, and spells out the way we do business. The code formally displays our mission and vision, core values, operating principles, and business practices. The way we deal with the world around us, helps us define who we are as a company.

Communication and training on Code of Conduct

Oriflame's Code of Conduct applies to all Oriflame employees, and compliance is mandatory for everyone. When commencing their employment, employees are required to confirm that they have read, understood and that they will abide by the terms of the Code of Conduct. Our principles and guidelines can be found on our intranet. In the last two years, more than 2,000 employees were trained in in-class sessions on International sanctions compliance, anti-corruption and reporting mechanism for misconducts.

In 2016 we launched an online training course related to our policies, mandatory for our management team (top 200 managers). To date, it has been completed by more than 1,000 employees. Senior management are together with the compliance team raising awareness throughout the company. Specific group-approved training materials were developed and all sessions and participants are logged. An e-Learning course regarding the Code of Conduct is also part of this training system. During this course employees are trained on the Code of Conduct and make a formal commitment to live by Oriflame's principles and values, including our anti-corruption policies. Since its launch in 2014, more than 3,000 employees have completed this

course. In late 2017, we have launched additional online training courses on data security, confidentiality and privacy. By the end of 2017, more than 500 employees have already completed these new trainings.

Follow-up of the Code of Conduct

Conduct or actions that are, or may be perceived as, infringements of National Laws or the Oriflame Code of Conduct are to be reported. Employees are encouraged to report any such conduct or action to their superiors, or, if the superior is involved in the situation or will not act upon it, to the next level in the organisation. Employees may also choose to report their concern by sending an e-mail to an address that created for that purpose. The e-mail address is owned by the General Counsel. The report will be handled with the utmost confidentiality. Reporting anonymously by using a non-identifiable email address is also possible.

Oriflame has a range of disciplinary measures available to match the severity of the breach of the Code of Conduct. Oriflame has established a Governance Committee composed of members of the management. This committee reviews all reports in connection with the Oriflame Code of Conduct and conducts investigation where necessary. Since its inception, the Governance Committee reviews around 10 cases per year in average. In 2017, the committee has processed less than 15 cases.

Supplier and Consultant Code of Conduct

Through audits and close co-operation with suppliers, Oriflame works to ensure compliance with internationally recognised labour standards, principles and ethics.

Oriflame's Supplier Code of Conduct applies to global suppliers and this document outlines requirements regarding working conditions, health and safety, discrimination and environmental impact, including a consideration on corruption.

We have also created a separate Code of Conduct for our Oriflame Consultants. This is to ensure that everyone involved with Oriflame acts and does business the way we want to.

Risk management framework

Ethical and corruption risks are continuously being identified, assessed and addressed within Oriflame's general risk assessment process.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Oriflame's risk management policies are established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities. The Vice President Group Risk and Compliance works to ensure that necessary attention is given to risk and compliance matters within the organisation.

Since 2015, the Board of Directors holds a specific annual workshop to review and analyse the strategic risks of Oriflame. These risks are defined after a complete annual review of the company's value chain by the risk and compliance department. The Board then decides or validates mitigation strategies that are implemented by the group management.

The Audit Committee implements preventive mechanisms that protect the group from entering into high risk relationships, and as a result during 2017 no intervention actions were required from them.





Successful people

We are committed to creating opportunities for people to improve their lives.

Social responsibility is important for Oriflame because of the impact and potential influence we have on people around the world. Through our employees, the Oriflame Consultants, our suppliers, the communities where we operate and our customers, our business touches millions of lives every day.

Oriflame's business model creates value by offering people around the world the chance to improve their lives: enabling entrepreneurial opportunities for Oriflame Consultants, attractive career opportunities for employees and a unique shopping experience for customers.

Our commitment to social sustainability is an on-going one, but below are a few highlights of what we have achieved so far.

Highlights

- Through bonuses and other forms of recognition we distributed almost €390 million to Consultants in 2017 – the majority of whom are women in developing markets.
- We have a good gender-balance in our overall workforce with slightly more women (60%) than men (40%) and more than 75 nationalities presented. In 2017, women represented 43% of our top 120 managers.
- In 2017, Oriflame Foundation raised more than €1 million to children and young women.
- Through sales of the fragrance Tenderly Promise, Oriflame continued to support World Childhood Foundation. During 2017 we achieved the aim to raise €1 million over a three year period – money which has gone to help children in need.
- The Net Promoter System program for Consultants was successfully introduced in all Oriflame markets by the end of 2017, accordingly our ambition.
- Our approach to Health and Safety was reshaped and a dedicated function was created at Group level to reflect the Group's commitment of protecting the Health and Safety of Oriflame employees and Oriflame Consultants.
- We started developing the concept of Employee Net Promoter System with the aim of getting continuously feedback from the employees and address improvement areas. The tool will be launched beginning of 2018 in two of our regions.

“As a makeup artist, Oriflame impressed me so much that I wanted to share the products with more people. I love this entrepreneurial experience!”

Zhang Lu

Independent Oriflame Manager, China

“Oriflame has been a life changing experience for me. My journey from a housewife to a business woman has been phenomenal. My dream of living an independent life has come true with the fantastic Oriflame opportunity.”

Suparna Sinha

Independent Oriflame leader (Gold Director), India

Consultant satisfaction

Oriflame Consultants benefit from access to flexible income. In addition to the immediate profit of around 20% that Consultants make when they sell a product, in 2017 we distributed almost €390 million in bonuses and other forms of recognition. It is very important that we understand how all our Consultants are getting on – wherever they are in the world and however much they are earning. Measuring their satisfaction provides insights to how the brand is meeting their expectations and is essential for our long-term success.

In 2014, we introduced a new method of measuring Consultant satisfaction on an ongoing basis, the Net Promoter System (NPS), that allows us to see how likely our Consultants are to recommend Oriflame to a close friend or relative.

The NPS program was successfully introduced in all Oriflame markets by the end of 2017, accordingly our ambition. One of the last parts of our implementation covered the emerging markets in Asia and Africa. Oriflame wants to understand the Consultant's needs and help them grow by providing experience matching their expectations. We also get feedback about what the Consultants expect from us and indications on where we can improve. By analysing the results, we have been able to identify the main areas in each market, in which we should focus our improvement efforts. During 2017, we focused on improving the online experience, in particular, we put a special emphasis on the site navigation and improving the design and look of our application.

Feedback from the Beauty Consultants globally has been received and we are very proud that the majority of our Consultants highly recommend Oriflame, and are very satisfied with the quality of Oriflame products.





Employees

The #1 Company for people who act on their dreams

We want the dreams and desires of our 6,230 employees globally to be at the heart of their careers and professional growth. We believe that when Oriflame plays a key on that journey, our employees are passionate in their work. The value they bring to the company becomes personal and performing at one's best comes naturally. It demands a lot of Oriflame as an employer, but equally so on our employees. We expect that everyone should make active choices in their working life, drive the ideas they believe in, wanting to contribute to our joint mission. In short, we want people who are not afraid to speak up and act on their dreams.

In 2017, Oriflame globally made a shift from defining itself in traditional HR terms and thinking, and started putting the experience of our employees at the center of our operations. The vision for the employee experience in Oriflame moving forward is to be "The #1 Company for people who act on their dreams."

Find the best

We have a special culture in Oriflame, based on the values of Togetherness, Spirit and Passion. Our culture remains at the pillar of our talent attraction and talent development work. Oriflame offers a range of attractive international internships, which provide young individuals an opportunity to start their careers with us. In addition, a number of opportunities are offered to young professionals through our Global Future Manager program, Oriflame's trainee program for future leaders. The ultimate goal of the program is to find the future Managing Directors for the countries where we operate. The trainees get a unique chance to reach a senior management position and experience Oriflame in many of our fast-growing markets.

In 2017, Oriflame saw an increased recruitment internally to the program, a development we truly want to continue.

Support our people's desire to grow

Oriflame must strengthen our people's own desire to grow and provide equal opportunities and paths to harvest it. In 2017 we continued to develop our Integrated Performance Management (IPM) program to ensure clearly established goals, individual development and to improve our organisational performance. It also gives the employee an opportunity to give feedback to both the manager, the department and the company. We believe transparency and ongoing feedback is essential, and the IPM process is a tool to help us achieve this. In 2017 the IPM template was simplified and its defined capabilities were reviewed and aligned to the Oriflame culture and values. This year all the employees got the annual monetary appraisal based on their 2017 individual and team performance, as well as shown capabilities, supported and followed up within the IPM process. We will continue to work with the IPM improvements in 2018.

We have also evaluated and are ready to invest in new learning platforms, specifically through LinkedIn Learning, that captures the modern way of individual learning path and knowledge on demand. LinkedIn now offers one of the web's biggest platforms for promoted e-courses on whatever you need, whenever you want it, through any smart device or computer. With a platform like this in place to support the development of the skills that are less unique to Oriflame, we can focus on those skills that actually are. Oriflame's aim is to offer our employees a mix of classroom-based trainings in combination with other on-the-job learning opportunities. In 2017 we focused globally on development of Oriflame's learning framework; a strategic plan for the next couple of years in the area of employees' learning and development. Furthermore, a huge number of initiatives were implemented on the regional and market levels through the external trainings and internal sharing sessions, individual coaching and Oriflame's customised educational programs.

