

L'ORÉAL

United Nations Global Compact Communication On Progress ("COP") 2017

Advanced Level

July 2018



About this document

L'Oréal has been a signatory of the United Nations Global Compact since 2003 and is a member of the French network of the Global Compact (Global Compact France).

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

L'Oréal is reporting according to the UN Global Compact “Advanced Level” and describes how it meets the 21 criteria of this Level in the following areas:

- Implementation of the Ten principles into Strategies & Operations
- Robust Human Rights Management Policies & Procedures
- Robust Labour Management Policies & Procedures
- Robust Environmental Management Policies & Procedures
- Robust Anti-Corruption Management Policies & Procedures
- Taking Action in Support of Broader UN Goals and Issues
- Corporate Sustainability Governance and Leadership

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

As a signatory of the Women's Empowerment Principles (WEPs), L'Oréal furthermore reports according to the WEPs Reporting on Progress Guidance.

Information in L'Oréal's 2017 COP is namely compiled from our [2017 Annual Registration Document](#), and [2017 Sharing Beauty With All Progress Report](#).

For information on external assurance, see [2017 Registration Document, 3.5.1](#).

L'Oréal's COP is available on L'Oréal's Corporate website (www.loreal.com).

Statement of continued support

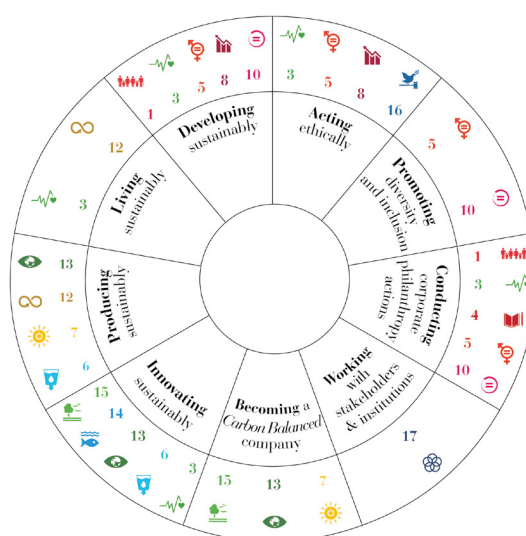
Extract from Jean-Paul AGON's statement in the 2017 *Sharing Beauty With All* Progress Report



“For more than a decade, we have supported and acted on the principles of the United Nations Global Compact, a commitment that we renewed in 2017 by aligning our efforts within the framework of the United Nations Sustainable Development Goals. [...] We will continue to make progress. Sustainability is critical to succeeding in the future. Our corporate responsibility commitments allow us to both ensure that we thrive in the long term, and have a positive impact on the environment and society.”

Jean-Paul AGON,
Chairman and Chief Executive Officer

L'OREAL'S CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Summary



Implementing the 10 Principles into strategies & operations.....6

CRITERION 1

The COP describes mainstreaming into corporate functions and business units

CRITERION 2

The COP describes value chain implementation



Robust human rights management policies & procedures.....12

CRITERION 3

The COP describes robust commitments, strategies or policies in the area of Human Rights

CRITERION 4

The COP describes effective management systems to integrate the Human Rights principles

CRITERION 5

The COP describes effective monitoring and evaluation mechanisms of Human Rights integration



Robust labour management policies & procedures.....21

CRITERION 6

The COP describes robust commitments, strategies or policies in the area of labour

CRITERION 7

The COP describes effective management systems to integrate the labour principles

CRITERION 8

The COP describes effective monitoring and evaluation mechanisms of labour principles integration



Robust environmental management policies & procedures.....28

CRITERION 9

The COP describes robust commitments, strategies or policies in the area of environmental stewardship

CRITERION 10

The COP describes effective management systems to integrate the environmental principles

CRITERION 11

The COP describes effective monitoring and evaluation mechanisms for environmental stewardship



Robust anti-corruption management policies & procedures.....**36**

CRITERION 12

The COP describes robust commitments, strategies or policies in the area of anti-corruption

CRITERION 13

The COP describes effective management systems to integrate the anti-corruption principles

CRITERION 14

The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption



Taking action in support of broader UN goals and issues.....**41**

CRITERION 15

The COP describes core business contributions to UN goals and issues

CRITERION 16

The COP describes strategic social investments and philanthropy

CRITERION 17

The COP describes advocacy and public policy engagement

CRITERION 18

The COP describes partnerships and collective action



Corporate sustainability governance and leadership.....**48**

CRITERION 19

The COP describes CEO commitment and leadership

CRITERION 20

The COP describes Board adoption and oversight

CRITERION 21

The COP describes stakeholder engagement



Annex: Women's Empowerment Principles.....**53**

CRITERION A

The cop describes policies and practices related to supporting women's empowerment and advancing gender equality in the workplace

CRITERION B

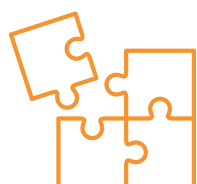
The COP describes policies and practices related to supporting women's empowerment and advancing gender equality in the marketplace

CRITERION C

The COP describes policies and practices related to supporting women's empowerment and advancing gender equality in the community

CRITERION D

The COP contains or refers to sex-disaggregated data



Implementing the 10 Principles into strategies & operations

CRITERION 1

The COP describes mainstreaming into corporate functions and business units

INDICATORS	ANSWERS
Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) ensuring no function conflicts with company's sustainability commitments and objectives	<p>The Senior Vice-President & Chief Ethics Officer is the United Nations Global Compact contact, reports to the Chairman and CEO and participates in the Group's Corporate Responsibility Steering Committee.</p> <p>Since 2015, the Sustainability Department reports directly to L'Oréal's CEO, since our commitment is cross-functional and strategic for all L'Oréal functions, brands, divisions and countries.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 2.8.2.1 p.106 • 2017 Sharing Beauty With All Progress Report p.4-5
Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy	<p>Code of Ethics <i>Sharing Beauty With All</i> Sustainability Commitments</p> <p>Each country manager and brand manager have the responsibility to align activities with L'Oréal sustainability strategy and monitor their own dashboard. Since January 2016, CSR performance criteria in relation with conduct of the <i>Sharing Beauty With All</i> programme have been integrated in the variable remuneration of Executive Committee members and the Group's top senior managers (Brand & Country Managers).</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Sharing Beauty With All Progress Report p.4-5
Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary	<p>Country Managers (or for Corporate or Zone staff, the members of the Group Executive Committee to whom they report) are responsible for ensuring the respect of the Code of Ethics.</p> <p>The Ethics Correspondents network allows all employees to have a local point of contact.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.8.2.1 p.106 <p>In addition, a global network of sustainability correspondents has been put in place in the different subsidiaries of L'Oréal everywhere around the world, and in the different corporate entities (Research, Operations, brands) in order to deploy L'Oréal's sustainability strategy.</p> <ul style="list-style-type: none"> • Sharing Beauty With All section on loreal.com



INDICATORS	ANSWERS
<p>Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs</p>	<p>In 2013 Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal, announced the commitments that L'Oréal has set itself by 2020 to reduce its impact while achieving its growth ambition. <i>Sharing Beauty With All</i> is a commitment which covers four areas:</p> <p>1 - Innovating sustainably By 2020, the Group will innovate so that 100% of L'Oréal products will have an improved environmental or social profile.</p> <p>2 - Producing sustainably By 2020, the Group commits to reducing the environmental footprint of its plants and distribution centres by 60%.</p> <p>3 - Living sustainably By 2020, the Group will empower its consumers to make sustainable choices.</p> <p>4 - Developing sustainably</p> <ul style="list-style-type: none"> - With employees - by 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world; - With suppliers - by 2020, 100% of the Group's strategic suppliers will be participating in the supplier sustainability programme; - With communities - by 2020, the Group will enable more than 100,000 people from underprivileged communities to access work. <p>• 2017 Sharing Beauty With All Progress Report p. 8-9</p>
<p>Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts</p>	<p>The Senior Vice-President and Chief Ethics Officer, who reports directly to the Chairman and Chief Executive Officer, is in charge of ensuring the promotion and integration of best practices within the Group, providing guidance in ethical decision-making. He has a dedicated budget and team, has access to all the information and documents concerning the Group's activities and can call upon all the Group's teams and resources to carry out his mission.</p> <p>The Sustainability Department serves as an interface between all the different corporate functions on sustainability and manages non-financial reporting.</p> <p>• 2017 Registration Document 2.8.2.1 p.106</p>



INDICATORS	ANSWERS
Other established or emerging best practices	<p>In 2017, L'Oréal was recognized for the eighth time by Ethisphere as one of the World's Most Ethical Companies. <i>(See related article below)</i></p> <p>In 2016, the Senior Vice-President and Chief Ethics Officer of L'Oréal was awarded the Carol R. Marshall Award for Innovation in Corporate Ethics from the Ethics & Compliance Initiative (ECI).</p> <p>L'Oréal has been part of the United Nations Global Compact 100 stock index since its creation.</p> <p>Moreover, L'Oréal's efforts and progress were recognised and rewarded in 2017 as in previous years by the most demanding organisations in this field:</p> <ul style="list-style-type: none"> - the extra-financial rating agency Vigeo Eiris ranked the Group No. 1 in all business sectors - for the sixth year running, the extra-financial rating Agency Oekom Research AG gave L'Oréal Prime status - the CDP, an independent international NGO that assesses companies' environmental performance, gave L'Oréal a triple "A", representing the top score, for each of the ratings made on key topics: the fight against climate change, sustainable water management and forest conservation - L'Oréal gained a top rating on gender equality in the 2017 Equileap ranking. - L'Oréal topped the Newsweek 2017 Global 500 Green Rankings - In September 2017, L'Oréal retained its position in both of the Ethibel Sustainability Indices (ESI): Excellence Europe and Excellence Global. <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.7 • 2017 Registration Document p.136 • Acting Ethically section on loreal.com <p>In many areas L'Oréal adopts best practices which go beyond the law (see criteria 3, 6, 9). In particular, the Code of Ethics provides that "where local law or customs impose higher standards than those set out in the Code, local law and customs should always apply. If, by contrast, the Code provides for a higher standard, it should prevail, unless this results in illegal activity."</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics

**L'ORÉAL NAMED AS A 2017 WORLD'S MOST ETHICAL COMPANY
BY THE ETHISPHERE INSTITUTE FOR THE 8TH TIME**





CRITERION 2

The COP describes value chain implementation

INDICATORS	ANSWERS
Analyse each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts	<p>For an upstream example, see Reducing the environmental impact of formulas.</p> <p>For a downstream example, see Reducing CO₂ emissions.</p> <p>To prepare the risk map for the countries presenting risks, L'Oréal uses the Verisk Maplecroft™ indexes.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.11; p.16 • 2017 Registration Document 2.8.4.3.2 p. 116; 3.1.4.4 p.178
Communicate policies and expectations to suppliers and other relevant business partners	<p>In order to embed social, ethical and environmental concerns within its supply chain, L'Oréal launched in 2002 the <i>Buy & Care</i> programme, adhered to by all the Group's purchasers. L'Oréal asks its suppliers and subcontractors to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.</p> <p>Through its <i>Sharing Beauty With All</i> programme, L'Oréal committed to associate suppliers to its sustainability commitments, providing them with the tools to ensure continuous improvement. In 2017, an online site dedicated to suppliers has been launched. It proposes e-learning modules, videos presentations on ethics, climate change, social audits, etc. Initially available to strategic suppliers, it is in the process of being rolled out.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2. p.199 • 2017 Sharing Beauty With All Progress Report p.24

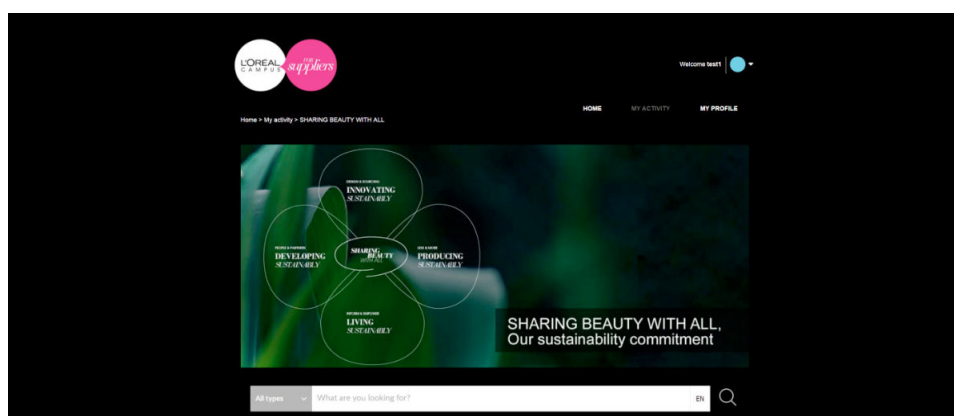


INDICATORS	ANSWERS
<p>Implement monitoring and assurance mechanisms (e.g. audits/screenings) for compliance within the company's sphere of influence</p>	<p>At L'Oréal, Internal Control is a system that applies to the Company and its consolidated subsidiaries ("the Group") and aims at ensuring that:</p> <ul style="list-style-type: none"> - economic and financial targets are achieved in compliance with the laws and regulations in force; - the orientations set by General Management are followed; - the Group's assets are valued and protected; - the Group's financial and accounting information is reliable and provides true and fair statements. <p>Since 2016, the enlargement of the tasks of the Internal Audit Department with regard to CSR commitments has been monitored by the Internal Audit Committee.</p> <p>• 2017 Registration Document 2.8.1 p.105; 2.3.3. p.70</p> <p>L'Oréal evaluates and selects its suppliers based on five key elements: quality, Corporate Social and Environmental Responsibility, innovation, supply chain and service, and competitiveness. These pillars form the basis both for daily performance and for long-term strategies. A global scorecard has been deployed for all purchasing fields and makes it possible to precisely measure suppliers' results, in particular their compliance with their environmental, social and societal commitments which represent 20% of the final assessment and is organised by a series of criteria, including:</p> <ul style="list-style-type: none"> - Social audits: 1,231 audits were carried out in 2017, bringing the total number to over 9,400 since 2006 - CR policy assessment by Ecovadis: by the end of 2017, over 480 suppliers, including 153 strategic suppliers (as compared to 303 suppliers, including 137 strategic suppliers in 2016), were assessed in this manner. This represents 87% of the Group's strategic suppliers. <p>• 2017 Registration Document, 3.2.4.2 p.199-202 • 2017 Sharing Beauty With All Progress Report p.24</p>
<p>Undertake awareness-raising, training and other types of capacity building with suppliers and other business partners</p>	<p>Within the framework of its commitments for 2020 under the <i>Sharing Beauty With All</i> programme, L'Oréal has undertaken to ensure that:</p> <ul style="list-style-type: none"> - all its strategic suppliers will be assessed and selected based on their social and environmental performance 2017 result: 82% - all its strategic suppliers will have completed a self-assessment of their sustainability policy with the Group's support 2017 result: 87% - all suppliers will also have access to L'Oréal training tools in order to improve their sustainability policies 2017 result: the dedicated online training platform was launched at the end of 2016. <p>This online site dedicated to suppliers proposes e-learning modules, video presentations on ethics, climate change, social audits, etc. It will firstly be made available to strategic suppliers, before being gradually implemented more broadly</p> <ul style="list-style-type: none"> - 20% of strategic suppliers will be associated with the <i>Solidarity Sourcing</i> programme 2017 results: 9%