Strengthen our Employee Community

In our Employee Experience work we put a big focus on how we communicate internally and involve employees into our culture, making us a true global community. As 2017 marked the 50th anniversary of our company, all our employees around the world got together. Through a webcasted corporate party, we celebrated for record long 25 hours across all our offices around the globe. This is a great example of the kind of Togetherness, Spirit and Passion we want to promote in everything we do.

Measuring the experience of our people

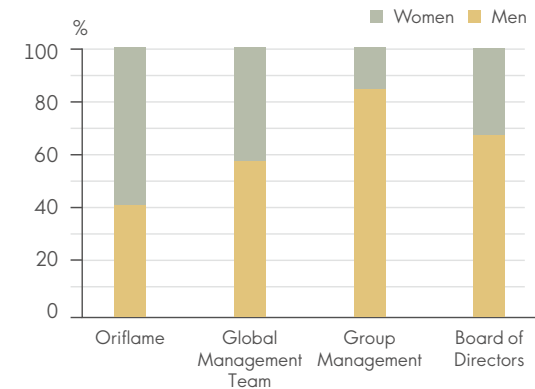
In 2017 the concept of Employee NPS was developed. The concept is an internal tool for measuring our work with employee experience. The survey enables permanent feedback from employees about their experiences and impressions from working in the company, their readiness to recommend Oriflame as an attractive place to work and suggestions for possible improvements. The Employee NPS is designed quarterly and will be launched in Q1 2018 as a pilot project in two of our regions. Although missing out on the kind of industry benchmark made available through a more traditional engagement survey, we believe there is a great need for a faster approach to the way we deliver and improve the experience of our employees.

Delivering on diversity

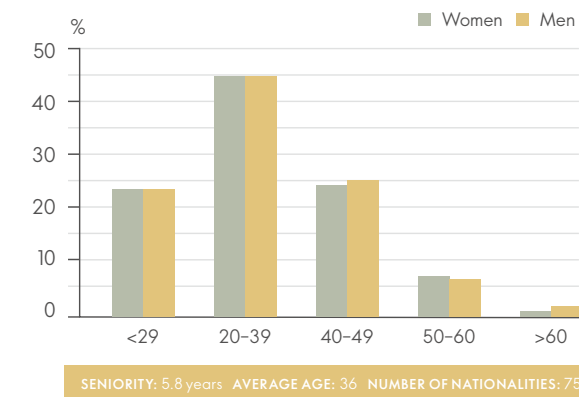
We have seen over and over again that a mix of gender, nationality and cultures leads to the creation of better perspectives, ideas and products. Oriflame is present in more than 60 markets around the world and in recruiting, we aspire to reflect the global audience we serve. Overall, more than 75 nationalities are represented in our global workforce and as an example on the kind of global diversity we offer, more than 40 nationalities were represented at our Global Support Office in Stockholm.

In the workforce as a whole we have a good gender balance. In 2017, women represented 43% of the global management team, the Company's top 120 managers. The Group Management consisted of 1 woman and 6 men in 2017. We continue to work with gender balance at all levels of the organisation. We are taking steps to increase representation of women in management positions through our [Diversity and Equal Opportunities policy](#). In 2017 we have initiated a quarterly Diversity scoreboard to closely follow our progress.

Gender diversity in total workforce



Gender characteristics in total workforce



Protecting health and safety

We have the duty to protect our employees by identifying, assessing and mitigating health and safety related risks, as well as improving the quality of the workplace and working conditions. We work to put in place appropriate measures to ensure that our colleagues return home in good health, safely and satisfied.

Our approach to Health and Safety was reshaped and a dedicated function was created at Group level. It aims at establishing a harmonised framework of processes, growing a global health and safety awareness and culture and at supporting operations in assessing and controlling health and safety risks. During 2017, there were no fatalities at any of our sites.

At manufacturing sites globally, there were 4.5 occupational injuries per million hours worked leading to 3.12 days lost per million hours worked. The general absenteeism rate (covering all types of unplanned absences and per 8-hours work-days) was 6.2%. For the rest of our sites, there were 3.4 occupational injuries per million working hours leading to 0.5 days lost per million hours worked. The general absenteeism rate was 1.9%*.

We report and record every accident at all our sites. Accidents are investigated and followed-up with the aim to identify root causes, and consequently corrective actions are implemented to prevent future incidents. On a global level, we gather and monitor incident and accident data from our sites, and analyse results to help us implement any necessary improvements or preventive measures. At our major sites we have established health and safety committees representing the total workforce. Meetings usually take place at least four times a year, depending on the location, and involve representatives from the workers and health and safety authorities.

*Data covering 97% of Oriflame entities globally.





Human rights

Oriflame takes a strong stance on social and ethical issues and we are proactively embedding this position across our value chain.

Oriflame operates in several high-risk areas in terms of breaches of human rights. In order to understand the risk as fully as possible, we have developed a Corporate Human Rights Due Diligence process. Sustainability and human right risks are incorporated into our corporate business risk assessment process.

During 2015 we conducted an in-depth study assessing the major human rights impacts throughout our business. The assessment included an overall analysis of our value chain and the major impacts our operations have on people. In order to identify our most salient impacts, we conducted interviews with some of our key internal stakeholders, including business unit heads and representatives from all our regions. The evaluation was completed with desktop research on the major human rights issues in our markets and business sectors. As a result, we have identified our most salient risks and we are now working to ensure these are adequately addressed. For some areas we are developing action plans to mitigate risk and potential human rights impact, while seeking the opportunity to increase our positive contribution to society.

We are integrating human rights issues into existing risk assessments when entering new markets and have committed to conducting country specific assessments for high-risk markets. This is important because it also allows us to concentrate our efforts on those areas where we have the highest level of influence.

Some of our products are sourced from markets that are classified as high risk in terms of e.g. child labour and forced labour, mainly in Asia. As part of our supplier evaluation process, we put additional resources into verifying compliance by conducting sustainability audits in these markets, in addition to using the Supplier Self-Assessment Tool. We have dedicated staff for this purpose in both India and China. See the section on suppliers for more detailed information.

As a business, we adhere to the Universal Declaration of Human Rights and the United Nations Global Compact. We have integrated the ten principles of the Global Compact into the Oriflame Code of Conduct, the Supplier Code of Conduct and other policies. These principles speak directly of human rights, labour standards, the environment and anti-corruption, and help guide us in making good decisions across our business. Trainings regarding the Code of Conduct and Oriflame policies are an integral part of the Oriflame training system, the Oriflame Academy.

We recently developed a specific Human rights commitment for Oriflame, based on the UN Guiding Principles on Business and Human rights. To make sure these principles now become an everyday part of how we do business, we have also made a commitment to educate our employees on our business responsibility to respect human rights. During 2017 selected workshops and training for teams were conducted and will continue throughout 2018.

Oriflame also participates in the Swedish Network for Business and Human Rights, a business network that focuses on exchanging best practices. This allows us to build our knowledge and competence, as well as stay up to date on developments in this area.

Oriflame Foundation

Oriflame Foundation aims to empower children and young women by providing opportunities for them to change their lives for the better.

Our role as an aspiring socially sustainable company allows us to create a lot of positive change across our value chain. But we want to reach further than our own area of influence. That is why we have the Oriflame Foundation – it is our way to create long-term value for the people we do not connect with through our business, specifically children and young women.

Highlights from the Foundation's charitable work:

- The amount of money raised in accordance with the strategy and concept developed by the Oriflame Foundation reached more than €1 million in 2017. Since 2009 the total amount raised is more than €9 million.
- In 2017, 49 of our markets and three of our factories were involved in charitable activities.
- Through our Volunteer Guide we are working to increase the number of Oriflame volunteers and currently 14 markets have volunteering programs in place, which is an increase compared to last year.
- During 2017 the World Childhood Foundation and SOS Children's Villages have been our preferred global NGO partners.

Why we introduced the Oriflame Foundation

Oriflame has always supported charitable causes, but we decided we would make a bigger impact if we combined all our efforts under one umbrella – the Oriflame Foundation, established as an independent Foundation.

The Foundation allows us to make long-term charity commitments and partnerships, and measure the quantity, quality and overall impact of our investment. It also means we can reinforce our brand image and reputation as a socially responsible company, and attract more talented and value-driven employees and Consultants.

How the Foundation works

From the beginning, Oriflame has strived to support NGOs and charity organisations around the world. These include the World Childhood Foundation, founded by H.M. Queen Silvia of Sweden and co-founded by Oriflame and the Af Jochnick Foundation. The Oriflame Foundation also provides grants to projects that have been selected or initiated by local market teams, and/or makes donations to projects that Consultants are fundraising for.

But there are many other ways people across our business can contribute to the work of the Foundation. For example, employees are actively encouraged to become involved with their local projects and in fundraising activities, or they can support local charities by volunteering their time. We also develop accessories and products that we sell specifically to raise funds. Markets are also encouraged to raise additional funds through fun, creative and innovative activities, for example through galas, sponsored walks and raffles.

Better hygiene, better health in Indonesia



In 2017, Oriflame Indonesia identified two specific educational areas where they could positively impact children's wellbeing, through the simple education of handwashing and oral health.

The first area, handwashing, was earmarked as approximately 1.4 million Indonesian children die annually from largely preventable illnesses such as pneumonia and diarrhea. Through basic handwashing, with soap before meals and after bathroom visits can potentially reduce diarrheal infections by 40%, as well as other preventable illnesses.

The second area of oral health also has a lifelong impact on the lives of children, as children with visually poor oral

health and impaired smiles are more likely to perform poorly at school, be socially excluded and have lower job prospects than their peers with visually good oral health.

That is why, in 2017 Oriflame Indonesia developed a fun and playful, interactive educational children's program addressing both handwashing and oral health called "Better Hygiene, Better Health". Oriflame employees, as well as a few top 15 Leaders, facilitated the first pilot event with over 100 children participating through Indonesia Heritage Foundation (IHF) school. This event was the first in a series of events that will continue into 2018, at other Indonesia Heritage Foundation (IHF) schools and branches.

Cooperation with World Childhood Foundation



During 2015 Oriflame developed and launched a new fragrance, Tenderly Promise, in cooperation with the World Childhood Foundation, represented by H.R.H Princess Madeleine of Sweden. Between 2015–2017, Oriflame made a donation for each bottle sold, with a goal of raising €1 million during the three year period. In 2017, we received our goal of raising €1 million – money which has gone to help children who have been neglected, abused, exploited and unsupported because all children deserve to have happier, healthier childhoods full of dreams and the promise of a brighter future.

"I respect the work that Oriflame does to support and empower children. As one of the co-founders of World Childhood Foundation, they have worked in close collaboration with us over the last 15 years, raising more than €2 million. This new initiative shows the company's clear dedication to help children fulfil their dreams by having a better childhood. All children should have the opportunity to dream, and the opportunity to pursue those dreams,"

H.R.H Princess Madeleine of Sweden,
Honorary Board Member of World Childhood Foundation.

Supporting Fairtrade communities in India

Oriflame sources Fairtrade Organic coconut oil from a community of farmers in Kerala, India, for use in the world's first global Fairtrade certified cosmetic products – the Ecobeauty face and eye cream. By working with Fairtrade, the farmers are ensured a fair price for the ingredients. In addition, a percentage of the sales of the products are invested into a fund which further supports the community in specific social, economic and environmental projects. Projects include:

- The organising of South India's largest seed exchange event: The annual Seed Festival brings together each year tens of thousands of farmers who between them exchange nearly 6,000 indigenous varieties of seeds that enhance bio diversity and food security.
- The creation of community seed banks where neighbourhood women's collectives serve as custodians of the myriad seed diversity in select crops through in situ conservation.
- Training on climate risk mitigation and natural resource management, including the development and protection of community water resources.
- Promoting food security and crop protection through bio-fencing around farm lands and solar/battery powered fencing.

Fair Trade Alliance Kerala is an organisation of small holder farmers in South India. The organisation evolved as a response to the agrarian crisis that resulted in indebtedness and a situation where farmers were many times not even

covered for the cost of production. By introducing the Fairtrade principles, small scale farmers are guaranteed a fair price for their produce, while sustainable farming also means that the land and workers are better protected.



Create opportunities to improve people's lives

① Provide Oriflame's unique Business Opportunity to our Consultants

COMMITMENT 1

Continue to grow the business in order to increase the number of individuals receiving payout from the Success plan as well as the total amount paid out to Consultants annually.

Deadline: Year on year **Progress:** On track

During 2017 we distributed almost €390 million directly to our Consultants through bonuses and other forms of recognition, an increase from €350 million in 2016.

COMMITMENT 2

Help raise self-esteem by doubling the number of Consultants trained via Oriflame Academy.

Deadline: 2020 **Progress:** On track

In 2017 a total of approximately 109,000 leaders and potential leaders participated in leadership trainings run by Oriflame. In addition approximately 225,000 Consultants participated in Oriflame Business and Beauty academy trainings, learning business skills as well as more about our products. The roll-out of the open e-learning platform continued with the development of new video sessions and micro e-learning courses. A total of 41 markets have now implemented the e-learning platform, up from 37 during 2016, and more than 50,000 courses taken by Consultants during the year.

② Use the power of our networks to facilitate social & environmental progress

COMMITMENT 3

Reduce consumer environmental impact by providing educational information to 1M people yearly.

Deadline: Year on year **Progress:** Achieved

The sustainability communication concept Beautiful Change was launched to our top leaders during the Global Gold conference in Athens. The first launches of Beautiful Change to Consultants and consumers followed shortly after. In India the launch was done in collaboration with the actress Kalki Koechlin, and a video on the importance of young girls receiving education reached more than 2 million views in the first two months.

③ Provide safe and rewarding places to work

COMMITMENT 4

Create great places to work by improving employee engagement survey ratings year on year.

Deadline: Year on year **Progress:** On track

We started developing the concept of Employee Net Promoter System with the aim of getting continuously feedback from the employees and address improvement areas. The tool will be launched beginning of 2018 in two of our regions.

COMMITMENT 5

Ensure equal opportunities for all women and men, by ensuring that the minority gender represents no less than 40% in management teams.

Deadline: 2020 **Progress:** On track

In 2017, women represented 43% of the global management team, constituting the Company's top 120 managers. In Group Management, currently one woman is a member.

④ Respect human rights for those touched by our operations

COMMITMENT 6

Educate our employees on our business responsibility to respect human rights. Train the global management team (top 200 managers) by 2018.

Deadline: 2018 **Progress:** On track

Selected workshops and trainings for smaller teams took place and will continue throughout 2018.

COMMITMENT 7

Respect Human rights by continuing implementation of UN Guiding Principles on Business and Human Rights through our due diligence process and integrating human rights into Oriflame's policies, procedures and culture.

Deadline: Year on year **Progress:** On track

Actions to address Oriflame's most salient human right impacts continued with the gradual roll-out of the human rights commitment across relevant parts of the organisation. Key focus areas included our supply chain impacts, and health and safety.

COMMITMENT 8

Conduct a Human rights risk assessments for all new markets as part of our due diligence process.

Deadline: Year on year **Progress:** Achieved

No new markets were entered in 2017.

COMMITMENT 9

Continue implementation of the Oriflame Global Supplier Evaluation Program.

Deadline: Year on year **Progress:** Achieved

The roll-out of the five step Supplier Evaluation program continued. Our Supplier Self-Assessment Tool has been further rolled out to global suppliers, suppliers representing 97% of our Finished Goods suppliers, currently use the tool. For our high-risk suppliers, mainly located in India and China, we conducted sustainability audits during the year covering 20% of our suppliers located in those countries, covering both direct and second tier suppliers. The categories audited include cosmetics, wellness, packaging and accessories suppliers.

⑤ Support Oriflame Foundation to allow children & young women to change their lives for the better

COMMITMENT 10

Help educate children by doubling the amount of money donated to Oriflame Foundation by 2020.

Deadline: 2020 **Progress:** On track

During 2017, the total amount of money raised by Oriflame Foundation was more than €1 million. Since 2009 the total sum raised amounts to more than €9 million.

COMMITMENT 11

Support Oriflame foundation by engaging 100% of our established markets in Oriflame Foundation fundraising activities.

Deadline: Year on year **Progress:** On track

In 2017, 49 markets (92% of all sales companies) were involved in charitable activities, by raising money for the Oriflame Foundation or by developing other activities with the employees, local communities and NGOs.



Great
products



Our vision is to bring beauty and wellbeing to millions through our products.

At Oriflame, we are committed to creating responsibly made products that bring more wellbeing into the lives of our customers. Finding inspiration in nature and respecting the environment are key to our philosophy. We are constantly striving to make our products, processes and packaging more ethical, sustainable and safe throughout their life cycle. Below are a few highlights of our achievements so far.

Highlights

- In 2017 we launched our new Love Nature rinse off range with biodegradable formulations, in an effort to further strengthen our approach to water stewardship. Additionally, the formulations contain natural extracts and natural origin scrub particles.
- Our environmental scientists review every single cosmetic ingredient's sustainability profile, across all categories, assessing how natural, ethical and environmentally responsible it is.

- We apply a thorough safety evaluation process and have certificates of safety for 100% of our 1,000+ cosmetic products.
- We have significantly reduced the use of petroleum as an ingredient in our product formulations since 2009, replacing it with plant-derived alternatives.
- Since 2014 we are only using natural origin exfoliants in new product developments. In 2017 we continued to use natural origin scrubs – such as almond shell, fruit seeds and silica – in all of our exfoliating products. We stopped manufacturing older products with plastic microbeads at the end of 2016. Additionally we stopped using use plastic glitter (also solid plastic) in our rinse off products.
- During 2017 Oriflame became a member of the Responsible Mica Initiative, a cross-sector association which aims to eradicate child labour and unacceptable working conditions in the Indian mica supply chain by joining forces across industries and civil society organisations. In addition, we also carried out physical partial audits of the mica mines and processing units of one of our key suppliers.

Sustainable product development

We want products that keep us healthy and beautiful to also help keep our natural world at its best.