INDICATORS	ANSWERS
	<p>L'Oréal wants to share, stimulate and jointly develop solutions with its suppliers in order to promote best practices throughout its value chain; these are thus used to inspire and support partners in deploying their own action plans. This support is provided worldwide through dedicated events and tools. <i>(See related article below)</i></p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2 p.199 and 201 • 2017 Sharing Beauty With All Progress Report p.9; p.23
Other established or emerging best practices	<p>By the end of 2017, 48,692 people accessed work through the <i>Solidarity Sourcing</i> programme. In 2017, the number of purchasers involved in a Solidarity Sourcing project reached 141, an increase of 20% compared with 2016.</p> <p>Within the framework of the <i>Sharing Beauty With All</i> programme, L'Oréal has pledged to reduce its water footprint, which very naturally led the Group to join the Water Disclosure Project, as soon as it was launched in 2013. This project is aimed at measuring and reducing companies' water footprint. The Group has also encouraged its suppliers to join CDP's Water Disclosure Project Supply Chain since its launch in 2013. 84 suppliers participated in 2017.</p> <p>Besides, in 2017 ten key suppliers of paper, palm oil and soy participated in the first edition of CDP's Forest Disclosure Project Supply Chain.</p> <p>The Group's subcontractors and its suppliers of raw materials, packaging, production equipment and POS advertising/ Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.11, 23 and 24 • 2017 Registration Document 3.2.4.3 p. 203-204, 3.2.4.2 p.199-202

TRAINING: THE NEW PLATFORM L'ORÉAL CAMPUS FOR SUPPLIERS





Robust human rights management policies & procedures

CRITERION 3

The COP describes robust commitments, strategies or policies in the area of human rights

INDICATORS	ANSWERS
Commitment to comply with all applicable laws and respect internationally recognized Human Rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights)	<p>L'Oréal is committed to respecting and promoting Human Rights, namely by reference to the Universal Declaration of Human Rights dated December 10, 1948, and the United Nations Guiding Principles on Business and Human Rights dated June 16, 2011. L'Oréal has been a signatory of the United Nations Global Compact since 2003 and supports the UN Women's Empowerment Principles.</p> <p>In 2017, L'Oréal published its Human Rights Policy to share its commitment to its stakeholders, namely its consumers and civil society, and to describe how this commitment is respected in practice.</p> <p>(See related article page 13)</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Registration Document 2.8.2.1 p. 106; 3.1.4.4 p. 177
Integrated or stand-alone statement of policy expressing commitment to respect and support Human Rights approved at the most senior level of the company	<p>The Code of Ethics is signed by the Chairman and Chief Executive Officer as well as the members of the Group's Executive Committee.</p> <p>L'Oréal's Human Rights policy has been approved by the Group's Chairman and Chief Executive Officer and its Executive Committee and presented to our international social dialogue body and the Board of Directors.</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • L'Oréal Human Rights Policy
Statement of policy stipulating Human Rights expectations of personnel, business partners and other parties directly linked to operations, products or services	<p>L'Oréal's commitments on Human Rights are set out in the L'Oréal Spirit, Code of Ethics and Human Rights policy.</p> <p>L'Oréal considers that it is the right thing to do as well as a subject of growing importance to its employees, consumers, shareholders, business partners, communities in which it operates and civil society.</p> <p>Several chapters of the Code of Ethics are devoted to the practical implementation of respect for Human Rights: health, safety and security, diversity, bullying and sexual harassment, respect for privacy, contribution to the community and supplier selection and fair treatment of suppliers.</p> <p>L'Oréal's policy on child labour is also set out in its "Suppliers/Subcontractors and Child Labour" guide.</p> <ul style="list-style-type: none"> • The L'Oréal Spirit • L'Oréal Code of Ethics • L'Oréal Human Rights Policy • Suppliers/Subcontractors and Child Labour



INDICATORS	ANSWERS
Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties	<p>The L'Oréal Spirit, the Code of Ethics and L'Oréal's Human Rights Policy are publically available on loreal.com</p> <ul style="list-style-type: none"> • The L'Oréal Spirit • L'Oréal Code of Ethics • L'Oréal Human Rights Policy
Other established or emerging best practices	<p>In 2014, the Chairman and Chief Executive Officer signed, on behalf of L'Oréal, the Women's Empowerment Principles, a UN Women and UN Global Compact initiative, which aims to promote gender equality and for the empowerment of women in the workplace, marketplace and community.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.177 <p>In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal ensures that other modes of dialogue exist with its employees enabling them to report any concerns they have.</p> <p>L'Oréal has chosen to set a compulsory minimum age of 16 for its entire staff, a minimum age which is higher than that required by the International Labour Organisation.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.8.4.2.1. p.112-113; 3.1.4.4 p.179

L'ORÉAL SHARES ITS HUMAN RIGHTS POLICY





CRITERION 4

The COP describes effective management systems to integrate the human rights principles

INDICATORS	ANSWERS
Process to ensure that internationally recognized Human Rights are respected	<p>L'Oréal ensures that Human Rights are respected via continued communication, training, due diligence, risk assessment and monitoring.</p> <p>• 2017 Registration Document 3.1.4.4 p.177-179</p>
On-going due diligence process that includes an assessment of actual and potential Human Rights impacts.	<p>Ongoing due diligence is based on Verisk Maplecroft™ indexes with regard to child labour, forced labour, health and safety, non-discrimination, respect of privacy and right of indigenous people.</p> <p>At local level, an ethics self-assessment tool enables Country Managers to assess their possible ethical risks (including those relating to Human Rights) and to take the necessary corrective action.</p> <p>The risk analysis for suppliers and subcontractors is performed by the Purchasing Department, notably by means of social audits.</p> <p>• 2017 Registration Document 3.1.4.4 p.177-179</p>
Internal awareness-raising and training on Human Rights for management and employees	<p>Every year since 2009, L'Oréal organizes an Ethics Day in order to ensure ongoing internal communication on this topic. All the Group's employees are able to ask L'Oréal's Chairman and Chief Executive Officer questions which he answers during a live webchat. All Country Managers also have the opportunity to discuss ethics with their employees.</p> <p>In 2017, over 60% of the employees took part in these chats and over 5,700 questions were asked worldwide.</p> <p>A compulsory e-learning course on ethics, namely covering Human Rights subjects, is being rolled out in all countries.</p> <p>As of December 31, 2017, 74% of employees with access to the online module had completed the course.</p> <p>In 2017, 99% of the Group's countries included subjects related to Human Rights (health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers) in their local training programmes and 94% of the countries communicated on at least one of these topics.</p> <p>In 2017, L'Oréal's Human Rights Policy was launched in all the Group's countries and a launch kit was made available to allow the policy to be communicated to all staff.</p> <p>• 2017 Registration Document 3.1.4.4 p.177-178</p>



INDICATORS	ANSWERS
Operational-level grievance mechanisms for those potentially impacted by the company's activities	<p>L'Oréal's "Open Talk" policy enables employees to namely report serious abuses of human rights and fundamental freedoms and breaches of rules related to health and safety and respect for the environment, namely via a secure Internet site (ethics whistle-blowing line) directly to the Senior Vice-President and Chief Ethics Officer.</p> <p>It is planned to open the Group's ethics whistle-blowing line (www.loreal.ethics.com) to all of the Group's stakeholders in 2018.</p> <p>The Ethics Correspondents' network allows all employees to have a local point of contact whilst favouring the normal routes for handling concerns by management.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 2.8.2.1 p.106; 2.8.4.4 p.119; 3.1.4.4. p. 178
Allocation of responsibilities and accountability for addressing Human Rights impacts	<p>The Senior Vice-President and Chief Ethics Officer is in charge of overseeing the respect of Human Rights. This mission has been entrusted to him by L'Oréal's Chairman and Chief Executive Officer, to whom he reports regularly. He informs the Board of Directors and the Executive Committee.</p> <p>Country Managers are in charge of implementing the Human Rights policy in their country. The Group's Senior Vice-President and Chief Ethics Officer meets systematically with each new Country Manager and Country Human Resources Director in order to raise their awareness on Human Rights issues.</p> <p>The Human Resources teams are responsible for respect for Human Rights with regard to employees.</p> <p>The Purchasing teams are responsible for respect for Human Rights at the sites of suppliers and subcontractors.</p> <p>The Human Rights Steering Committee, chaired by the Senior Vice-President and Chief Ethics Officer, and comprising representatives of different activities, functions and geographical zones is in the process of being formed.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.177
Internal decision-making, budget and oversight for effective responses to Human Rights impacts	See above.
Processes to provide for or cooperate in the remediation of adverse Human Rights impacts that the company has caused or contributed to	<p>Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the Human Rights policy.</p> <p>With regard to suppliers, the most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.178-179



INDICATORS	ANSWERS
Process and programmes in place to support Human Rights through: core business; strategic philanthropic/ social investment; public policy engagement/advocacy; partnerships and/or other forms of collective action	<p>Created in 2010, <i>Solidarity Sourcing</i> is L'Oréal's global responsible purchasing programme. Its aim is to use the Group's purchasing power to serve social inclusion. It consists in dedicating part of its purchases to suppliers giving people who are generally excluded from the labour market durable access to work and income. (See related article page 17)</p> <p>In 2017, this programme enabled 48,692 people from socially or economically vulnerable communities all over the world to gain access to work or to keep a job and receive a decent income. This represents an additional 6,192 people (+15%) compared to 2016 on a like for like basis.</p> <p>In addition, L'Oréal encourages its strategic suppliers to implement programmes inspired from the <i>Solidarity Sourcing</i> programme for their own purchases. In 2017, 9% of these suppliers have thus applied a similar programme. L'Oréal pledged that 20% of them would be involved in the project by 2020.</p> <p>To fight against the under-representation of women in the scientific world, the L'Oréal Foundation in partnership with UNESCO created the L'Oréal-UNESCO <i>For Women in Science</i> programme in 1998. 2,800 women in science from over 115 countries have received awards and been rewarded since 1998.</p> <p>In 2014, in France, the L'Oréal Foundation launched, in partnership with the French Education Ministry, L'Oréal <i>For Girls in Science</i>, which aims to make scientific subjects more attractive and to encourage more scientific career paths, in particular for young girls, thanks to classroom appearances by more than 140 female ambassadors. 15,000 pupils have been the subject of awareness campaigns every year since 2014.</p> <ul style="list-style-type: none">• 2017 Sharing Beauty With All Progress Report p.23• 2017 Registration Document 3.2.4.3 p. 203-204; 3.2.4.2 p.199 and 202; 3.1.4.2. p.171-172• L'Oréal Foundation website



INDICATORS	ANSWERS
Other established or emerging best practices	<p>All framework agreements signed with suppliers/ subcontractors contain a societal clause providing for compliance with the Fundamental Conventions of the International Labour Organisation.</p> <p>• 2017 Registration Document 3.1.4.4 p.177</p> <p>In accordance with its commitments to comply with the principles of the Convention on Biological Diversity, in 2005, L'Oréal included in its sustainable sourcing policy for renewable raw materials compliance with the rights of indigenous peoples, which is based on obtaining a prior agreement, and the guarantee of a fair return to the local populations.</p> <ul style="list-style-type: none"> - Based on this process, L'Oréal has for example been granted by the Indian National Biodiversity Authority a legal access to a list of biological resources for research activities. - In Brazil, where Biodiversity can be a great source of Innovation, L'Oréal is also actively working with the competent authorities and with the local communities towards the enforcement of several benefit sharing agreements, for a total respect of indigenous people rights and a fair and equitable benefit sharing. <p>With the support of the Rainforest Alliance, L'Oréal reinforced its sustainable sourcing policy for renewable raw materials in 2017. This approach is based on four principles:</p> <ul style="list-style-type: none"> - guaranteeing the traceability of raw materials - evaluating social and environmental issues with suppliers in each sector; - verifying that a number of criteria are respected, such as labour conditions, equal opportunities - having this entire process verified by an independent third party <p>During an acquisition of premises or construction site project, L'Oréal must ensure that the former owners and occupiers have not been unfairly removed and/or that any expropriation by the authorities has been conducted in accordance with international law.</p> <p>• 2017 Registration Document 3.1.4.4 p.178 • 2017 Sharing Beauty With All Progress Report p.12</p>