Ecobeautey proves this idea is possible. It is the most natural, ethical and environmentally responsible range we have ever developed. Ecobeautey was relaunched in 2016. The skin care range of products are approved by leading independent organisations, Ecocert® as natural or organic certified, and FSC™ to guarantee that the fibers used in the cartons comes from well managed forests. In addition, the face and the eye cream contain Fairtrade ingredients and are certified by Fairtrade®.

As well as showcasing sustainability, Ecobeautey is our innovation laboratory – we use it to develop new ideas and share them across our product lines. This culture of innovation and sharing delivers real value for our business and our customers. Beyond this tangible positive impact, Ecobeautey also symbolises Oriflame’s deep and long-held connection with nature and our firm commitment to embed sustainability across our product development.

Partnering with nature

Nature and ingredients from nature play an important part in our product philosophy. This explains why we do not use materials derived from protected or endangered flora and fauna, and why we were one of the first companies in the world to use ingredients sourced directly from nature. For example, instead of using petroleum-based synthetic alcohols in our Eau de Toilettes and aerosols, we use natural origin alcohols that most often come from fermented grains – a great example of promoting the use of natural ingredients, reducing carbon impact and boosting sustainable farming economies. Moreover, we track the palm

oil content of all our products and were the first company in the world to offer a foaming cleansing product that contained RSPO-certified segregated sustainable palm oil.

In a similar way, we wanted to stop using plastic microbeads in our exfoliating products. We started testing alternatives at the start of 2013 and identified a number of alternatives of natural origin, including plant waxes, nutshells and seeds. These all meet our high performance and safety expectations. Over the last two years all of our new exfoliating products launched contain natural origin scrubs, including almond shell, olive stone, silica, castor wax, sugar and fruit seeds.

To further strengthen our approach to reducing our impact on water we launched our new Love Nature rinse off range in 2017 with biodegradable formulations. The formulations also contain natural extracts and natural origin scrub particles. To add credibility to our developments we carried out independent testing to ensure that all products passed the OECD testing protocol for biodegradability.

We also look to nature for inspiration during our concept stage, and are developing new formulations with ethically and environmentally responsibly sourced ingredients in mind. For example, our search for sustainable anti-ageing active ingredients led us to plant stem cells, which bring many benefits to our products. We are consistently increasing our portfolio of activities from plant stem cells technology with 17 products launched in 2016 and an additional 5 products launched in 2017.

Furthermore, in 2015 we launched our first biopolymer packaging as a trial – a plant-based alternative to petroleum-based plastic with a lower climate impact. This kind of initiative helps reduce the total environmental impact from the packaging. We continuously look for improvements like this everywhere – from eliminating unnecessary components to reviewing the materials we use.

Understanding our ingredients

In addition to our safety assessments, we put all new cosmetic and wellness raw materials and ingredients through a rigorous sustainability review process and assess it on the following three criteria:

- **Naturalness:** this addresses origin and determines whether the material has come directly from nature or has been processed in some way – such as physical pressing like avocado oil, or a biotechnical process like fermentation.
- **Environmental impact:** this involves checking whether a material has come from an endangered plant or ecosystem, and evaluating its biodegradability and potential aquatic toxicity.
- **Ethicalness:** we look at whether the ingredient is animal-based, contains genetically modified organisms or has any connections with child labour or conflict concerns.

We are also constantly monitoring scientific reports on environmental issues to stay up-to-date and informed. By building this holistic understanding of our ingredients we can make accurate reports to our internal and external audiences and know where and how to make the most impactful improvements.

Packaging that performs

Oriflame’s cartons, bottles, tubes and jars are a large part of our environmental impact. The vast majority of our packaging materials consist of paper and other wood-fibre materials, plastics and glass. We strive to make our primary packs, for example the tube or bottle a product comes in, recyclable so they can be disposed of responsibly where recycling facilities are available. We are continuously working to find the right balance between more lightweight packaging and durability. Below are some of the initiatives we are actively working on to improve the impact of our packaging.

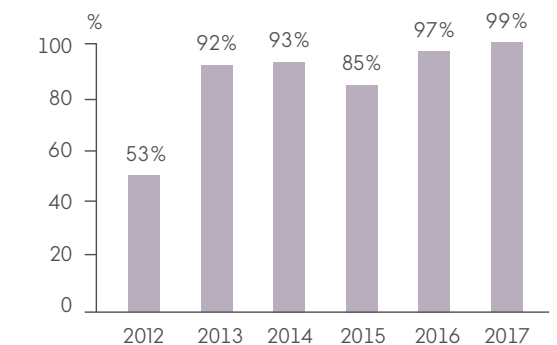
Cartons, liners and leaflets

- We have been working with the Rainforest Alliance since 2010 to improve the impact of our paper and other wood-based packaging. With their help, we set goals to increase the percentage of materials that are FSC™ certified.
- During 2017 we sourced 99% of display packaging cartons and leaflets from FSC™ certified sources, an increase from 97% in 2016.

Reducing impact from plastic

- In 2011 we started using post-consumer recycled plastics (known as PCR plastics) in some of our tubes. Ecobeautey and Love Nature are examples of ranges using PCR plastic, and our ambition is to increase usage across all our brands. Availability of PCR, in certain markets, do constitute an obstacle.
- The vast majority of the materials we use are recyclable and our ambition is to use only recyclable materials. One small but important achievement was the development of the Ecobeautey Face Cream pump which is made out of only plastics, and therefore 100% recyclable. Pump-based products are notoriously hard to recycle because of their mixed material makeup; the Ecobeautey pump however does not contain any metal and is, as a result, much easier for our customers to dispose of responsibly. Additionally, the Ecobeautey Face Cream pump is airless, meaning that all of the product gets dispensed from the pack.
- In 2017, we have set a new commitment to increase the PCR content of PE and PET Cosmetic packaging to 2020.

FSC™ certified product packaging



Product safety

We never compromise on the safety of our consumers – their wellbeing is of paramount importance to us.

Oriflame has a team of safety experts working with internal and external specialists. Together, they make sure every ingredient we use and product we sell meets our high quality, safety, ethical and environmental standards. We use the same high standards wherever in the world our products are made or sold.

For all our cosmetic products, we apply a comprehensive evaluation that includes the following:

- We conduct a thorough evaluation of all raw materials. We only use reputable suppliers, and only select ingredients that are supported with satisfactory data.
- We carefully measure safe concentration levels. Our team of expert toxicologists ensure ingredients are safe for intended use and intended consumer group.
- We test our final formulations for irritation and sensitisation on healthy human volunteers in independent laboratories, and also use 'in vitro' (non-animal) tests to further confirm the safety of our products.
- Post-launch, we proactively collect feedback from consumers and data about any unwanted effects.

All Oriflame cosmetic products are made to be safe in accordance with the provisions of the European Cosmetics Regulation (EC No 1223/2009) and other major International Regulations. In markets where regulations are less developed, Oriflame applies the European regulation requirements for safety as a minimum.

We have the same strict safety measures for our wellness products. All ingredients are of the highest food grade purity, fully approved internationally for use in food and selected for optimum safety and efficiency. Everything we make meets EU Regulations (EC No 178/2002), as well as recommendations from various global health authorities, including the World Health Organisation. We are proud to have our product development based in one of the world's most scientifically advanced countries, and to further ensure the safety of the range, it is evaluated and endorsed by renowned Swedish experts in the field of medical science and nutrition.

We have certificates of safety present for 100% of 1,000+ products we have on the market. In 2017 there were no incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our cosmetic or wellness products.

100% of Oriflame's global cosmetic, accessory and wellness products follow strict internal procedures and are assessed prior to launch to ensure they meet the relevant labelling requirements in all markets in which the products are sold e.g. EU Cosmetics Regulation No 1223/2009, 1169/2011 for Foodstuffs.



Social and ethical standards



We are committed to marketing products that meet our own social and ethical standards, and those of our customers.

Oriflame cares about animal welfare and endangered species and we have high standards for all materials we source:

- We do not use materials derived from animals (fur, leather) in our accessories products. Furthermore, we focus on using synthetic hair in our brushes.
- For some products, we use selectively sourced animal by-products – such as beeswax and honey, lanolin derivatives (a secretion from wool-bearing animals) and dairy products.
- We use fish oil from sustainably managed stocks in our Wellness food supplements range.

We have never tested our products or ingredients on animals at any stage during product development. We have always advocated alternative test methods and use the latest in-vitro (non-animal) methods for any tests that are not appropriate for human volunteers – for example, eye irritancy.

However, in certain countries we have to submit our finished products for additional testing for regulatory reasons. When this is the case, we offer other safety guarantees and try to persuade the relevant authorities to accept this data. We also work with the European Cosmetic Trade Association, Cosmetics Europe, to bring these kinds of local laws into closer alignment with European regulations. When unsuccessful, we must occasionally – and reluctantly – submit finished products for further testing, which may include animal testing. For more details, please see our [policy on animal testing](#) on our website.

Bring beauty & wellbeing through responsible products

⑥ Improve the sustainability profile of our products

COMMITMENT 12

Drive continuous progress by ensuring that product categories improve sustainability profile year-on-year.