SOURCING AS A CATALYST FOR SOCIAL INCLUSION





CRITERION 5

The COP describes effective monitoring and evaluation mechanisms of human rights integration

INDICATORS	ANSWERS
System to monitor the effectiveness of Human Rights policies and implementation with quantitative and qualitative metrics, including in the supply chain	<p>An annual ethics reporting system covers all the subjects addressed in the Code of Ethics. This information namely helps to assess the Group's performance in terms of the application of Human Rights.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.178 <p>L'Oréal's <i>Buy & Care</i> programme comprises a section aimed at an audit of this compliance with social legislation enabling it to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety for their teams and health and hygiene in the workplace, as well as putting into place systems to avoid accidental pollution of air, soil and water and ensure the proper handling of waste, including waste water, as well as the transport of hazardous materials.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.177; 3.2.4.2 p.199-200 2.8.4.2.2 p. 113
Monitoring drawn from internal and external feedback, including affected stakeholders	<p>L'Oréal regularly runs employee surveys, including questions on respect and diversity.</p> <p>In 2012, within the scope of the consultations organised during the development of the <i>Sharing Beauty with All</i> programme, L'Oréal developed a materiality analysis. This process enabled the Group to fine-tune its understanding of the sustainable development issues that were important in the eyes of its internal and external stakeholders, in order to compare them with its own strategy. (See L'Oréal's Materiality Matrix page 20)</p> <p>In 2016, L'Oréal updated its materiality matrix, using a methodology aligned with the criteria for the ISO 26000 standard. Among the 25 topics identified, Human Rights were classified as a top subject. In 2017, L'Oréal engaged in dialogue with 110 stakeholders in order to challenge its projects and progress.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.169
Leadership review of monitoring and improvement results	<p>The Chief Ethics Officer reports regularly to the Chairman and Chief Executive Officer. He informs the Board of Directors and the Executive Committee.</p> <ul style="list-style-type: none"> • 2017 Registration Document, 2.8.4.3 p. 114; 3.1.4.4 p.177

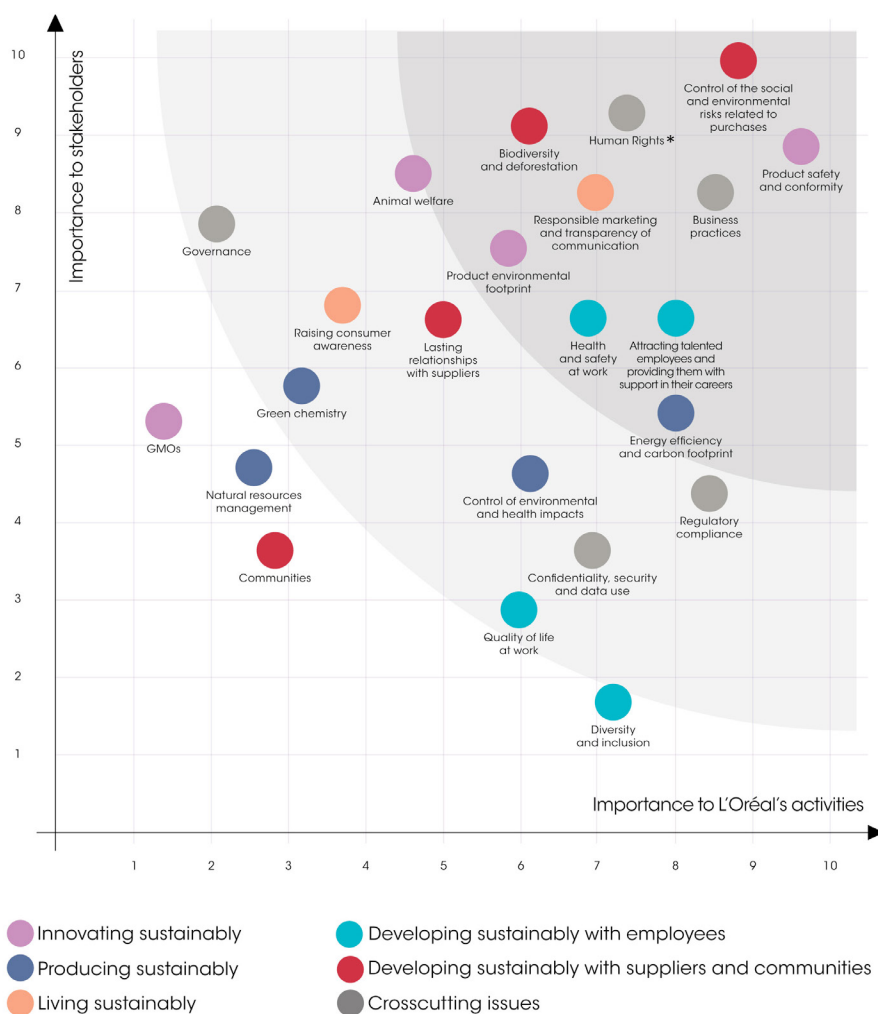


INDICATORS	ANSWERS
Process to deal with incidents the company has caused or contributed to for internal and external stakeholders	<p>L'Oréal's "Open Talk" policy enables employees to namely report serious abuses of human rights and fundamental freedoms and breaches of rules related to health and safety and respect for the environment, notably via a secure Internet site (ethics whistleblowing line) directly to the Senior Vice-President and Chief Ethics Officer.</p> <p>It is planned to open the Group's ethics whistleblowing line (www.loreal.ethics.com) to all of the Group's stakeholders in 2018.</p> <p>The Ethics Correspondents' network allows all employees to have a local point of contact whilst favouring the normal routes for handling concerns by management.</p> <p>Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the Human Rights policy.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 2.8.2.1 p.106; 2.8.4.4 p.119 <p>With regards suppliers, the most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.179
Grievance mechanisms that are legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue	See above.
Outcomes of integration of the Human Rights principles	<p>In 2017, 1,231 social audits were carried out, making a total of over 9,400 audits since 2006.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2 p.201 <p>No substantial risks with relation to freedom of association, child labour and forced labour have been identified.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.179 <p>No alleged Human Rights violations were reported to the Chief Ethics Officer in 2017. The Chief Ethics Officer was not informed of any alleged violation of indigenous peoples in 2017.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.178



INDICATORS	ANSWERS
Other established or emerging best practices	<p>Within the scope of the legal due diligence reviews carried out prior to proposed acquisitions, the Group's Legal Department includes an "Ethics and Human Rights questionnaire" prepared by the Office of the Chief Ethics Officer. The answers to this questionnaire submitted to target companies are intended to identify whether the risks related, <i>inter alia</i>, to failure to respect Human Rights (abolition of child labour and compulsory and forced labour, etc.) have been taken into account by such companies.</p> <p>The agreement of the Group's Security and Safety Department is required before choosing a new security services provider or renewing an ongoing contract with such a service provider. Where it is locally possible, L'Oréal gives preference to security service providers who have adhered to the International Code of Conduct for Private Security Service Providers.</p> <p>The subsidiaries enter into contracts locally for property security services and check on the skills, official accreditations and training of security guards.</p> <p>• 2017 Registration Document 3.1.4.4 p.178</p>

L'OREAL'S MATERIALITY MATRIX





Robust labour management policies & procedures

CRITERION 6

The COP describes robust commitments, strategies or policies in the area of labour

INDICATORS	ANSWERS
Reference to principles of relevant international labour standards (ILO Conventions) and other normative international instruments in company policies	<p>L'Oréal is particularly vigilant on issues covered by the Fundamental Conventions of the International Labour Organisation (prohibition of child labour and forced labour, respect of freedom of association), promotion of diversity, women's rights, respect for the right of people to use their natural resources and the right to health.</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • L'Oréal Human Rights Policy
Reflection on the relevance of the labour principles for the company	<p>L'Oréal has built its human and social project around two priorities: individual performance and social performance.</p> <ul style="list-style-type: none"> • 2017 Registration Document 1.3.2 p.36 • 2017 Registration Document 3.1.2.6 p.152-153
Written company policy to obey national labour law, respect principles of the relevant international labour standards in company operations worldwide, and engage in dialogue with representative organisation of the workers (international, sectoral, national).	<p>See: L'Oréal's Code of Ethics Human Resources policy L'Oréal Human Rights policy</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Registration Document 2.8.2.1 p.107; 2.8.2.2 p.108-109; 3.1.2.6 p.152-153, 3.1.4.4 p.177 • L'Oréal Human Rights Policy
Inclusion of reference to the principles contained in the relevant international labour standards in contracts with suppliers and other relevant business partners	<p>Suppliers and subcontractors are asked to comply with the ethical commitment that refers to compliance with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time, and health and safety.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.177; 3.2.4.2 p.199
Specific commitments and Human Resources policies, in line with national development priorities or decent work priorities in the country of operation	<p>For L'Oréal, there can be no sustainable economic growth without social progress. Throughout its history, the Group has set itself the target of offering an environment in which everyone can reveal their talents, improve and thrive.</p> <p>L'Oréal's <i>Share & Care</i> programme launched in 2013 and now implemented in all the Group's subsidiaries, aims to offer employees in all the countries where the Group is present the same minimum set of social benefits in the areas of healthcare and social protection but also parenthood and the quality of life at work. It also encourages each subsidiary to launch its own initiatives to meet local expectations.</p>

INDICATORS	ANSWERS
	<p>L'Oréal has been actively engaged, for over 10 years, in an innovative, ambitious Diversity & Inclusion (D&I) policy. The Group has set itself three global priorities: gender equality, inclusion of persons with disabilities and inclusion of people of various social, economic and multicultural origins.</p> <p>• 2017 Registration Document 3.1.2.4 p.144-147, 3.2.4.1 p. 198, 3.1.2.7 p. 153-156</p>
<p>Participation and leadership in wider efforts by employers' organizations (international and national levels) to jointly address challenges related to labour standards in the countries of operation, possibly in a tripartite approach (business – trade union – government).</p>	<p>Preparation of the L'Oréal Share & Care programme attracted the attention of the ILO (International Labour Organization) in the context of its study on the contribution by large companies to social protection all over the world.</p> <p>Close collaboration was developed and enabled the ILO to launch the Global Business Network for Social Protection which aims to act collectively and mobilise companies in order to create a basic set of social protection measures for everyone. L'Oréal is a founding member of this new business network created by the ILO to promote social protection all over the world.</p> <p>• 2017 Registration Document 3.1.2.4 p.147</p>
<p>Structural engagement with a global union, possibly via a Global Framework Agreement</p>	<p>An agreement signed in 1996 between L'Oréal and French and European trade unions (FECCIA and EMCEF) led to the establishment of the Company's Instance Européenne de Dialogue Social/European Works Council (IEDS/EWC).</p> <p>The IEDS/EWC covers approximately 30,500 employees in 28 countries which are part of the European Economic Area; among whom the 17 countries with more than 150 employees are directly represented.</p> <p>• 2017 Registration Document 3.1.2.6 p.152</p>
<p>Other established or emerging best practices</p>	<p>The L'Oréal <i>Share & Care</i> programme aims to give the Group's employees the best benefits in four areas:</p> <ul style="list-style-type: none"> - Protect: to provide employees and their families with effective financial protection in case of unexpected life events. - Care: to contribute to employees' good health, providing employees and their families with access to a high-quality healthcare system which is one of the top performers on the local market. - Balance: to enable all employees to fully experience milestones in life such as maternity and paternity, while pursuing their careers. - Enjoy: to offer a high standard quality of life at work and contribute to the professional and personal fulfilment of every employee. <p>The L'Oréal <i>Share & Care</i> programme aims at making each country a social innovation laboratory, by encouraging them to develop initiatives that are in line with the expectations of their employees.</p> <p>(See related article page 23)</p> <p>• 2017 Registration Document 3.1.2.4 p.144</p> <p>• 2017 Sharing Beauty With All Progress Report p.25</p> <p>Concerning the abolition of child labour, all L'Oréal entities are required to verify the age of their new employees when they are hired.</p>



INDICATORS	ANSWERS
	<p>L'Oréal has chosen to set a compulsory minimum age of 16 for its entire staff, a minimum age which is higher than that required by the International Labour Organisation.</p> <p>In light of their young age, employees who are between 16 and 18 years old are subject to specific measures and in particular: no night work, no overtime, no work involving the use of hazardous substances or tools, no carrying of heavy loads, the implementation of a reinforced training programme, appointment of an internal "tutor" and inclusion on a special register.</p> <ul style="list-style-type: none">• 2017 Registration Document 3.1.4.4 p.179

L'ORÉAL SHARE & CARE PROGRAMME: AN ACCELERATOR OF SOCIAL PROGRESS



CRITERION 7

The COP describes effective management systems to integrate the labour principles

INDICATORS	ANSWERS
Risk and impact assessments in the area of labour	<p>Employee survey Social dialogue EHS culture audits Gender Equality Audits</p> <p>• 2017 Registration Document 3.1.2.6 p.152; 3.1.3.2 p.160; 3.1.2.7 p.153-154</p>
Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards	<p>Social dialogue organisation</p> <p>The social climate at L'Oréal is the fruit of an ongoing dialogue between management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.</p> <p>Employee representative institutions are in place in most of the European subsidiaries, in several Asian subsidiaries (China, Indonesia, India, South Korea, etc.), in Africa (South Africa, Morocco, Kenya, etc.), in North and South America (the United States, Canada, Mexico, Brazil, Argentina, etc.), and also in Australia and New Zealand.</p> <p>In total, 82.1% of the Group's employees work in subsidiaries where there are employee representative institutions.</p> <p>In Europe, since 1996, the IEDS/EWC (Instance Européenne de Dialogue Social/European Works Council) is in place and "Working conditions" is a fix point recurring at each plenary meeting.</p> <p>• 2017 Registration Document 3.1.2.6 p.152</p>
Allocation of responsibilities and accountability within the organisation	<p>The Group Collective & Social Relations Director is responsible and accountable for the integration of labour principles within the organisation. Each country HR Director is responsible and accountable, in his/her country, for the respect of these labour principles.</p>
Internal awareness-raising and training on the labour principles for management and employees	<p>L'Oréal has undertaken to train its employees in diversity by organising <i>Diversity Training Workshops</i>.</p> <p>As of the end of 2017, this one-day in-class training session made it possible to raise awareness among over 28,000 employees.</p> <p>Labour principles are regularly presented and discussed in HR seminars, participants to these seminars coming from all countries, worldwide</p> <p>• Acting Ethically section on loreal.com • 2017 Registration Document 3.1.2.7 p.156</p>

INDICATORS	ANSWERS
Active engagement with suppliers to address labour-related challenges	<p>In order to embed social, ethical and environmental concerns within its supply chain, in 2002 L'Oréal launched the Buy & Care programme, adhered to by all the Group's purchasers. Within the framework of this programme, L'Oréal asks its suppliers and subcontractors to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2 p.199-200 • 2017 Sharing Beauty With All Progress Report p.24
Grievance mechanisms, communication channels and other procedures (e.g., whistleblower mechanisms) available for workers to report concerns, make suggestions or seek advice, designed and operated in agreement with the representative organisation of workers	<p>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</p> <p>The normal route for raising such issue is via the operational or functional management or the Human Resources Manager. There may also be additional resources available such as staff representatives.</p> <p>The Ethics Correspondents' network allows all employees to have an alternative local point of contact.</p> <p>Employees can ultimately use the L'Oréal Open Talk website which provides a secure mechanism for raising concerns directly with the Chief Ethics Officer.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 2.8.2.1 p.106
Other established or emerging best practices	<p>In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed 19 charters in all (Morocco, Hong Kong, the Baltics, the Czech Republic, Hungary, Poland, Slovakia, France, Argentina, Mexico, the United States, Austria, Belgium, Denmark, Germany, Italy, the Netherlands, Portugal and Spain).</p> <p>In 2017, out of over 5,000 companies, L'Oréal was recognised by Thomson Reuters as one of the 10 best companies with regard to Diversity and Inclusion. (See related article below)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.153-153

L'ORÉAL, ONE OF THE MOST DIVERSE AND INCLUSIVE COMPANIES IN REUTERS RANKING



CRITERION 8

The COP describes effective monitoring and evaluation mechanisms of labour principles integration

INDICATORS	ANSWERS
System to track and measure performance based on standardized performance metrics	<p>Most of the data is collected using the dedicated <i>HR Country Reporting</i> intranet system, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: workforce, training, absenteeism, labour relations, some key aspects of the <i>Share & Care</i> programme, remuneration, recruitment and profit sharing. A special section is dedicated to diversity.</p> <p>All the key figures of this system are covered by an annual external audit.</p> <p>The <i>Share & Care</i> programme is monitored in detail via a specific reporting tool and regularly controlled by the internal audit team.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.3.1.3 p.205; 2.8.2.2 p.109 <p>There is also an automatic diversity dashboard of 30 indicators on 6 dimensions of diversity such as gender, disability etc. This dashboard helps Human Resources better allocate their diversity efforts.</p> <ul style="list-style-type: none"> • L'Oréal Diversity and Inclusion Key Figures 2017 <p>L'Oréal's <i>Annual Ethics Reporting</i> system also covers certain items such as child labour and forced labour.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com
Dialogues with the representative organisation of workers to regularly review progress made and jointly identify priorities for the future	<p>Social dialogue organisation</p> <p>In 2017, 145 agreements were signed in France and 94 agreements were signed in the rest of the world. In total, the number of agreements in force at December 31, 2017 was 784.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.6 p.152-153
Audits or other steps to monitor and improve the working conditions of companies in the supply chain, in line with principles of international labour standards	<p>In 2017, 1,231 audits were carried out, taking the total since 2006 to over 9,400.</p> <p><i>(See related article page 27)</i></p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2 p.200-201
Process to positively engage with the suppliers to address the challenges (i.e., partnership approach instead of corrective approach) through schemes to improve workplace practices	<p>A <i>Welcome On Board</i> (WOB) supplier referencing process makes sure that suppliers understand L'Oréal's expectations.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.4.2 p.200
Outcomes of integration of the Labour principles	<p>Suppliers social audits results in 2017:</p> <ul style="list-style-type: none"> - 36.4% of the incidents of non-compliance related to working conditions, health and safety - 22.9% related to working hours - 18.5% related to remuneration <ul style="list-style-type: none"> • 2017 Registration Document 3.4.2 p.213



INDICATORS	ANSWERS
Other established or emerging best practices	<p>Supplier social audits are carried out on behalf of L'Oréal by independent external service providers. The initial audits and the re-audits three years later are financed by L'Oréal and the follow-up audits are paid by the suppliers.</p> <ul style="list-style-type: none">• 2017 Registration Document 3.2.4.2 p.200

ASSESSING SUPPLIERS' CSR PERFORMANCE





Robust environmental management policies & procedures

CRITERION 9

The COP describes robust commitments, strategies or policies in the area of environmental stewardship

INDICATORS	ANSWERS
Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)	<p>In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya protocol, aimed at regulating access to the resources of a given region and the fair and equitable sharing of the benefits arising from the use of those resources.</p> <p>Conscious of these issues well before the Nagoya Protocol came into force, L'Oréal's Research Department has continuously striven, since 2005, to adopt an approach aimed at securing its sourcing channels for the future to respond to the issues of sustainable use of Biodiversity. For this purpose, the Group gives preference, in particular, to the use of renewable raw materials, namely those whose carbon content is mostly of plant origin, and ensures that they are responsibly sourced.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.2 p.182
Reflection on the relevance of environmental stewardship for the company	<p>L'Oréal is mindful of its impact on the natural environment, including biodiversity, and constantly seeks to reduce it.</p> <p><i>Sharing Beauty With All</i>, L'Oréal's Sustainability Commitments</p> <p>By 2020, the Group pledges to reduce its environmental footprint all along its value chain by :</p> <ul style="list-style-type: none"> - reducing the environmental footprint of its product formula and packaging; - reducing by 60% from a 2005 baseline, the environmental footprint of its operations; - Reducing by 60% from a 2016 baseline, the environmental footprint of its administrative and research sites. <ul style="list-style-type: none"> • The L'Oréal Spirit • Sharing Beauty With All section on loreal.com • 2017 Sharing Beauty With All Progress Report p.11-13; p.16-18; p.25 • 2017 Registration Document 3.1.3.4 p.164-165
Written company policy on environmental stewardship	<p>See: L'Oréal's Code of Ethics <i>Sharing Beauty With All</i>, L'Oréal's Sustainability Commitments L'Oréal's Environment, Health and Safety (EHS) policy L'Oréal's Environmental policy</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Sharing Beauty With All Progress Report p.8-9 • 2017 Registration Document 3.1.3 p.156-158; 3.1.3.4 p.164-168



INDICATORS	ANSWERS
Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners	<p>By 2020, 100% of L'Oréal's strategic suppliers will participate in its sustainable development programme. The Group has developed a twofold approach, selecting its suppliers on the basis of their environmental and social performance, and providing them with training tools.</p> <p>The CSR strategy and action plans of suppliers are fully integrated into their relationship with L'Oréal and are therefore discussed at strategic meetings (Business Reviews).</p> <p>In this way, in 2017, 293 business reviews were carried out.</p> <p>The evaluation of suppliers on the CSR pillar is based, in particular, on their compliance with their social audits, the implementation of <i>Solidarity Sourcing</i> projects and their results in the CDP Supply Chain programme for the reduction of CO2 emissions.</p> <p>(See related article page 30)</p> <p>Member of the CDP (former Carbon Disclosure Project) since 2003 and the CDP Supply chain since 2007, L'Oréal continues to encourage its suppliers to measure and reduce their CO2 emissions.</p> <p>The total number of suppliers who have worked on climate change in 2017 is 355 (compared to 291 in 2016).</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.24; p.7 • 2017 Registration Document 3.1.4.1 p. 170 ; 3.2.4.2 p.201-202 ; 3 p. 126
Specific commitments and goals for specified years	<p><i>Sharing Beauty With All</i>, L'Oréal's Sustainability Commitments</p> <p>2020 Targets :</p> <ul style="list-style-type: none"> - 100 % of L'Oréal products will demonstrate an improved environmental or social profile - A 60% reduction of CO2 emissions at the Group's plants and distribution centres in absolute terms, from a 2005 baseline - A 60% reduction in water consumption per finished product unit from a 2005 baseline - A 60% reduction in waste generation per finished product unit from a 2005 baseline - Sending zero industrial waste to landfill - Reducing the CO₂ emissions from transportation of products by 20% per finished product/Km from a 2011 baseline - In 2015, L'Oréal announced its ambition to balance its residual CO₂ emissions (scopes 1 & 2, downstream transport of its finished products) by 2020, in order to become a "Carbon balanced" company <p>New 2025 targets, endorsed by the Science Based Targets initiative:</p> <ul style="list-style-type: none"> - 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable - all the Group's industrial, administrative and research sites will be required to achieve carbon neutrality <p>New 2030 target:</p> <ul style="list-style-type: none"> - A 25% reduction in absolute terms of scope 1, 2 and 3 carbon emissions from a 2016 baseline <p>A new "Working Sustainably" programme has been launched in 2016, and provided dedicated objectives for Administrative sites and Research centres by 2020, from a 2016 baseline :</p> <ul style="list-style-type: none"> - A 60% reduction of CO2 emissions in absolute terms - A 20% reduction of energy consumption in kWh per hour worked - A 20% reduction of water consumption in litres per hour worked - A 20% reduction of waste generation in kg per hour worked by 20% - Sending zero waste to landfill



INDICATORS	ANSWERS
	<p>In December 2015 at the time of the COP21, L'Oréal pledged that suppliers representing 80% of direct purchases:</p> <ul style="list-style-type: none"> - will participate in the CDP Supply Chain; - will set targets for reducing their carbon footprint; - will communicate on their action plans to succeed in reaching this target <p>As of the end of 2017, the suppliers fulfilling this commitment represent 60% of direct purchases.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report, p. 6-9; p.24 • 2017 Registration Document 3.1.3.4 p.165, 3.2 p.181; 3.2.4.2 p.199-202
Other established or emerging best practices	<p>Because deforestation is a major cause of greenhouse gas emissions, L'Oréal made a public commitment in 2014 to a "Zero deforestation" policy with the aim that none of its products will be associated with deforestation by 2020 at the latest. <i>(See related article below)</i></p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.2 p.184-185 • 2017 Sharing Beauty With All Progress Report p.14 <p>At the end of 2017, 100% of purchases of palm oil and derivatives are certified as sustainable according to the RSPO criteria (www.rspo.org), 92% of soya oil purchases in Brazil are certified as organic or Identity Preserved, more than 97% of paper used for product leaflets and 100% of the cardboard used for boxes are from sustainably managed forests (FSC or PEFC).</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.2 p.183; 3.2.1.4 p.186 • 2017 Sharing Beauty With All Progress Report p.14 <p>As of the end of 2017, 88% of plants are ISO 14001 certified (Environmental management), i.e. 36 plants out of 41. An ISO 50001 (Energy management) certification programme was launched in 2015, with the objective of certifying all its factories by 2020.</p> <p>As of the end of 2017, 44% of the plants are ISO 50001 certified, namely 18 plants including 16 in Europe, 1 in Brazil and 1 in India.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.4 p.165

INCLUDING THE FIGHT AGAINST DEFORESTATION IN THE SUPPLIER SELECTION PROCESS



CRITERION 10

The COP describes effective management systems to integrate the environmental principles

INDICATORS	ANSWERS
Environmental risk and impact assessments	<p>L'Oréal has a comprehensive programme of EHS audits, which includes risk audits, "Culture Audits", combined Risk and Culture audits, loss prevention audits by insurance companies, real estate audits and subcontractor audits.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.2 p.160
Assessments of lifecycle impact of products, ensuring environmentally sound management policies	<p>L'Oréal has made the commitment that by 2020, 100% of new or renovated products will have an improved environmental or social profile against at least one of the following criteria:</p> <ul style="list-style-type: none"> - The new formula will reduce the environmental footprint, particularly with regard to water use - The new formula will use sustainably sourced renewable raw materials or raw materials derived from green chemistry - The new packaging will have an improved environmental profile - The new product will have a positive social impact <p>2017 results: 76% of new or renovated products have an improved environmental or social profile.</p> <p>Since 2014, the Group has put in place a simplified tool that makes it possible to assess, in the form of an index, the social and environmental performance of its products. Between 2014 and 2016, L'Oréal's Sustainability, Packaging and Research teams worked on developing an innovative tool allowing them to assess the social and environmental performance of the Group's products, and integrate, for the first time, social as well as environmental criteria.</p> <p>The Group implemented the tool, known as the Sustainable Product Optimisation Tool (SPOT), in 2017 across all its brands.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1 p.182 • 2017 Sharing Beauty With All Progress Report p.11-14 and 20
Allocation of responsibilities and accountability within the organisation	<p>The Group Quality & EHS Director reports to the Executive Vice-President Operations, who in turn reports to the Group Chairman and Chief Executive Officer. He is responsible for safety, health and the environment.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.2 p.158
Internal awareness-raising and training on environmental stewardship for management and employees	<p>The EHS expertise training course, launched in 2013 specifically for the EHS teams, continued to be deployed in 2017.</p> <p>17 EHS managers were trained worldwide.</p> <p>Managers continue to receive training in environment, health and safety culture all over the world.</p> <p>In 2017, 230 managers and operational supervisors took part in the <i>EHS Operations and Labs</i> course and 49 top managers in a session on <i>Leadership & Safety culture</i>.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.2 p.159