Deadline: Year on year **Progress:** On track

Several raw material and product initiatives are in progress with the aim to improve the products' sustainability profile. Raw materials are the backbone of our product development. We are taking steps to ensure an optimised and brand-relevant raw material portfolio to best express our Swedish brand through our products, drive innovation through nature and embed our corporate sustainability strategy. Our Ingredient Integrity Process addresses key ingredients and their sourcing and use. Strategy work within all product categories continues and is being formalised.

COMMITMENT 13

PCR content of PE and PET Cosmetic Packaging will be at least 20% in weight by 2020.

Deadline: 2020 **Progress:** New

This commitment was updated to better reflect our concrete plans and to clarify the end year. Due to IT-system implementation, we cannot yet measure exactly where we are on this commitment. Due to a number of reasons, e.g. limitations in suppliers providing PCR, it is a struggle to increase this in a rapid manner. In spite of this, we are now implementing 50% PCR in all PET Bottles pertaining to our Love Nature range.

⑦ Focus on Innovation

COMMITMENT 14

Launch at least one sustainable Oriflame product innovation annually, for example the innovative Ecobeauty range, from 2015.

Deadline: Year on year **Progress:** Achieved

In 2017 we launched our new Love Nature rinse off range, which in an effort to further strengthen our water stewardship efforts, were developed with biodegradable formulations. Additionally, the formulations contained natural extracts and natural origin scrub particles. To add credibility to our developments we carried out independent testing to ensure that all products passed the OECD testing protocol for biodegradability. This range is a wonderful vehicle to help educate the Oriflame Consultants and consumers globally, through approachable communications about respect for water and responsible product usage.

COMMITMENT 15

Focus on innovation by increasing use of actives from plant biotechnology.

Deadline: Year on year **Progress:** Achieved

We are consistently increasing our portfolio of activities from plant stem cells technology with 17 products launched in 2016 and an additional 5 products launched in 2017.

⑧ Focus on Product Ingredients and Safety

COMMITMENT 16

Continue sustainability review of ingredients used across our product portfolio. Incorporate formal review of wellness raw materials by 2018.

Deadline: 2018 **Progress:** On track

100% of our cosmetics' raw materials have been sustainability reviewed and profiled, and we are building in processes to do the same/manage our Wellness by Oriflame materials.

COMMITMENT 17

Focus on ingredient impact and work to phase out prioritised ingredients from a safety, environmental or ethical perspective.

Deadline: Year on year **Progress:** Achieved

Our experts consistently monitor ingredient concerns – both from a regulatory and a consumer perspective. We have a governance process that strategically supports the brand, and this will be formalised going forward so that the business continues to make decisions about key ingredient topics.

COMMITMENT 18

Continue to implement the Oriflame Product Safety Evaluation process ensuring a single global safety standard.

Deadline: Year on year **Progress:** Achieved

In 2017 there were no incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our cosmetic or wellness products. The safety evaluation process applies to 100% of our cosmetic and wellness products.

⑨ Market products that meet high social and ethical standards

COMMITMENT 19

Respect animal welfare by never using cosmetic ingredients derived from dead animals or which cause harm or suffering to animals.

Deadline: Year on year **Progress:** Achieved

As with previous years, no products were launched during 2017 breaching this commitment.

COMMITMENT 20

Ensure an ethical approach is taken when sourcing our raw materials

Deadline: Year on year **Progress:** New

Responsible sourcing of our raw materials is an important part of managing our raw material portfolio. Mica is an important ingredient in many industries, including cosmetic where it is used to add a specific visual and textural aspect. This year Oriflame became a member of the Responsible Mica Initiative, a "Do-Tank" which aims to eradicate child labour and unacceptable working conditions in the Indian mica supply chain by joining forces across industries and civil society organisations (or NGOs). In addition, at the end of the year, we also carried out physical partial audits of the mica mines and processing units of one of our key suppliers.



Thriving planet

We are committed to reducing the impact of our business.

We have a bold ambition: to make our business environmentally sustainable. To reach this goal, we launched a new environmental strategy in 2010, which we updated in 2014. The strategy, and its accompanying actions, is built on both a thorough understanding of our impact and a long held business-wide commitment to the principles of sustainability. We have a long journey ahead of us, but below are a few highlights of our achievements so far.

Highlights

- In 2017, 97% of our catalogue paper (99% in 2016) came from credibly certified sources and 99% of the display packaging cartons and leaflets were sourced from FSC™ certified forests.
- We stopped more than 99% of our manufacturing waste from going to landfill in 2017.
- We are continuously working to reduce impact focusing mainly on emissions to water from our products. For many years we have used biodegradable cleansing agents in our bodycare rinse off products, and in 2017 we had the launch of the Love Nature range with complete biodegradable formulations.
- Since 2010, we have cut our absolute greenhouse gas emissions (GHG) by 24%. In 2017 total emissions increased by 18% compared to 2016 as a result of increased travel, increased number of product transports due to increased business activity and improved reporting.
- We are continuously working to improve our global shipments and logistics. Since 2010 the total number of pallets shipped has been reduced by 32%. Our efforts have resulted in a 49% decrease in absolute GHG emissions since 2010 and a 25% decrease in emissions per pallet.
- In the CDP 2017 climate change evaluation Oriflame was awarded a score B-, reflecting our actions to reduce carbon emissions and mitigate the business risks of climate change.
- Oriflame achieved a score B Management, for timber and palm oil, in the CDP's forests program, a recognition of Oriflame's actions to source forest-based products responsibly.
- The company continued to take steps to support the production and usage of sustainable palm oil. In 2017, over 8% of palm oil used in finished goods was certified by Mass Balance. The remaining usage was covered by RSPO Credits.



Sustainable sourcing

Our ambition is to source only renewable and recyclable materials.

We are working to make our business sustainable across our value chain. Because a significant proportion of our impact comes from the raw materials we use, we need to make the right decisions about how, where and what we source. Today, we select sustainable and renewable materials whenever possible. We have commitments for two of our main raw materials: paper and palm oil.

Progress on paper

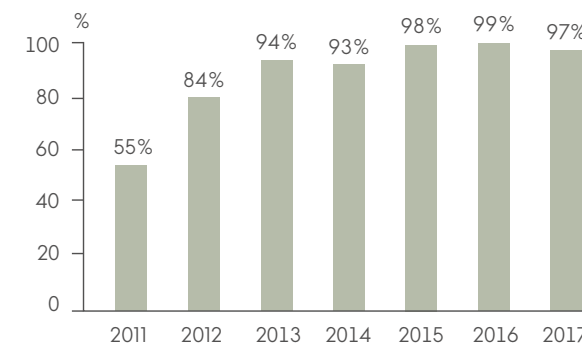
Our main raw material is paper and other wood-based products, which we use for catalogues and packaging. Forests are a vital part of global and local eco-systems – they provide habitats, preserve biodiversity, clean our air and water, absorb carbon and provide people with materials, food and livelihoods.

In line with a strategy developed in collaboration with the Rainforest Alliance in 2010, we have committed to source 100% of our paper and board packaging and publications from credibly certified or recycled origins by 2020. In practice, this means giving preference to Forest Stewardship Council™ (FSC™) certified paper when possible. If FSC™ is not available, we allow other certifications that meet our minimum requirements – these are very closely modelled on FSC™ Controlled Wood requirements.

Every year we ask our paper and board suppliers to report on their paper use and full supply chain. We ask for data on the quantity of paper and board, the location of the forests and the exact species of the trees. This data is consolidated

and we report publicly on the results. We have not yet had these results independently audited, but are working closely with the Rainforest Alliance to understand and analyse our suppliers' responses and documentation. For example, in 2017, we were able to trace 97% of our catalogue paper to a credibly certified origin. This is a slight decrease compared to last year, due to increased business activity with suppliers lacking in providing evidence of paper origin.

Credibly Certified Catalogue Paper



Progress on palm oil

We are among the industry leaders when it comes to sustainable sourcing of one of our main raw materials – palm oil. Palm oil is one of the world's most widely used raw ingredients and demand continues to rise. This is a problem because its cultivation has a number of serious environmental impacts – such as large-scale forest conversion and habitat loss, soil erosion, pollution and climate change. However, compared to other vegetable oils, palm oil gives the highest yield per hectare and requires the fewest fertilisers and pesticides.

By 2020, we have committed to source 100% certified sustainable palm oil* by physical supply chain. While there is enough of this resource available in its raw form, there is a very limited supply of its derivatives. Because it is these derivatives that go into our product ingredients, we cannot switch as quickly as we would like to physically segregated palm oil. See our sourcing commitments page or the RSPO website (Roundtable on Sustainable Palm Oil) for information on this issue.

This commitment will be a significant challenge, but we have a strong track record to work from:

- Since 2010 Oriflame has been covering 100% of its consumption and supporting the transformation of the market to sustainable oil palm products using Mass Balance and RSPO Credits (Book & Claim). We were among the first in the cosmetic industry to do this.
- In 2014 we started purchasing mass balance certified palm oil and in 2017 over 8% of palm oil products used in our finished goods was certified sustainable by Mass Balance (similar to the amount in 2016). We plan to increase the share of mass balance materials further during the coming years.
- In 2016, WWF gave us 9 out of 9 on their Palm oil Scorecard, placing us with the best in our industry.
- We have participated in RSPO Conferences since 2011, and are currently a member of one standing committee and one working group within the organisation. We are recognised as a leading player in our industry and continuously work to share insights with companies who want to make their palm oil use sustainable.