INDICATORS	ANSWERS
Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts	<p>The first point of contact for employees is their Environment, Health and Safety manager.</p> <p>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</p> <p>The Ethics Correspondents' network allows all employees to have a local point of contact whilst favouring the normal routes for handling concerns by management.</p> <p>Employees can ultimately use the L'Oréal Open Talk website which provides a secure mechanism for raising concerns directly with the Chief Ethics Officer.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 2.8.2.1 p.105-106
Other established or emerging best practices	<p>The remuneration of factory managers and distribution centre managers is partly linked to their performances in the areas of Environment, Health and Safety.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.2 p.158 <p>A standard tool for analysis and exhaustive mapping of water consumption is now deployed in each of the Group's plants – the "Waterscan tool". This tool allows for categorisation of the different water utilisation items (cleaning of production tools, cooling, sanitary facilities, etc.) and to identify consumption in each of these categories. The best performances for a given use are established as a Group standard, and are then set as a target for each plant.</p> <p>In 2017, the same standard tool has been deployed for analysis and exhaustive mapping of energy consumption in each of the Group's plants : the "Energyscan tool". (See related article below)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.2.2 p.192, 3.2.2.1 p.189

OPTIMISED WATER CONSUMPTION AND RECYCLING WATER ON SITE





CRITERION 11

The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

INDICATORS	ANSWERS
System to track and measure performance based on standardized performance metrics	<p>88% of L'Oréal plants are ISO 14001-certified.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.4 p.165
Leadership review of monitoring and improvement results	<p>The Strategy and Sustainable Development Committee reports on its work to the Board whenever necessary, and at least once a year.</p> <ul style="list-style-type: none"> • 2017 Registration Document 5.1. p.80
Process to deal with incidents	<p>In the area of safety, the Group ensures compliance with the regulations and observance of its own standards on its industrial sites (plants or distribution centres). This was recently extended to Administrative and R&I sites. Subcontractor manufacturers are audited on a risk based approach to ensure the safety of persons and the environment.</p> <p>The EHS manual furthermore determines the measures to be applied to control the facilities and activities, in particular to reduce the risks of injury to persons and damage to property and the environment to a minimum. It covers the following areas in particular:</p> <ul style="list-style-type: none"> - the safety of persons and property - fire safety - maintenance and work - risks of accidental pollution - efficiency of the use of resources, water and energy consumption - greenhouse gas emissions, discharges of waste water, waste generation and treatment <p>This policy is accompanied by the monthly reporting of detailed indicators which make it possible to monitor changes in the results with regard to each of these areas and thus to identify anomalies and incidents.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.3 p.206; 3.1.3.2 p.159



INDICATORS	ANSWERS
Audits or other steps to monitor and improve the environmental performance of companies in the supply chain	<p>L'Oréal has set up programmes conducted with its suppliers for many years in order to raise their awareness of the main environmental issues and, in particular, the control of their CO2 impacts. This is the case via the CDP Supply Chain.</p> <p>L'Oréal invited 376 suppliers to participate in 2017, 94% of which responded positively.</p> <p>In 2017, 64 additional suppliers agreed to participate for the first time in the CDP Supply Chain (local American suppliers and transportation companies).</p> <p>In 2017, for the 5th edition of the Water Disclosure Project, L'Oréal selected 97 of its suppliers in order to involve them in this process. These suppliers were chosen on the basis of the following 3 criteria: technology that uses a lot of water, location of the production sites in water stressed areas and significance of the volumes of the purchases by L'Oréal.</p> <p>By the end of 2017, 84 of them had agreed to participate in this project.</p> <p>In 2017, L'Oréal has been encouraging its 10 main suppliers of paper, palm oil and soya to take part to the new CDP Forest Program.</p> <p>As of the end of 2017, 100% of suppliers selected did participate in the first year.</p> <p>Furthermore, in 2017, more than 480 suppliers had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers. 153 of them represent 87% of the Group's strategic suppliers.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.3.4 p.166-167; 3.2.2.2 p.194; 3.2.4.2 p.199-200 ; p.202 • 2017 Sharing Beauty With All Progress Report p.24
Outcomes of integration of the environmental principles	<p>2017 results:</p> <ul style="list-style-type: none"> - 76% of new or renovated products have an improved environmental or social profile - 52% of new or renovated products have an improved environmental profile thanks to a new formula with a lower environmental footprint - 48% of new or renovated products have an improved environmental profile thanks to a new formula using renewable raw materials that are sustainably sourced or respect the principles of green chemistry <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.8 <ul style="list-style-type: none"> - 73% reduction in CO2 emissions (tons, in absolute term) from plants and distribution centres since 2005 - 18% reduction in CO2 emissions linked to the transport of products (in grams of CO2 per sales unit per km) since 2011 - 48% reduction in water consumption (litre/finished goods produced) in plants and distribution centres since 2005 - 37% reduction in waste generation (gram/finished goods produced) in plants and distribution centres since 2005 - Less than 0.1% of industrial waste to landfill has been achieved in plants and distribution centres <ul style="list-style-type: none"> • 2017 Registration Document 1.2.6 p.22 • 2017 Sharing Beauty With All Progress Report p.8



INDICATORS	ANSWERS
	<p>In 2017, more than 97% of the paper used for product leaflets and 100% of the cardboard used for boxes were from sustainably managed forests in accordance with FSC or PEFC standards.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.4 p.186
Other established or emerging best practices	<ul style="list-style-type: none"> - 5,092 tonnes of packaging materials were saved between 2008 and the end of 2017 due to actions to reduce them at source. In 2017, 389 tonnes of virgin materials were saved - 55% of new or renovated products have an improved environmental or social profile thanks to packaging with a lower environmental footprint. (See related article below) <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.4 p.186 • 2017 Sharing Beauty With All Progress Report p.13 <p>The glass jar used for the facial care product, Absolué L'Extrait, developed in 2017 by the Lancôme brand strives to be at once desirable and sustainable. It is elegant, while also refillable, and its weight has been reduced by 39%. Using this refillable Lancôme jar and two refills represents a packaging weight reduction of 58% compared to using three conventional products.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.13 <p>The CDP, an independent international NGO that assesses companies' environmental performance, gave L'Oréal a triple "A", representing the top score, for each of the ratings made on key topics: the fight against climate change, sustainable water management and forest conservation. Only two companies in the world obtained this triple «A» score in 2017. L'Oréal came first in the Newsweek 2017 Global 500 Green Rankings which assess the performance of the largest groups in terms of Sustainable Development.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3 p.136; 2.5.4.2 P.100 • 2017 Sharing Beauty With All Progress Report p.27

MORE RECYCLED MATERIALS





Robust anti-corruption management policies & procedures

CRITERION 12

The COP describes robust commitments, strategies or policies in the area of anti-corruption

INDICATORS	ANSWERS
Publicly stated formal policy of zero-tolerance of corruption	<p>L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption. It applies to all Group employees, executive officers and directors, and members of the Executive and Management Committees, and to those of its subsidiaries worldwide. L'Oréal has moreover published a more detailed corruption prevention policy available on loreal.com. (See related article page 37)</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • The L'Oréal Spirit • 2017 Registration Document 3.1.4.4 p.175
Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes	<p>L'Oréal's Code of Ethics publicly states a commitment to respect the laws of the countries in which it operates.</p> <p>The Group Legal Department and local internal or external legal advisors helps L'Oréal's business units to keep abreast of changes in the local law.</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • Acting Ethically section on loreal.com • 2017 Registration Document 3.1.4.4 p.175-176
Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption	<p>L'Oréal is a signatory of the United Nations Global Compact, supports the fight against corruption, and commits to comply with the United Nations Anti-Corruption Convention of October 31, 2003 and to apply all applicable laws, including anti-corruption laws.</p> <p>L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission and a member of Transparency International France.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.175 • L'Oréal Code of Ethics • Acting Ethically section on loreal.com
Detailed policies for high-risk areas of corruption	<p>L'Oréal's Code of Ethics covers issues such as bribery and facilitation payments, conflicts of interests, accuracy in financial records, selection of suppliers as well as gifts and entertainment.</p> <p>With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and fighting against corruption:</p> <ul style="list-style-type: none"> - Specific anti-corruption guide: rolled out throughout the Group as a whole since 2013, it covers the relationships with each of L'Oréal's stakeholders, in particular with the public authorities and intermediaries. This practical guide is intended to specify the Group's standards and to help employees to handle situations that they might encounter in the performance of their duties.



INDICATORS	ANSWERS
	<p>It reaffirms L'Oréal's corruption prevention policy which was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors.</p> <ul style="list-style-type: none"> - Employee guide - Gifts/Invitations: distributed in 2014 on a groupwide basis to specify the rules in this regard; - "The Way We Buy": a practical and ethical guide for the purpose of governing the relationships between suppliers and all employees involved in purchasing decisions. This document has been translated into 12 languages. <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Registration Document 3.1.4.4 p.175-176 • Acting Ethically section on loreal.com • L'Oréal's Corruption Prevention Policy
Policy on anti-corruption regarding business partners	<p>L'Oréal wants to share its anti-corruption commitment with its business partners and compliance with the law is included in the Group's general terms of purchase.</p> <p>An anti-corruption clause is rolled out for intermediaries operating in high risk countries.</p> <p>L'Oréal reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176
Other established or emerging best practices	<p>The Chief Ethics Officer meets systematically with each new Country Manager in order to raise their awareness in particular on corruption prevention.</p> <p>During Ethics Day employees are able to ask questions on L'Oréal Ethical Principles, including on the prevention of corruption.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.175-177

L'ORÉAL'S CORRUPTION PREVENTION POLICY

L'ORÉAL'S CORRUPTION PREVENTION POLICY

The commitment to doing business with integrity is one of the pillars of our Code of Business Ethics.

L'ORÉAL has decided to communicate the way it prevents corruption.

This policy has been approved by the Chairman of the Board and Chief Executive Officer and by the Executive Committee, and has been presented to L'ORÉAL's Board of Directors. It may be regularly updated as a continuous progress is implemented.

SCOPE

As a Signatory of the United Nations Global Compact since 2003, we are committed to acting against corruption in all its forms and to abide in particular with the United Nations Convention Against Corruption of 31st October 2003.

As a global corporate citizen, we take full responsibility for our actions within our sphere of influence.

However, we cannot be a substitute for the responsibility that lies with governments and with international organisations in this area. The fight against corruption is a vast and complex subject that no company can take up on its own.

We are not in favour of boycotting countries on the grounds that their reputation as regards preventing corruption might be in dispute. We think we can make a positive contribution by being present in such countries, in particular by applying our standards even when the local legislation provides for lower standards.

We will express our convictions on preventing corruption whenever our activities, our employees or our business partners are concerned.

PRINCIPLES FOR ACTION

- We apply a zero tolerance policy on corruption;
- L'ORÉAL's corruption prevention policy applies to all employees, officers and directors, members of the Group's Executive and Management Committees and subsidiaries worldwide;
- Notwithstanding the existence of more restrictive anti-corruption laws, we consider that constitutes an act of corruption the offering, promising or giving, whether directly or indirectly, of an undue advantage in order that a person act or refrain from acting in the exercise of his or her duties or in breach of his or her duties as well as accepting or soliciting an undue advantage in order to act or refrain from acting in the exercise of his or her duties or in breach of his or her duties; in particular, we prohibit "facilitation payments".



CRITERION 13

The COP describes effective management systems to integrate the anti-corruption principle

INDICATORS	ANSWERS
Support by the organisation's leadership for anti-corruption	<p>L'Oréal's corruption prevention policy was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors.</p> <ul style="list-style-type: none"> • L'Oréal's Corruption Prevention Policy • 2017 Registration Document 3.1.4.4 p.175
Carrying out risk assessment of potential areas of corruption	<p>The risk of corruption is included in the Group-level risk assessment. Specific corruption risk mapping is in place at Group level and in each country.</p> <p>At local level, an ethics self-assessment tool enables Country Managers to assess their possible local ethical risks (including corruption) and to take the necessary corrective action.</p> <p>Within the scope of the legal due diligence reviews carried out prior to acquisitions, the Group's Legal Department includes an "ethics questionnaire" prepared by the Office of the Chief Ethics Officer. The answers to this questionnaire submitted to target companies are intended to identify whether corruption risk prevention has been taken into account by such companies.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176
Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees	<p>L'Oréal's corruption prevention commitment is supported by Human Resources procedures via the ethical competency "delivers both sustainable and short-term results with integrity", which is included in the annual appraisal system for all employees.</p> <p>In a spirit of transparency and in order to exchange ideas, the Group communicates regularly – both internally and externally – on the implementation of its corruption prevention policy and programme.</p> <p>Bribery and facilitation payments, gifts and entertainment and conflicts of interests are addressed in the e-learning on ethics.</p> <p>An E-learning on corruption prevention, available in 18 languages, is currently being deployed all over the world.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176 • Acting Ethically section on loreal.com
Internal checks and balances to ensure consistency with the anti-corruption commitment	<p>The Group's Internal Control system provides for control procedures for operational activities and in particular with regard to separation of tasks.</p> <p>L'Oréal's Annual Ethics Reporting platform helps monitor the group's ethical performance on this subject. Each Country receives a report which allows them to see how they compare to other entities with regards the implementation and monitoring of ethical issues, including corruption prevention.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176; 3.3.4.3 p.207
Actions taken to encourage business partners to implement anti-corruption commitments	<p>L'Oréal wants to share its anti-corruption commitment with its business partners and compliance with the law is included in the Group's General Terms of Purchase.</p> <p>An anti-corruption clause is rolled out for intermediaries operating in high risk countries.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176



INDICATORS	ANSWERS
Management responsibility and accountability for implementation of the anti-corruption commitment or policy	<p>The Country Managers, or for Corporate or Zone staff, the members of the Group Executive Committee to whom they report, are responsible for the proper deployment of the corruption prevention programme, and the respect of the corruption prevention policy.</p> <p>The Director of Risk Management and Compliance is in charge of developing the corruption prevention programme. The Risk Management and Compliance Director reports to the Executive Vice President of Administrative & Finance.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.175
Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice	<p>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy. The Ethics Correspondents' network allows all employees to have a local point of contact whilst favouring the normal routes for handling concerns by management. Employees can ultimately use the L'Oréal Open Talk website which provides a secure mechanism for raising concerns directly with the Chief Ethics Officer, including those relating to corruption.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document 3.1.4.4 p.176; 2.8.2.1 p.106
Internal accounting and auditing procedures related to anticorruption	<p>L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during internal audit assignments, through individual interviews with regard to Ethics. These interviews include questions specifically concerning corruption and are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.164

THE WAY WE PREVENT CORRUPTION E-LEARNING





CRITERION 14

The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

INDICATORS	ANSWERS
Leadership review of monitoring and improvement results	<p>In 2017, the Audit Committee of the Board reviewed the measures introduced to comply with the Sapin 2 law concerning transparency and the fight against corruption. The Executive Committee regularly reviews the corruption prevention policy presented to the Board of Directors. The Director of Risk Management and Compliance is responsible for developing the anti-corruption programme. He leads corruption risk mapping. Moreover, the Chief Ethics Officer reports regularly to the Chairman and CEO and informs the Board and Group Executive Committee.</p> <p>• 2017 Registration Document 1.1.1 p.8 ; 3.1.4.4 p.175, 2.8.2.1 p.106</p>
Process to deal with incidents	<p>Any allegation raised in good faith is thoroughly examined in detail and appropriate measures are taken, where necessary in the event of non-compliance with L'Oréal's corruption prevention policy.</p> <p>• Acting Ethically section on loreal.com • 2017 Registration Document 3.1.4.4 p.176</p>
Public legal cases regarding corruption	<p>There were no public cases regarding corruption in 2017.</p>
Outcomes of integration of the anti-corruption principle	<p>In 2017, L'Oréal decided not to work with six suppliers, due to corruption attempts during the social audit process. Two of these were prospective suppliers; regarding the four other suppliers, it was decided to end the relationship.</p>
Other established or emerging best practices	<p>The corruption prevention topic will be added from 2018 to Internal Control self-assessment campaigns and will be deployed in entities all around the world during the year.</p>

L'ORÉAL SUPPORTS THE UNITED NATIONS GLOBAL COMPACT





Taking action in support of broader UN goals and issues

CRITERION 15

The COP describes core business contributions to un goals and issues

INDICATORS	ANSWERS
Align core business strategy with one or more relevant UN goals/ issues	<p>See: Code of Ethics <i>Sharing Beauty With All</i> Sustainability Commitments</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Sharing Beauty With All Progress Report p.3 • Sharing Beauty With All section on loreal.com
Develop relevant products and services or design business models that contribute to UN goals/issues	<p>Examples of products or business models contributing to the UN goals and issues include namely Alternative Testing Methods, Green Chemistry, Formula Biodegradability, Packaging Eco-Design, <i>Solidarity Sourcing</i>, low-carbon growth.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.11-13 • 2017 Registration Document 1.2.6 p.19; 3.1.4.5 p.180 ; 3.2.1 p.182-183; 3.2.1.4 p.185-186; 3.2.4.3 p.203-204
Adopt and modify operating procedures to maximize contribution to UN goals/issues	<p>See: The L'Oréal Spirit Code of Ethics <i>Sharing Beauty With All</i> Sustainability Commitments L'Oréal's Diversity & Inclusion Policy <i>Share & Care</i> programme <i>Buy & Care</i> programme</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • Acting Ethically section on loreal.com • 2017 Sharing Beauty With All Progress Report p.7-8; p.24-25 • 2017 Registration Document 3.2 p.181-204; 3.1.2.4 p.144-147 ; 3.1.2.7 p.153-156; 1.3.2 p.38 <p>All employees are evaluated according to three ethical competencies:</p> <ul style="list-style-type: none"> - "Takes Accountability with Courage and Transparency" - "Delivers Both Sustainable and Short-Term Results with Integrity" - "Treats All Individuals in a Respectful and Consistent Manner" <ul style="list-style-type: none"> • 2017 Registration Document 2.8.2.1 p.106



INDICATORS	ANSWERS
Other established or emerging best practices	<p>By 2020, 100% of L'Oréal's products will have an improved environmental or social profile. To achieve this goal, the Group promotes the use of renewable raw materials that are sustainably sourced or derived from green chemistry.</p> <p>L'Oréal sources rice bran oil from the Isaan region in north-eastern Thailand, where the farmers are among the poorest in the country. The Group therefore opted to work with a fair trade-certified cooperative practising organic farming. Partnering with Pur Projet, L'Oréal implemented an agroforestry programme: planting trees in areas of rice production enriches the soils and biodiversity, and contributes to improving moisture retention.</p> <p>(See related article below)</p> <p>In 2017, 67,168 trees were planted, bringing the total to 138,000 since 2015. The plantations have captured 8,843 tonnes of CO₂ equivalent, contributing to L'Oréal's Carbon Balanced ambition.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2 p.181; 3.2.1.2 p.182-183 • 2017 Sharing Beauty With All Progress Report p.8-9 and p.12 <p>For the International Day of persons with disabilities declared by the United Nations, a communication kit was sent to all the Group's subsidiaries at the end of 2016 in order to help them organise awareness-raising events on disability. In 2017, 47 subsidiaries worked on disability-related projects.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.155

PLANTING TREES IN RICE PADDIES TO RESTORE SOIL HEALTH





CRITERION 16

The COP describes strategic social investments and philanthropy

INDICATORS	ANSWERS
Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy	<p>In 2017, the L'Oréal Group invested around 30 million euros in Philanthropy projects through:</p> <ul style="list-style-type: none"> - The L'Oréal Foundation, which developed in France programmes in keeping with the company values, particularly in the fields of Science and Beauty: <i>For Women in Science</i> and <i>Beauty for a Better Life</i> - The L'Oréal corporate divisions that implement locally the L'Oréal Foundation programmes and also support local initiatives. Ex: <i>Hairdressers against AIDS</i> - The L'Oréal Brands that support general interest initiatives in line with their identity and values e.g. MySkinCheck (La Roche-Posay), Water Lovers (Biotherm), Acqua for life (Armani), supporting children living in countries affected by humanitarian crises (Garnier and Unicef)... <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.2 p.171; 1.3.2 p.36 • 2017 Sharing Beauty With All Progress Report p.11 and 21
Coordinate efforts with other organisations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors	<p><i>Citizen Day</i> is the day every year when all L'Oréal's staff throughout the world are able to carry out voluntary work for associations, on public utility projects and projects providing support to their surrounding communities, while receiving their normal remuneration for the day from the company.</p> <p>With some 30,000 participants and 166,000 volunteering hours across 68 countries, this event supported 707 organisations in 2017.</p> <p>L'Oréal thus supported several hundreds of projects throughout the world, involving actions in the fields of solidarity, education, culture or the environment.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.3 p.173-174
Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups	<p>L'Oréal has always been committed to worthy causes and to the surrounding communities. First created in 2007, the purpose of the L'Oréal Corporate Foundation is to coordinate all the corporate philanthropy initiatives developed all over the world through the Group's subsidiaries and its brands. This commitment to good corporate citizenship now plays a strategic role in its development.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.2 p.173



INDICATORS	ANSWERS
Other established or emerging best practices	<p>The Foundation has developed an education and training programme, <i>Beauty For a Better Life</i>, that is offered free of charge to the disadvantaged and relies on the L'Oréal Group's know-how in areas such as hairdressing and make-up. The beneficiaries are vulnerable women experiencing social or economic problems, young people who have left home or who have dropped out of school or victims of conflicts or domestic violence.</p> <p>(See related article below)</p> <p>3,771 people in a very difficult living situation were trained in the beauty professions in 2017 within the framework of this training programme.</p> <p>- <i>Beauty for a Better Life</i> is also committed to supporting patients whose bodies are ravaged by illness or people who are marginalised and find it difficult to reintegrate into society. In 2017, in France, more than 25,000 beauty care and well-being treatments were provided allowing the L'Oréal Foundation to support more than 14,000 vulnerable people.</p> <p>- The L'Oréal Foundation also supports the Médecins du Monde association's reconstructive surgery operations (<i>Opération Sourire</i> or "Operation Smile") for children who suffer from congenital malformations and young women who have been victims of acid-throwing attacks. More than 900 children were operated on in 2017 within the framework of <i>Opération Sourire</i>.</p> <p>• 2017 Registration Document 3.1.4.2 p.172-173</p>

BEAUTY FOR A BETTER LIFE: TRAINING AS A CATALYST FOR INCLUSION





CRITERION 17

The COP describes advocacy and public policy engagement

INDICATORS	ANSWERS
Publicly advocate the importance of action in relation to one or more UN goals/issues	<p>In 2014, the Chairman and Chief Executive Officer signed, on behalf of L'Oréal, the Women's Empowerment Principles, a UN Women and UN Global Compact initiative, which aims to promote gender equality and for the empowerment of women in the workplace, marketplace and community.</p> <p>L'Oréal also supports and contributes to the Sustainable Development Goals of the United Nations.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.1 p.137; 3.1.4.4 p.177
Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues	<p>At global level, L'Oréal has been a partner since its creation of the <i>Equal at work network</i> of ENAR (European Network Against Racism), which enables it to hold discussions with other companies on this subject.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.155
Other established or emerging best practices	<p>An active member of the ILO since 2010, L'Oréal was one of the first companies to sign the organization's Global Business and Disability Network Charter in 2015. This worldwide network of international companies, national employers' organizations, business organizations and disabled people's organizations (DPOs) works together to promote disability inclusion in the workplace.</p> <p>(See related article below)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.155 • Diversity and Inclusion, Partners section on loreal.com

DEVELOPPING INCLUSION OF DISABLED PEOPLE





CRITERION 18

The COP describes partnerships and collective action

INDICATORS	ANSWERS
Develop and implement partnership projects with public or private organisations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy	<p>Many partnership projects are organized either with public organisations, for example UNESCO, or with private organisations, industry peers or suppliers at a Corporate, Brand or local level.</p> <p>Examples include <i>Beauty for a Better Life</i>, UNESCO <i>For Women in Science</i>, <i>For Girls in Science</i>, Médecins du Monde <i>Operation Smile</i>, <i>Hairdressers against AIDS</i>, Armani/Green Cross International, FSC, the Carbon Disclosure Project, Wild Asia, Fairtrade International, Garnier/Unicef...</p> <p>All L'Oréal's sustainable sourcing projects are set up in partnership with a local NGO such as Yamana in Morocco for argan oil sourcing, Technoserve in India for guar, Entrepreneurs du Monde in Burkina Faso for shea butter, Shanshui Conservation in China for honey.</p> <ul style="list-style-type: none"> • 2017 Registration Document 1.3.2 p.36; 3.1.4.2 p.171-172; 3.2.3.2 p.197 • 2017 Sharing Beauty With All Progress Report p.23 and 26
Join industry peers, UN entities and/or other stakeholders in initiatives contributing to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives extending the company's positive impact on its value chain	<p>Beyond its economic performance, L'Oréal is committed to civil society. Via the Sharing Beauty With All programme, the Group has reaffirmed its commitment to responsible growth shared with its employees, its suppliers and the surrounding communities. The Group's societal commitment extends well beyond its philanthropic activities and it maintains an ongoing dialogue with its stakeholders and continually interacts with the local social and economic fabric.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4 p.169 <p>L'Oréal actively participates in different initiatives on sustainability issues, such as:</p> <ul style="list-style-type: none"> • We Mean Business coalition • Better Buildings Better Plants US programme • Consumer Goods Forum (Board member) • Roundtable for Sustainable Palm Oil (RSPO) • Cosmetics Europe, AIM (European Brands Association) • Europen • Eco Emballages (France - Board member) • Ecofolio (France) <p>In 2015, L'Oréal was part of the French Business Act on Climate Pledge alongside French industry in response to a call from the French government. L'Oréal USA also joined the American Act on Climate Pledge, launched for the second time on October 19, 2015.</p> <p>In 2015, L'Oréal joined the UN Global Compact LEAD that brings together the most committed companies to sustainability.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.177



INDICATORS	ANSWERS
Other established or emerging best practices	<p>L'Oréal is a founding partner of the Women4Climate programme, which was launched in 2017 by C40 Cities, a global network uniting 90 of the world's large cities that have committed to preserve the climate.</p> <p>This initiative aims to support and train young women from civil society to strengthen their leadership capabilities and enable them to achieve their local climate adaption projects.</p> <p>(See related article below)</p> <ul style="list-style-type: none">• 2017 Sharing Beauty With All Progress Report p.7

SUPPORTING WOMEN4CLIMATE





Corporate sustainability governance and leadership

CRITERION 19

The COP describes CEO commitment and leadership

INDICATORS	ANSWERS
CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation	<p>The Chief Ethics Officer and the Chief Sustainability Officer report to the Chairman and CEO.</p> <p>The Strategy and Sustainable Development Committee is chaired by the Chairman and CEO.</p> <p>Since the announcement of the <i>Sharing Beauty With All</i> programme, an external governance body called the Panel of Critical Friends, consisting of leading international experts on environmental and social issues, has been set up to review progress, critically evaluate any action taken, suggest improvements and challenge L'Oréal's sustainability goals regularly. The panel met in 2016 in the presence of Jean-Paul Agon in New York, USA.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.3.3 p.69; 3.1.4.1 p.170; 3.2 p.181
CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact	<p>See extract from Jean-Paul Agon's statement in 2017 <i>Sharing Beauty with All</i> Progress Report.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.5 <p>In 2017, Jean-Paul Agon, Chairman and CEO of L'Oréal, gave a keynote speech during the CDP Awards ceremony in Brussels.</p> <p>In 2016, Jean-Paul Agon received the Women's Empowerment Principles CEO Leadership Award. The Women's Empowerment Principles is an initiative of UN Women and the UN Global Compact, which aims to promote gender equality and the empowerment of women in the workplace, market place, and the community.</p> <ul style="list-style-type: none"> • 2016 Annual Report, Women's Empowerment Principles Award
CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards	<p>L'Oréal is a founding member of the Global Business Network for Social Protection Floor created in 2015 by the ILO to promote social protection all over the world, following the close collaboration with L'Oréal on the Share & Care programme.</p> <p>Since 2016, L'Oréal has been one of the companies that has signed the Global Business and Disability Network Charter of the ILO aimed at promoting and including people with disabilities in companies.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.4 p. 147, 3.1.2.7 p.155 <p>In March 2017, Jean-Paul AGON, Chairman and CEO of L'Oréal and Chairman of the L'Oréal Foundation, gave the opening speech of the 19th edition of the L'Oréal-UNESCO For Women in Science Awards Ceremony.</p> <p>(See related article page 49)</p>