*The Roundtable on Sustainable Palm Oil developed a standard for the certification of sustainable palm oil production. For more information, please visit www.rspo.org



Greenhouse gas emissions and climate change

We are taking action to cut emissions across our business. By 2020, we want to cut Oriflame's climate impact by half*.

Emissions of Greenhouse Gases (GHG) are a serious global challenge. There is more carbon dioxide in the atmosphere today than there has been for 650,000 years. 17 of the 18 hottest years on record have occurred since 2001 and the number of extreme weather events continues to rise.

Changing global climate patterns will mean more extreme and unpredictable weather – for example more frequent storms, heat waves, droughts and floods. GHGs, including carbon dioxide emissions, are one of the major contributors to climate change. In addition they contain particles that result in local air pollution and health issues.

Our business has a presence in countries that are already experiencing the effects of climate change, which encourages us to take action to reduce our impact. Results from lifecycle assessments show that Oriflame impacts the climate in a multitude of ways; e.g. manufacturing, transportation and travel. Working to reduce our climate impact throughout our whole value chain will make us more efficient as a company and help drive innovation.

Since we track and analyse the emissions that are under our control, we have been able to develop a strategy for where to make savings in both emissions and cost.

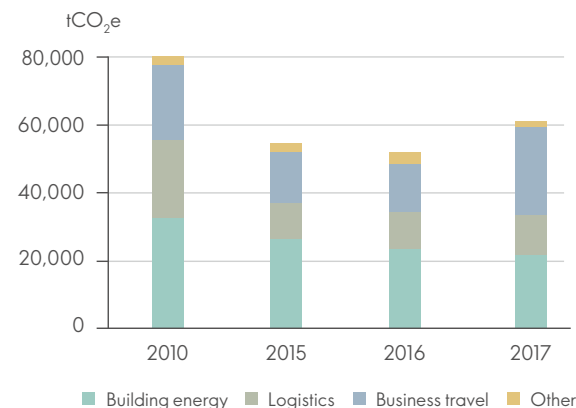
In line with the business strategy and Oriflame's long-term vision to become a sustainable company, actions are being taken to reduce our carbon dependence through a wide range of initiatives. We started by focusing on our factories, and then moved on to our operations and other areas over which we have control – such as our offices and our travels.

The next step is to start working on areas that we can influence but do not control. This means reaching along our value chain to find and create opportunities for change among our suppliers and our consumers. We intend to expand our strategy both in terms of reach across the supply chain but also regarding the scope of issues under consideration. We will continue to review the likely impacts of climate change on our business and supply model.

Results since 2010

By implementing a company-wide program, we reduced the absolute GHG emissions from Oriflame's operations by 24% since 2010. In 2017 absolute emissions increased by 18% compared to 2016 due to increased travels and increased number of product

GHG emissions over time

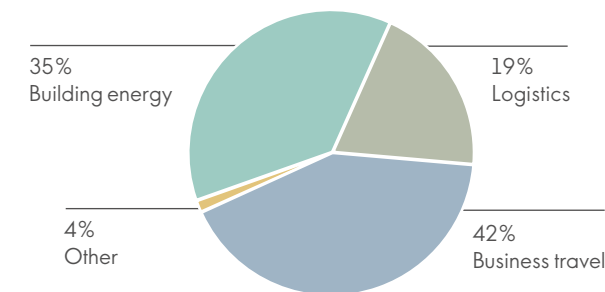


*This goal is based on GHG emissions relative to sales from 2010 as our base year.

transports, as a result of an increased business activity. We also improved our data collection and emission factors, which resulted in more accurate results and increased emissions compared to previous years. Our goal is to reduce GHG emissions per sales by 50% in 2020 from 2010. In 2017 the emission intensity (tCO₂e/€M) was 43.6 – an increase by 5% since last year, but a decrease by 18% since 2010. To be able to reach the goal in 2020 we will identify actions on how to decrease our climate impact further, for example during 2018 we will work on increasing renewable electricity in Oriflame operated buildings.

In the 2017 reporting we have identified several warehouses that are not operated by Oriflame but are a part of our operational control. The emissions related to the warehouses (energy, waste, water) are presented as upstream leased assets. Since these emissions were not identified in 2010, emissions from upstream leased assets are not included in our 2020 target.

GHG emission breakdown 2017



Due to this change in reporting the share of emissions from building energy from own operations has decreased compared to last year (from 45% to 35%). 42% of our GHG emissions origin from business travel (including Consultants travelling to conferences), which is an increase compared to last year (27%). This is due to increased travel because of our 50th anniversary conference and improved data collection as well as improved emission factors. Other emissions are refill of refrigerants, water, waste generated

in operations and upstream leased assets. More information about our GHG emissions can be found in the GRI Index.

In particular, reductions have been achieved thanks to the significant modifications and changes to the set-up of our distribution network, which has resulted in a 49% decrease in absolute emissions from globally organised transportation since 2010.

We are gradually consolidating local warehouses and moving our product sourcing, catalogue printing and Global Distribution Centres (GDCs), closer to our major markets, resulting in lower environmental impacts as well as reduced lead times.

- We are continuously reviewing the packing and loading routines so that more can fit in each truck and container. The average number of pallets in each container shipped by boat has increased by 58% since 2010. For trucks the equivalent figure is 50%. This helped us save more than €5.5 million since 2010.
- We are improving our transportation routes, and focusing on reducing our air shipments. This also includes increasing the share of shipments directly from suppliers to Oriflame markets' warehouses.
- When selecting road carriers the aim is to utilise Euro 4, 5 and 6 standard trucks wherever possible, thus reducing particle emissions.

Part of the reduction in emissions was also due to a 32% reduction in the number of total pallets shipped since 2010, which was mainly due to lower sales.

At our manufacturing sites we are also continuing to implement energy efficiency measures, contributing to an absolute decrease in emissions and achieving our 2020 targets. Initiatives include developing lower energy processing techniques, upgrading lighting and lighting control, improving heating and ventilations systems and focusing on better building insulation. In 2017, 21% of the energy in manufacturing came from renewable energy.

We are continuously working to increase our share of renewable energy across the business with the goal to achieve 100% renewable electricity in Oriflame operated buildings by 2020. During 2017, 9% of electricity consumption at Oriflame's operated buildings came from renewable sources.

Water

We are limiting our impact on water – globally and locally.

Water is an important part of our environmental impact. Today, water security is one of the most serious and fastest-growing environmental challenges facing our world. Demand for water is increasing and analysis suggests that by 2030 the world will face a 40% gap between what we need and what is available.

Water issues are therefore a global challenge, but because we operate in water-scarce countries, it is important for us to consider the implications on a local level too. Looking specifically at our business, there are two main challenges we need to address: water contamination and water scarcity.

To understand these challenges better, we conducted a water impact study of the lifecycle of a representative selection of our key products.

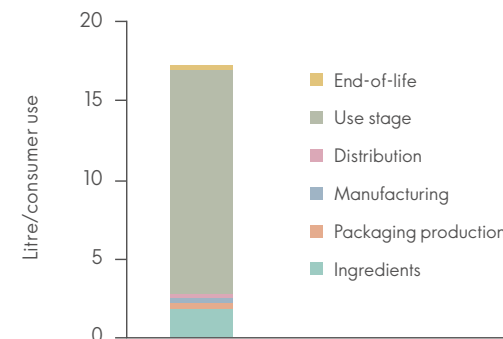
The results of this study have helped us define the focus areas for our water strategy and strengthen our existing commitments. For example, we learned just how much of our water footprint comes from customers using our products – and how much higher the impact of this is in water-scarce countries like India. Because of this, we are looking at how we can engage our customers around more sustainable water use.

We know that the water impact from our manufacturing sites is a limited part of the life cycle impact, however, for local communities this impact may be important. Therefore we have looked at the exact locations of our manufacturing

sites and we conducted a first analysis of the risks and impacts of the different locations. By 2020 we are committed to reduce water use at all our sites by 15%.

Another important focus area raised by the study is the biodegradability of our ingredients. Many rinse off products end up in the water system – in particular, products like shower gel and shampoo. We have already committed to using only biodegradable cleansing ingredients in our personal care products and the findings of our study are helping us prioritise how to strengthen this commitment further. In 2017 we launched the new Love Nature range that has a biodegradable formula for all rinse off products in the range. We carried out independent testing on each rinse off product and all passed the OECD testing protocol for biodegradability. Additionally, to further strengthen our approach to water stewardship the formulations contain natural extracts and natural origin scrub particles.

Life cycle freshwater withdrawal of shampoo



Waste management

We are taking responsibility for waste across our value chain.

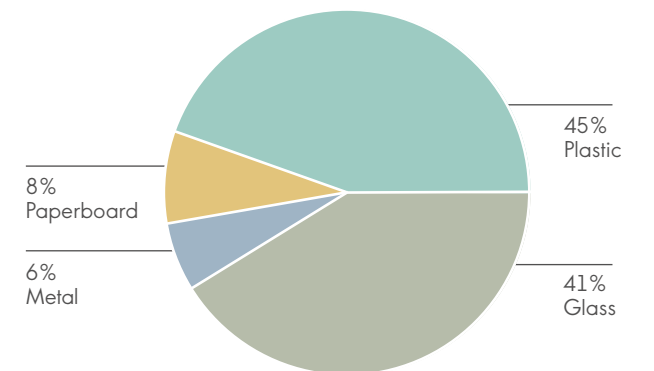
Waste is an area of significant impact for our business. A large proportion of our products and their packaging end up in landfill, which is problematic as unmanaged landfill creates a lot of harmful gases and contaminants, including methane – a particularly potent greenhouse gas.