INDICATORS	ANSWERS
	<p>In September 2015, Jean-Paul Agon announced the ambition of L'Oréal to become a "carbon balanced" company by 2020. This announcement was made in the presence of Nicolas Hulot, Special Envoy of the President of the Republic of France for the Protection of the Planet and President of the Nicolas Hulot Foundation and Christian de Perthuis, Professor at the Paris Dauphine University and founder of the Climate Economics Chair.</p> <p>L'Oréal is also an active member of the Consumer Goods Forum dealing with issues such as deforestation and waste. Jean-Paul Agon is member of the Board.</p>
<p>Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team</p>	<p>40% of the CEO's annual variable remuneration is calculated on the basis of an assessment of the qualitative aspects of management and namely actions to help society.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.5.4.2 p.99 <p>Since 2016, criteria related to performance of L'Oréal's sustainability programme are integrated into the calculation of the bonuses for L'Oréal's country managers and brand managers.</p> <p>This is a way of recognising the contribution they have each made to the success of the programme, and of making this success a new performance indicator.</p> <ul style="list-style-type: none"> • 2016 Sharing Beauty With All Progress Report p.4

19TH EDITION OF THE L'OREAL-UNESCO FOR WOMEN IN SCIENCE AWARDS



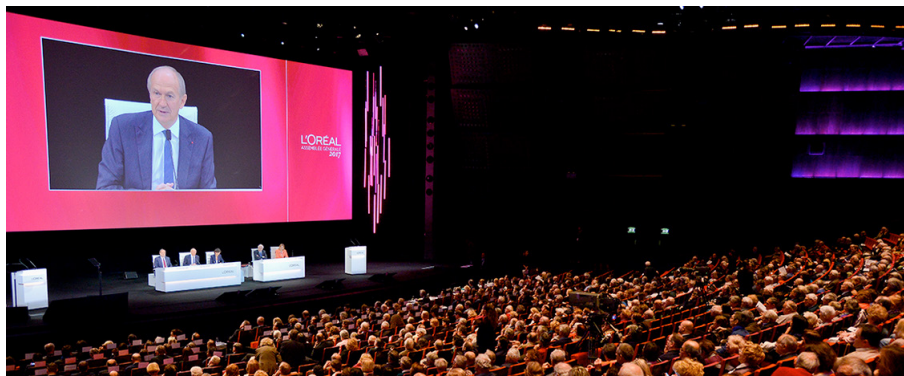


CRITERION 20

The COP describes Board adoption and oversight

INDICATORS	ANSWERS
Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance	<p>The Board analyses strategy, the group's economic and financial management and the Company's commitments to the environmental, social and societal fields. <i>(See related article below)</i></p> <ul style="list-style-type: none"> • 2017 Registration Document 2.3. p.66-67
Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability.	<p>Strategy and Sustainable Development Committee.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.3.3 p.69
Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress)	<p>L'Oréal's <i>Sharing Beauty With All</i> Progress Report is examined by the Strategy and Sustainable Development Board Committee members and approved by Jean-Paul Agon, the Group's Chairman and CEO.</p> <ul style="list-style-type: none"> • 2017 Registration Document 2.3.3 p.69

ETHICS AT THE HEART OF L'ORÉAL'S GOVERNANCE AND COMMITMENTS





CRITERION 21

The COP describes stakeholder engagement

INDICATORS	ANSWERS
Publicly recognize responsibility for the company's impacts on internal and external stakeholders	<p>L'Oréal attaches great importance to the dialogue with its stakeholders, namely with all those whose actions are likely to have an impact on L'Oréal and all those who are concerned by its activities.</p> <p>(See related article page 52)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.169
Define sustainability strategies, goals and policies in consultation with key stakeholders	<p>As the importance and handling of the challenges related to corporate social and societal responsibility differ from one country to the next, L'Oréal has set up stakeholder forums all over the world in order to promote dialogue at a local level with regard to both local and global issues.</p> <p>The dialogue conducted by L'Oréal with its stakeholders has taken place in three phases:</p> <ul style="list-style-type: none"> - 1st phase: upstream of the definition of the Group's sustainable development commitments for 2020, L'Oréal engaged a dialogue between 2011 and 2013 with 754 organisations, including a physical dialogue with 232 of them, through forums organised by the Group in 8 key countries, and also with internal experts (think tank). - 2nd phase: the Group set up in 2013 a dialogue platform hosted on the loreal.com website making it possible to continue this dialogue on-line, offering the possibility for NGOs, associations and not-for-profit organisations to interact with the Group's experts. - 3rd phase: since 2013, L'Oréal has set up special-purpose panels and consultations with regard to various topics in order to include the views of NGOs, associations, not-for-profit organisations and experts in its thought process and its projects. <p>In 2016, the Group updated its materiality grid and in 2017 engaged a dialogue with 110 stakeholders in order to challenge its projects and progress.</p> <p>(See related article page 20)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.169
Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance	<p>The stakeholders forum and the Panel of Critical Friends aim to collect feedback on L'Oréal's strategy regarding sustainability to nurture the Group's strategic thinking.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.169-171
Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'	<p>Concerns and questions can be reported in accordance with L'Oréal's Open Talk policy.</p> <p>The Ethics Correspondents' network allows all employees to have a local point of contact whilst favouring the normal routes for handling concerns by management.</p> <p>L'Oréal's "Open Talk" policy enables employees to namely report serious abuses of human rights and fundamental freedoms and breaches of rules related to health and safety and respect for the environment, namely via a secure Internet site (ethics whistle-blowing line) directly to the Senior Vice-President and Chief Ethics Officer.</p>



INDICATORS	ANSWERS
	<p>It is planned to open the Group's ethics whistle-blowing line (www.loreal.ethics.com) to all of the Group's stakeholders in 2018.</p> <ul style="list-style-type: none"> • Acting Ethically section on loreal.com • 2017 Registration Document, 2.8.2.1 p.106; 2.8.4.4.p.119
Other established or emerging best practices	<p>Every year since 2009, L'Oréal organizes an Ethics Day in order to ensure ongoing internal communication on this topic. All Group employees are able to ask L'Oréal's Chairman and Chief Executive Officer questions which he answers during a live webchat. All Country Managers also have the opportunity to discuss ethics with their employees.</p> <p>In 2017, over 60% of the Group's employees took part in this dialogue and over 5,700 questions were asked worldwide. All employees were also invited to respond to an ethics survey and to send their suggestions on "What more can we do on Ethics at L'Oréal?". This survey allowed to collect more than 1,100 suggestions from 64 countries.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.170; 3.1.4.4 p.178 <p>As a leader in the cosmetics industry, L'Oréal considers that it has a duty to be proactive and to take part in discussions around the formulation of local regulations in the countries in which it operates. It is for this reason that the Group is active within various professional associations such as Cosmetics Europe, AIM (European Brands Association), the US cosmetics industry association, WFA (World Federation of Advertisers), CAFFCI (China Association of Fragrance Flavour and Cosmetic Industries), ISTMA (Indian Soap and Toiletries Mfrs Association), CTPA (Cosmetic, Toiletry & Perfumery Association), etc.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.1 p.171

INVOLVING ALL STAKEHOLDERS



Annex: Women's Empowerment Principles

CRITERION A

The COP describes policies and practices related to supporting women's empowerment and advancing gender equality in the workplace

INDICATORS	ANSWERS
Achieving and maintaining gender equality in senior management and board positions & in middle management positions	<p>In line with the Women Empowerment Principles, L'Oréal establishes high-level corporate leadership for gender equality and ensures that all women and men are treated fairly at work, promotes education, training and professional development for women and measures and publicly reports on progress to achieve gender equality.</p> <p>One of L'Oréal's objectives is the nurturing and the emergence of talents of women at the top level of the organisation.</p> <p>As of December 31, 2017, women account for:</p> <ul style="list-style-type: none"> - 63% executives - 62% of local managers - 42% of expatriates in place - 45% of Group key positions - 62% of international brands are managed by women - 33% of the Executive Committee members - 46% of the Board of Directors members <p>• 2017 Registration Document 3.1.2.7 p.153</p>
Equal pay for work of equal value	<p>Another of L'Oréal's objectives is to reduce the difference in salaries between men and women to the point that they disappear.</p> <p>In each country, the remuneration policy is based on a performance assessment system applied worldwide.</p> <p>Since 2009 in France, INED (Institut National d'Etudes Démographiques) conducts a yearly pay analysis which shows that L'Oréal is reducing the gender pay gap. This study is being expanded to other countries.</p> <p>In 2017, the medium salary difference between men and women in France at all categories (unlimited term contract) was 3%. Salary gap (Men vs Women) per main categories net of structural effects (age, seniority, location, part time and status):</p> <ul style="list-style-type: none"> - Operatives/industrial workers: 1.22% - Administrative staff: 0.77 % - Managers: 4.03% <p>• L'Oréal Diversity and Inclusion Key Figures 2017</p> <p>The different gender audits that are conducted in the countries (Worldbank, GEEIS and EDGE) assess, among other criteria, if the equal pay for equal work principle is applied in the countries and propose concrete action plans to improve the situation if necessary.</p> <p>• 2017 Registration Document 3.1.2.7 p.154</p>

INDICATORS	ANSWERS
Flexible work options	<p>Within the framework of L'Oréal's Share & Care program, the Group has made a commitment to promoting initiatives for flexible work arrangements everywhere in the world. This involves setting up flexible systems of work according to the different local and business requirements.</p> <p>A Group Charter, which provides the framework for flexible work arrangements, has been distributed to all the subsidiaries, which are developing more and more innovative programmes, notably in the form of telecommuting, often associated with other forms of flexibility, with the aim of improving the quality of life at work to attract and retain the most talented employees.</p> <p>In all, telecommuting programmes have been set up in 28 countries in which L'Oréal has subsidiaries. Other countries have initiated studies on this subject and other programmes will be launched before 2020 in order to universalise these flexible organisations wherever this is authorised by law and permitted by local culture.</p> <p>At the end of 2017, 42 of the Group's 69 subsidiaries have already introduced "Work from Home" programmes and other subsidiaries are considering the possibility of joining this initiative. Flexible working hours are already in place in 45 subsidiaries.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.4 p. 145-146; 3.1.2.6 p. 151-152
Access to child and dependent care	<p>Local initiatives address child and dependent care issues, such as working time arrangements, kinder gardens for young children. As an example, in 2017, L'Oréal Argentina extended its employees' maternity leave to 105 days, which is 15 days more than the national legal requirement, with the equivalent remuneration of their salary. The company sends a present when a child is born and the return to work takes place gradually with shortened weekly schedules, compensated at the full rate. Additionally, to support mothers during their first years of motherhood, the company pays a monthly indemnity per child until the child is three years old. To date, this programme has been implemented in Panama, Salvador and Guatemala.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.25
Support for pregnant women and those returning from maternity leave	<p>In order to avoid maternity leaves and parenthood having a negative effect on the career of women at L'Oréal, various initiatives have been taken. The L'Oréal <i>Share & Care</i> programme is namely quite unique because it aims to ensure that women working at L'Oréal can benefit from a maternity leave of a minimum of 14 weeks, paid at 100%, in all countries.</p> <p>The Group also ensures that women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the Company.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.4 p.145 • 2017 Sharing Beauty With All Progress Report p.25

INDICATORS	ANSWERS
Recruitment and retention, including training and development, of female employees	<p>In recruitment the goal is to achieve a balanced recruitment in all functions. L'Oréal carries out a specific action to increase the representation of women in some Business Units or functions where women are underrepresented (IT, Operations).</p> <p>The L'Oréal Foundation launched in France in 2014, a new programme dedicated to young girls, L'Oréal For <i>Girls in Science</i> (<i>Pour les Filles et la Science</i>). Intended to encourage more scientific vocations among girls at secondary schools and to fight against pre-conceived ideas relating to science and women in science.</p> <p>This programme was the subject of an agreement with the French Ministry of National Education, Higher Education and Research in 2015.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.2 p.171
Education and training opportunities for women workers	<p>Since 2010, L'Oréal has been a committed participant in EVE programme seminars. This is an initiative of the Danone Group that strives to help women to become agents of change in their companies thanks to inspirational and motivational abilities. Since 2014, there has been a new Asia-Pacific EVE seminar.</p> <p>Another seminar was launched in Africa in December 2017. At the end of 2017, 430 Group employees have had the opportunity to take part in this training since its creation.</p> <p>The internal training programme Lead&Enable, launched in 2017 for the Group's top managers, supports managerial transformation and promotes new ways of managing teams and of working together, in particular, by incorporating an inclusive management component.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.156 <p>Further examples include L'Oréal USA which runs the "Women's offsite" programme. This conference is aimed to empower senior women across the company.</p> <p>L'Oréal's programme includes the Global Summit of Women, the Women's Forum, JUMP, aufeminin.com day, ELLE active.</p> <p>L'Oréal also contributes to women career development, through training, promotions and expatriations.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.153 • L'Oréal Diversity and Inclusion Key Figures 2017
Creating and maintaining workplace awareness of gender equality and, inclusion and non-discrimination for all workers	<p>In order to raise awareness on diversity, L'Oréal employees take part in one-day <i>Diversity Training Workshops</i>.</p> <p>As of the end of 2017, more than 28,000 employees have taken part in <i>Diversity Training Workshops</i>.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p. 156

Annex: Women's Empowerment Principles

INDICATORS	ANSWERS
Mentoring and sponsorship opportunities for women workers	As a founding partner of the EVE programme , L'Oréal has already seen over 430 of its male and female employees trained in women's leadership through this intercompany seminar which is unique in its social innovation.
Other established or emerging best practices	<p>L'Oréal CEO Mr. Jean-Paul Agon received the 2016 CEO Leadership Award for Championing Gender Equality by Women's Empowerment Principles for L'Oréal's action in favour of gender equality.</p> <p>In October 2017, L'Oréal USA was named by <i>Working Mother Magazine</i> as one of the 100 Best Companies for working mothers. They were recognized for their progressive programmes in advancement of women, flexibility, childcare and paid parental leave.</p> <ul style="list-style-type: none"> • 2016 Annual Report, Women's Empowerment Principles Award • 2017 Registration Document 3.1.2.4 p.146 <p>L'Oréal's efforts to certify their subsidiaries with the GEEIS gender equality label have been recognised by the Arborus Fund, the founding organisation for the GEEIS label. In 2014, L'Oréal received a special award for the most extensive certification network in Europe.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.154 <p>L'Oréal is member of the Executive Board of the International Dual Career Network, a non-profit association formed through the collaboration of companies, NGOs and academic institutions with the purpose of facilitating the job search for mobile employees' partners, and providing member companies access to a turnkey pool of talent.</p> <p>In Autumn 2017, out of over 5,000 companies, L'Oréal was recognised by Thomson Reuters as one of the 10 best companies with regard to Diversity and Inclusion. Equileap, a non-profit organisation, has ranked 3,000 listed companies and awarded L'Oréal first place in its 2017 prize list. (See related article below)</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.153

L'ORÉAL RANKED #1 IN GLOBAL GENDER EQUALITY



CRITERION B

The COP describes policies and practices related to supporting women's empowerment and advancing gender equality in the marketplace

INDICATORS	ANSWERS
Supplier diversity programme	<p>Because a company's purchasing power is an economic development and societal impact factor, L'Oréal has decided to make its purchases a novel way of promoting social inclusion. The Group thus created a global solidarity purchasing programme in 2010 known as <i>Solidarity Sourcing</i>.</p> <ul style="list-style-type: none"> • 2017 Sharing Beauty With All Progress Report p.23 • 2017 Registration Document 3.2.4.3 p.203-204
Supplier monitoring and engagement on women's empowerment and gender equality including promotion of the Women's Empowerment Principles to suppliers	<p>Social audits of suppliers namely cover non-discrimination, sexual harassment and hostile working environment.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.176
Gender-sensitive marketing	<p>The L'Oréal Code of Ethics prohibits the undermining of human dignity in advertising or the presentation of degrading stereotypes. It also addresses the growing concern about eating disorders amongst young women and the growing debate about the early sexualisation of young children.</p> <p>L'Oréal has set up a department responsible for pre-approving advertising and marketing communications for all products marketed and sold by the Group around the world. This central department is staffed with teams of experts boasting extremely precise knowledge both of L'Oréal's product performance and of advertising regulations.</p> <ul style="list-style-type: none"> • L'Oréal Code of Ethics • 2017 Registration Document 2.8.5.3.1. p.121 <p>Integrating diversity – origins, disabilities, age, gender – in L'Oréal's marketing approach is an opportunity to create brand value and to create new links with the consumer. The goal is to identify the consumer segments with needs that are not adequately met, to better address them with relevant products and services accessible to everyone.</p>
Gender-sensitive product and service development	<p>L'Oréal offers a wide range of products dedicated to men and women.</p> <ul style="list-style-type: none"> • 2017 Registration Document 1.2.1 p.11; 3.1.2.7. p.153

Annex: Women's Empowerment Principles

INDICATORS	ANSWERS
Other established or emerging best practices	<p>In 2017, L'Oréal's first <i>Solidarity Sourcing</i> project involving the strategic issue of digital development was launched. Under the name Website Factory, it is based primarily in India in partnership with the supplier, Photon. Brands such as L'Oréal Paris, Garnier, Kerastase and Essie use this project to implement their websites and to have them maintained. Located in the area of Chennai that is classified as a "priority development area", this programme is based on three areas of focus:</p> <ul style="list-style-type: none"> - the development of employment and the revitalisation of the region; - practising an inclusion policy for local disadvantaged communities, primarily through a training programme; - guaranteed respect for equality for women and minorities from disadvantaged social backgrounds. <p>It has 69 full-time employees, a figure that, taking business prospects into account, is set to double from 2018 onwards. <i>(See related article below)</i></p> <p>• 2017 Registration Document 3.2.4.3 p. 204</p>

AN INCLUSIVE WEBSITE FACTORY



CRITERION C

The COP describes policies and practices related to supporting women's empowerment and advancing gender equality in the community

INDICATORS	ANSWERS
Gender impact assessments or consideration of gender-related impacts as part of its social and/or human rights impact assessments	<p>Ongoing human rights due diligence is based on Verisk Maplecroft™ indexes namely with regards to non-discrimination.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.4 p.178
Ensuring female beneficiaries of community programmes	<p>Many of L'Oréal's community programmes involve female beneficiaries:</p> <p>The Group's purchasing contracts guarantee 36,000 women, who are part of female producers associations:</p> <ul style="list-style-type: none"> - prepayments for their crops - a fair price - access to training - the implementation of community project <p>To lower the environmental impact of its raw materials and empower women to improve their health, wellbeing and livelihoods, L'Oréal has established sustainable sourcing programs that benefit local producers in regions impacted by climate change.</p> <p>(See related article page 60)</p> <p>L'Oréal USA supports Women Owned Business, representing more than 100 full times on 4 projects on various domains such as packaging marketing & business services.</p> <p>Several <i>Solidarity Sourcing</i> projects supported by NGOs and representing more than 1000 beneficiaries are dedicated to various vulnerable women communities such as single moms, military veteran wife, women victims of domestic abuses etc., or concern a majority of women such as professional temping beauty advisors all around the world.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.2.1.5 p.187-188 • 2017 Sharing Beauty With All Progress Report p.23 • Sustainability section on loreal.com, Sustainable Sourcing Programs
Community initiatives specifically targeted at the empowerment of women and girls	<p>The commitments of the L'Oréal Foundation centre round two major thematics which are part of the Group's DNA: science and solidarity beauty. Thanks to its <i>For Women in Science</i> action, the L'Oréal Foundation generates vocations from young women students in secondary schools, encourages women researchers and recognizes excellence in an area where women should be even more represented.</p> <p>As part of its Beauty for a Better Life programme, in partnership with local NGOs, the L'Oréal Foundation trains women in very difficult social or economic situations about the beauty industry (hairdressing and make-up), in order to help them to find employment.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.2 p.171-172 <p>Since 2012 L'Oréal Paris organizes in collaboration with the magazine "ELLE" the forum ELLE Active that is dedicated to female workers and women empowerment.</p> <p>Each year, L'Oréal Paris awards, through its Women of Worth programme in the United States, 10 exceptional women with \$25,000 to support their efforts to serve their communities.</p>

Annex: Women's Empowerment Principles

INDICATORS	ANSWERS
Strategies to ensure that community investment projects and programmes (including economic, social and environmental) positively impact women and girls.	See Above
Strategies to ensure that community investment projects and programmes (including economic, social and environmental) include the full participation of women and girls.	See Above
Other established or emerging best practices	<p>The L'Oréal Foundation launched in October 2014 L'Oréal for <i>Girls in Science</i>, intended to encourage more scientific vocations among girls at secondary schools and to fight against pre-conceived ideas relating to science and women in science. This programme is based on 2 elements:</p> <ul style="list-style-type: none"> - Visits of female scientists as "role models" in high school to speak to high school boys and girls to show a new face of science and fight against stereotypes on science and on women in science; a specific training and tool kit have been developed for these interventions. The programme reaches 15,000 high school students each year. - Digital communications: #LesFillesAussi on social networks with specific content (videos, figures, etc.) dedicated to 15-18 year olds. <ul style="list-style-type: none"> • 2017 Registration Document 3.1.4.2 p.171-172 • L'Oréal # Les Filles Aussi

SUSTAINABLE SOURCING PROGRAMS



CRITERION D

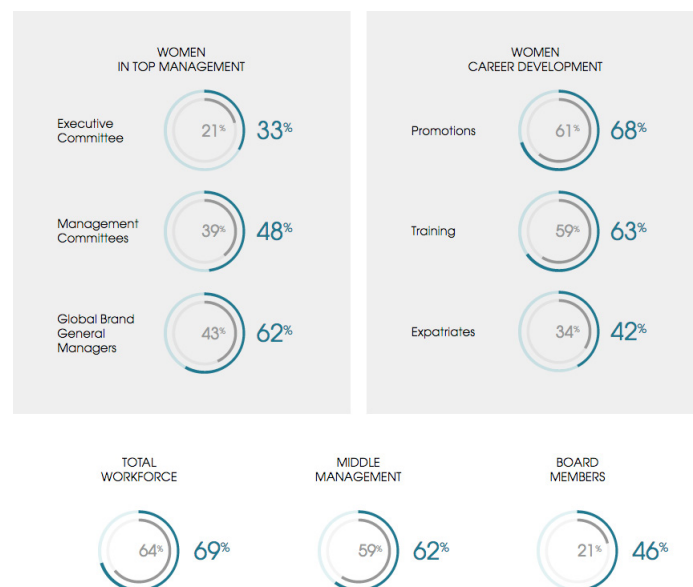
The COP contains or refers to sex-disaggregated data

INDICATORS	ANSWERS
Achieving and maintaining gender equality in senior management and board positions	<p>As of 31st December 2017, 46% of Board members, 33% of L'Oréal's executive committee members and 62% of international brand managers are women.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.153
Achieving and maintaining gender equality in middle management positions	<p>The composition of the workforce and the percentage of women in the different geographical zones is of 65% in Western Europe, 72% in North America and 70% in new markets.</p> <p>Women account for 69% of the Group's total workforce</p> <ul style="list-style-type: none"> - 63% of executives - 42% of expatriates in place - 62% of international brands are managed by women <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.6 p.151; 3.1.2.7 p.153
Equal pay for work of equal value	<p>This indicator is not consolidated at Group level.</p> <p>In France, since 2009, L'Oréal has called on independent experts to analyse pay. The Group selected INED (Institut National d'Etudes Démographiques) to conduct the yearly pay analysis, which shows that L'Oréal is making real progress in its commitment to closing the gender pay gap, with above-average results compared to other French companies.</p> <p>In 2017, the medium salary difference between men and women in France at all categories was 3%.</p> <ul style="list-style-type: none"> • L'Oréal Diversity and Inclusion Key Figures 2017
Recruitment and retention, including training and development, of female employees	<ul style="list-style-type: none"> - In 2017, 68% of employees who had a promotion were women - 63% of employees trained were women <ul style="list-style-type: none"> • L'Oréal Diversity and Inclusion Key Figures 2017
Education and training opportunities for women workers	<p>In 2017, 78% of the Group's employees received at least one training during the year.</p> <p>In 2017, 63% of employees trained were women.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.2 p.140 • L'Oréal Diversity and Inclusion Key Figures 2017

Annex: Women's Empowerment Principles

INDICATORS	ANSWERS
Creating and maintaining workplace awareness of gender equality and, inclusion and non-discrimination for all workers	<p>In 2017, 29 entities continued to be certified with gender equality certifications (EDGE + GEEIS) which help to raise awareness on the topic in the different countries representing 63% of the total workforce.</p> <p>L'Oréal's employees take part in 1 day classroom diversity workshops in order to raise awareness on the group's Diversity & Inclusion policy.</p> <p>Over 28,000 employees took part in such workshops.</p> <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.7 p.154 • L'Oréal Diversity and Inclusion Key Figures 2017
Mentoring and sponsorship opportunities for women workers	This indicator is not followed.
Other established or emerging best practices	<p>Reporting of additional key figures:</p> <ul style="list-style-type: none"> - Workforce breakdown by part-time/full-time contract by gender - Workforce breakdown by temporary/permanent contract by gender <ul style="list-style-type: none"> • 2017 Registration Document 3.1.2.6 p.115 • L'Oréal Diversity and Inclusion Key Figures 2017

DIVERSITY AND INCLUSION KEY FIGURES 2017



Conceived and edited by the Office of the Chief Ethics Officer and the Image and Corporate Communications Department

Photograph credit : Thomas Gogny / Divergence / L'Oréal (p.3), L'Oréal (p.3, 11, 13, 17, 20, 23, 30, 35, 37, 39, 47, 60, 62) , Ethisphere Institute (p.8), Thomson Reuters DR (p.25), Patrick Wack (p.27), Cyril Abad / CAPA Pictures (p.32), United Nations Global Compact (p.40), Christian Lamontagne (p.42), Carl Diner / Works / L'Oréal Foundation (p.44), Razvan Chisu / Nullplus (p.45), Jean-Charles Caslot / L'Oréal Foundation (p.49), Nicolas Fagot / Studio 9 / L'Oréal (p.50), Goyaves / L'Oréal Professionnel (p.52), EQUILEAP (p.56), Photon / L'Oréal (p.58)

Designed and produced by ConcepTeam/PrinTeam

L'ORÉAL

Incorporated in France
as a "Société Anonyme"
with a registered capital
of € 112,103,817.60
632 012 100 R.C.S. Paris

Headquarters:
41, rue Martre
92117 Clichy Cedex, France
Tel: +33 (0)1 47 56 70 00
Fax: +33 (0)1 47 56 86 42

Registered office:
14, rue Royale
75008 Paris, France