We realise the scale of our waste challenge and are committed to tackling it. Much of our progress will come from creating better, more efficient packaging in the first place. That means continuing to increase the number of materials we use that have already been recycled, and making sure consumers can dispose of our products responsibly. Even though the volume is smaller, it is also important for us to address the waste that is created across the rest of our business.

Towards zero waste to landfill

By 2020, we plan to send zero waste to landfill across our manufacturing – in 2017 99% of our waste avoided landfill, the vast majority going to recycling. We will also be working to find new ways to help our three million Consultants reduce their waste – both while at our service centres and elsewhere in their lives.

Packaging for cosmetics



A snapshot of the different materials we use for packaging our cosmetics, by weight. This information helps us decide where to make the most impactful changes.



Oriflame sites and operations

Our business can make a positive social and environmental impact in the communities where we operate.

We want to reduce the impact of our events, projects and facilities – it is important we get our own house in order. Increasing the sustainability profile of Oriflame's buildings and operations is a key priority.

LEED® – or Leadership in Energy and Environmental Design – is a green building certification program that recognises best-in-class building strategies and practices. We are aiming towards certifying all our new construction and major renovations. In 2015 our new Manufacturing facility at Noginsk, Russia was awarded a LEED® Silver certification using the LEED® for New Construction rating system. The same year our new Manufacturing sites at Roorkee, India received Gold certification under the LEED® for New Construction rating system. The project incorporated many innovative measures focusing in particular on water and energy efficiency and included the installation of roof mounted solar panels.

Our main office in Moscow was granted BREEAM In-Use certification in May 2016. The certification helps drive sustainable improvements through operational efficiency.

In 2017, our factory in Poland received a gold certification, the highest score, from EcoVadis, a scoring methodology for CSR performance. The assessment covers environmental, fair labor and business practices and supply chain criteria. This factory also implemented the integrated ISO norm for quality ISO 9001:2015, environmental ISO norm 14001:2020 and Health and Safety: OHSAS 18001:2007.

We have also developed internal guidelines and audits to improve our environmental performance across our business sites. The 'Oriflame Green Office Guide' includes detailed instructions for reducing greenhouse gas emissions, minimising waste, sourcing sustainably and optimising water use. In 2017 the internal audit program continued to be rolled out at production sites, warehouses and offices. The audits are focused on environmental sustainability including energy efficiency, water consumption and waste. The results have helped us identify areas of improvement and establishing energy saving programs that can be replicated across the facilities. All manufacturing sites have targets to reduce their impact.

Our goal is to apply sustainability to every project and event that we plan. For example, we need to improve the overall impact of our global conferences. We already include travel for business and Consultants travelling internationally to Oriflame conferences in our GHG emission calculation.

We have invested in video conferencing systems and are making sure everyone has access to the right software for online conferences, and knows how and when to use it. We also regularly communicate with our employees to keep them informed on our targets, progress and the actions we are undertaking.

Our Global Travel Policy encourages all our employees to make travel choices that balance cost, convenience and environmental impact.

We have also published a collection of Guidelines for Responsible Conferences, which are designed to help us run more sustainable conferences that create pride and a sense of belonging among our leaders and employees.

Drive environmental sustainability

10 Source renewable and sustainable materials whenever possible.

COMMITMENT 21

Source 100% certified sustainable palm oil by physical supply chain by 2020.

Deadline: 2020 **Progress:** More to do

We continued to take steps in supporting the production and usage of sustainable oil palm products. In 2017 over 8% of oil palm products in our Finished Goods was Mass Balance certified (a similar volume as during 2016). The remaining usage was covered by RSPO Credits. During 2018 we will continue working on increasing oil palm products certified by Mass Balance.

COMMITMENT 22

Promote sustainable palm oil by purchasing RSPO Credits to cover 100% of our consumption.

Deadline: Year on year **Progress:** Achieved

We purchased RSPO Credits to cover the remaining balance, ensuring 100% coverage.

COMMITMENT 23

Source 100% of wood fibre from credible certified sources.

Deadline: 2020 **Progress:** On track

In total, all paper and board surveyed in 2017 showed a compliance rate of 97%. We will keep working to ensure that 100% of our paper is proven acceptable by our policy.

COMMITMENT 24

Source 100% of catalogue paper from credibly certified origin.

Deadline: Year on year **Progress:** On track

In the annual supply chain analysis of our catalogue suppliers we found that 97% of catalogue paper was fully compliant with our paper commitment – which means it came from a credibly certified source with an intact chain of custody.

COMMITMENT 25

Source 100% of display packaging cartons and leaflets from FSC™ certified sources.

Deadline: Year on year **Progress:** On track

The analysis of our supply chain for packaging cartons and leaflets purchased during full year 2017 showed that 99% of the material was certified by FSC™.

11 Reduce emissions to air

COMMITMENT 26

Reduce GHG emissions from global Oriflame operations by 50% by 2020.

Deadline: 2020 **Progress:** More to do

The goal is based on emissions relative to sales from 2010 as our base year. Since 2010, relative emissions have decreased by 18% and absolute emissions by 24%.



COMMITMENT 27

Reduce GHG emissions from stationary fuel and energy in factories by 15% by 2020.

Deadline: 2020 **Progress:** On track

Since 2015 the relative GHG emissions (tCO₂e/million units produced) decreased by 15%*.

COMMITMENT 28

Reduce electricity use in factories by 15% by 2020.

Deadline: 2020 **Progress:** On track

We are continuously working to increase our share of renewable energy while becoming more energy efficient. This goal is based on electricity consumption relative to produced volumes with 2015 as a base year. Since 2015 the electricity use per produced volumes has decreased by 24%, although our production volumes have increased by 31%*.

COMMITMENT 29

Increase renewable electricity in factories to 70% by 2018.

Deadline: 2018 **Progress:** More to do

The electricity at our largest manufacturing site in Poland is from 100% certified renewable sources. Our Wellness factory in India is getting part of its electricity (14%) from solar panels. During 2017 47% of electricity consumption at all Oriflame factories came from renewable sources, a slightly increase compared to 2016*.

COMMITMENT 30

Achieve 100% renewable electricity in Oriflame operated buildings.

Deadline: 2020 **Progress:** New

We have a decision from Group management to purchase renewable electricity for 100% of Oriflame electricity use in Oriflame operated offices, warehouses and factories.

*Our Wellness factory in China is not included due to lack of operational influence and low production volumes.

12 Reduce emissions to water

COMMITMENT 31

Use only biodegradable cleansing ingredients in 100% of our Personal Care products.

Deadline: Year on year **Progress:** Achieved

Only biodegradable cleansing ingredients are used in our Personal Care developments. To further strengthen our ambition to reduce our impact on water we developed biodegradable formulae for our new Love Nature range. With independently tested biodegradable formulations as well as natural extracts and natural origin scrub particles, this is a fine example of how we can take steps to reduce our direct impact on water. We are now assessing rolling this approach out across some more ranges.

COMMITMENT 32

Start to phase out plastic microbeads in all new products from 2014.

Deadline: 2014 **Progress:** Achieved

In 2017 we continued to use only natural origin scrubs – such as almond shell, fruit seeds and silica – in all of our exfoliating products. We stopped manufacturing older products with plastic microbeads at the end of 2016. Additionally we stopped using plastic glitter (also solid plastic), in our rinse off products.

13 Reduce solid wastes

COMMITMENT 33

Reduce waste disposed at all our factories by 15% by 2020.

Deadline: 2020 **Progress:** On track

We have reduced the waste produced per unit produced by 17% since 2015.*

COMMITMENT 34

Send no waste to landfill from our factories by 2020.

Deadline: 2020 **Progress:** On track

In 2017, approximately 99% of all waste produced at Oriflame's factories avoided ending up in landfill.*

COMMITMENT 35

Increase recycling of packaging by gradually introducing recycling facilities at our service centres worldwide.

Deadline: Year on year **Progress:** More to do

A large share of our offices and service centres offer recycling facilities to employees and Oriflame Consultants. The most common materials to recycle are paper, carton, plastic and glass. We need to further investigate how to increase share of facilities offering recycling and also how to increase usage of these facilities.

14 Reduce impact from Oriflame activities, events, projects & facilities

COMMITMENT 36

Pursue LEED Green Building scheme certification for all new construction and major renovations and pursue environmental effectiveness on all our premises.

Deadline: Year on year **Progress:** Achieved

No new construction and major renovations were concluded in 2017.

COMMITMENT 37

Reduce water use at all our factories by 15% by 2020.

Deadline: 2020 **Progress:** On track

Since 2015 our water consumption per unit in factories decreased by 12%.*

*Our Wellness factory in China is not included due to lack of operational influence and low production volumes.





Sustainable suppliers

We want to reach along our value chain to identify opportunities to improve the social and environmental standards of our suppliers and ensure their compliance towards Oriflame Code of conduct and local laws.

A large proportion of the overall social and environment impact of a company occurs in its supply chain, beyond the direct scope of operations. In Oriflame, we believe that integrating sustainability criteria within the procurement practices is essential in order to move towards a more sustainable supply chain. We believe that companies should work towards guaranteeing responsible practices throughout the supply chain and work alongside their suppliers to help improve their sustainability performance. Below are presented a few highlights of our work so far.

Highlights

- Oriflame strives to source Finished Goods closer to its main markets and support them by increased local sourcing of packaging and raw materials.
- Currently, 97% of Oriflame’s Finished Goods suppliers use a Supplier Self-Assessment Tool for sustainability performance.
- All global suppliers have signed the Supplier Code of Conduct and every new global supplier is requested to do this before entering into a business agreement with Oriflame. Following the implementation of a new Global Procurement Policy in 2016, all regional suppliers are requested to sign our Code of Conduct before conducting business with Oriflame.
- For our high-risk suppliers, mainly located in India and China, we conducted sustainability audits during the year covering 20% of our suppliers located in those countries, covering both direct and second tier suppliers. The categories audited include cosmetics, wellness, packaging and accessories suppliers.

Oriflame’s supply chain

Oriflame produces more than 50% of cosmetic products in-house with manufacturing sites located in Poland, Russia, India and China. External suppliers in Western and Central Europe, Russia and Asia produce the majority of the remaining products, including cosmetics, accessories and wellness products. Through different regional sourcing initiatives, we strive to source as closely to our markets as possible, to shorten the supply chain and increase service levels. During 2017 we continued to increase regional sourcing by buying more from suppliers based in strategic locations, particularly in China, India and Indonesia where we started to produce Halal certified Fragrances to support our growth in Asian strategic markets.

Helping our suppliers improve

Our Oriflame Global Supplier Evaluation program is an important way for us to improve sustainability performance, including human rights, across our value chain. The program allows us to objectively assess our suppliers on a range of sustainability criteria. Every global supplier is part of this program, and joins it by committing to follow our Supplier Code of Conduct.

We have a five-step process that sets out requirements and details how suppliers are evaluated, scored and developed. The foundation of this process is the Supplier Code of Conduct which outlines our requirements regarding for example working conditions, health and safety, discrimination and environmental impact. The Code applies to all our first tier suppliers; however, we encourage our suppliers to implement this Code of Conduct upstream in their own value chain.

The Supplier evaluation process also helps us to identify high-risk suppliers and prioritise their audit and evaluation. We conduct Quality audits prior to enter business with all our Finished Goods suppliers and technical site visits at our packaging suppliers. We also undertake sustainability audits at high risks suppliers, especially in Asia. We support suppliers willing to make improvements, and will stop working with any that score below the requisite grade and are unwilling to commit to making a positive change.

Supplier evaluation: A five step model

1	Code of conduct	Oriflame’s requirements towards our suppliers.
2	Supplier desktop assessment	Online questionnaire and assessment by Supplier Self-Assessment Tool.
3	Evaluation/Audit prioritisation	Select which suppliers to audit based on supplier tool risk assessment and geographical risk.
4	Audits/Visits	Physical audit carried out by Oriflame auditors or third party auditor and/or Oriflame Agencies.
5	Scoring and development	Final score and development plan for improvements.

When screening and selecting new suppliers we also take sustainability performance into consideration. A risk evaluation process also includes considerations on human rights issues such as child and forced labour.



Supplier Self-Assessment Tool for sustainability performance

During 2013 a new Supplier Self-Assessment Tool was launched to strategic suppliers. The trial results were positive, and the tool has been further rolled out to more key suppliers since then.

The tool enables us to collect and evaluate sustainability data from our suppliers. Suppliers are required to provide relevant documentation that evidences their sustainability performance, for example, energy audits, certifications, social compliance data, and so on. The data is analysed and audited in order to evaluate the supplier and rate it, checking that its performance is acceptable for Oriflame. A number of aspects within the areas of environment, social issues, supply chain and ethics are being considered during this evaluation.

When non-conformances are found and suppliers do not achieve minimum requirements through this evaluation system, we make sure that we work with them and provide the support for them to improve and achieve acceptable levels. Suppliers representing approximately 97% of our Finished Goods supply spend are covered by this tool.



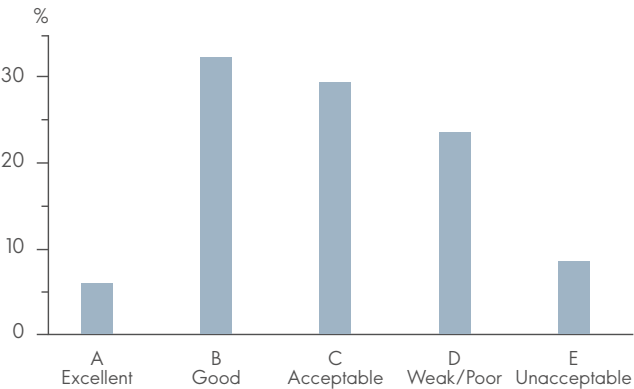
Accessories from Asia

For our global accessories suppliers, Oriflame works in co-operation with established trading houses that conduct annual audits of their subcontractors. In addition to these audits, Oriflame conducts its own audits to ensure compliance with the Supplier Code of Conduct, and to verify that necessary actions are taken for any non-compliance. Oriflame has staff located in both China and India dedicated to conducting sustainability audits. We conduct regular agency review meetings to ensure continual improvements and discuss main findings from audits. We see positive results of collaborating with our trading houses to align expectations on second tier suppliers. A limited amount of accessories are developed locally and we are currently working to put processes in place to ensure that quality and sustainability aspects at these local suppliers are acceptable.

Sustainability Audits of suppliers in 2017

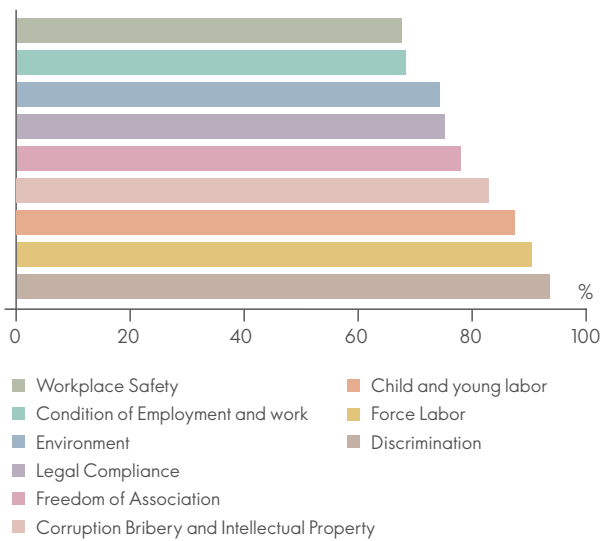
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Sustainability audit score results Asia



accessories suppliers. The focus in the past years has been on working together with suppliers to reduce non-conformances and improve their sustainability performance. Consequently, some suppliers received re-audits during 2017. The majority of these audits achieved results that were considered good or acceptable, however, work to improve supplier performance is ongoing.

Compliance



In addition, we re-evaluated and improved the sustainability audit scoring criteria and methodology from July 2017. We evaluate our suppliers against the criteria, and the results of compliance during 2017 are showed in the graph above. Workplace safety (personal protective equipment control and occupational health examination control), environmental impact, and conditions of employment (working hours) are the top three issues of non-conformance found during the audits. When non-conformances are found a corrective action plan is agreed with the supplier and put in place and the supplier is given a set amount of time to complete the actions required to close the non-conformances.

About this report

Oriflame has a strategy for becoming a more sustainable company which includes communicating openly on our commitments and progress. During the last years, we have increased our reporting gradually and we published our first separate Sustainability Report in 2014.

This Sustainability Report covers material sustainability strategies, activities and performances for the company Oriflame Holding AG (called Oriflame in this report) during the period January 1 to December 31, 2017, unless stated otherwise. Franchise operations are not covered in this report. This report was published on Oriflame's website, www.oriflame.com, on May 18, where you can also find additional information about our sustainability efforts.

Our reporting in this document is prepared in accordance with the GRI G4 Sustainability Reporting Guidelines, level Core and a GRI Index with references for all applicable principles is found on our website. The plan for next year's reporting is to report in accordance with the GRI Standards.

Information and facts are selected on the basis of sustainability aspects assessed essential for Oriflame's operations, and are based on the best possible sources known by the company. Regarding some information about the development of the Company and its operations, references are made to the Oriflame Annual Report for the fiscal year 2017. Unless otherwise specified, all data concerning suppliers and supplier factories includes all suppliers and factories that were active and approved for production during the

reporting period. Our GHG emissions calculations and reporting are aligned with the GHG Protocol Standard. The methodology has been reviewed and approved by an external party, SGS, which also conducted a limited assurance review of our logistics and manufacturing emissions, in accordance with the requirements set by the CDP.

This report has been developed and reviewed by Oriflame's sustainability team, relevant experts in the company, and is approved by the CEO.



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