

2017
PROGRESS
REPORT

*SHARING
BEAUTY
WITH ALL*

THE L'ORÉAL SUSTAINABILITY
COMMITMENT

L'ORÉAL

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SHARING BEAUTY WITH ALL



FIND OUT MORE ON THE WEB

Learn more about L'Oréal's sustainability strategy, commitments and activities at www.sharingbeautywithall.loreal.com



e-accessibility

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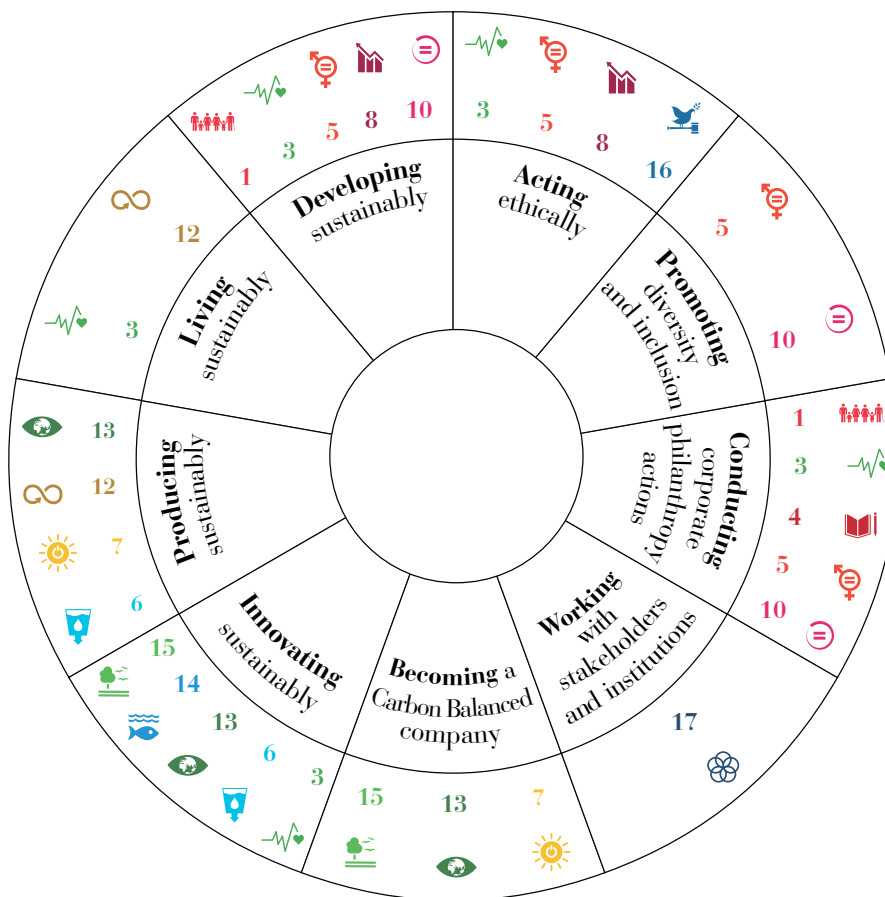
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Sharing Beauty With All: L'Oréal's commitment to sustainability

As part of L'Oréal's sustainability programme, *Sharing Beauty With All*, launched in 2013, the Group set itself a series of tangible commitments towards 2020. They address all its impacts and engage its whole value chain – from product design to distribution, including the production process and the sourcing of raw materials. The commitments are organised into four pillars: innovating sustainably, producing sustainably,

living sustainably and sharing growth with employees, suppliers and the communities with which L'Oréal interacts. Every year, L'Oréal, measures its progress quantitatively, making its results available to everyone. By upholding its commitment to continuous improvement, L'Oréal maintains an ongoing dialogue with its stakeholders, in order to share its sustainability strategy and co-create its initiatives. In 2017, it consulted 110 NGOs,

associations and academic experts. Overall, it has consulted 960 different organisations since 2011. The Group's sustainability programme, along with its strong commitment to ethics, its policy of promoting diversity and inclusion, and its philanthropic activities (conducted with the support of the L'Oréal Foundation and by its brands), enable the Group to contribute to 14 of the 17 Sustainable Development Goals established by the United Nations in 2015.



- 1 NO POVERTY**
- 3 GOOD HEALTH AND WELL-BEING**
- 4 QUALITY EDUCATION**
- 5 GENDER EQUALITY**
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- 8 DECENT WORK AND ECONOMIC GROWTH**
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Editorial



“ We have once again been able to show this year that economic performance and environmental, social and societal performance go hand in hand and are mutually reinforcing. ”

Jean-Paul Agon
Chairman and CEO

It is now many years since we began a profound transformation, across every area of our organisation, in order to help L'Oréal adapt to the great changes we see in our world. *Sharing Beauty With All*, our sustainability programme, is a fundamental pillar of our transformation and a strategic priority for all our teams.

We have undertaken measurable commitments towards 2020 across our value chain to limit our impact on the environment and make a positive contribution to the ecosystems around us. Now, three years away from our deadline, we have once again been able to show this year that economic performance and environmental, social and societal performance go hand in hand and are mutually reinforcing.

In the area of sustainable production, we are ahead in our transformation towards a model low-carbon enterprise. We had committed to reduce our CO₂ emissions by -60%, compared to 2005. In 2017, this reduction reached -73%, while our production grew by +33% in the same period. In this way, we continue to prove that it is possible to both link economic performance and ambitious climate protection commitments, and decouple growth from impact.

We have also achieved other important milestones, particularly in terms of innovating to reduce our water consumption. One of our plants, located in Spain, became the Group's first dry factory in 2017. 100% of the water used for industrial purposes to make our products there is recycled and reused. We aim to deploy this ambition to others industrial sites across the world.

Developing our products is also at the heart of reinventing our practices. Achieving our goal to improve the environmental or social profile of 100% of new products that we put on the market requires a radical paradigm change. A critical step has been accomplished this year in measuring our progress in these areas – 100% of new or renovated products in 2017 were assessed through our product assessment tool SPOT (*Sustainable Product Optimisation Tool*). As pioneers in this initiative, this is only the first step. Our future ambition is to make this information accessible to consumers so that they can make completely informed choices.

Our performance on these diverse areas has been recognised. L'Oréal topped the *Newsweek 2017 Global 500 Green Rankings*. And CDP, the leading NGO on environmental performance, awarded us a triple "A" rating for the second year running, the highest score possible, in recognition of our efforts to fight climate change, manage water responsibly and prevent deforestation. L'Oréal also gained a top rating on gender equality in the 2017 Equileap ranking. The Ethisphere Institute, global leader in defining and promoting standards for business ethics, placed the Group for the eighth time among the "most ethical companies in the world". Notably, in 2017, we also published L'Oréal's Human Rights Policy, a first in the Group's history.

These distinctions provide an incredible source of pride, motivation and meaning for all L'Oréal employees. They reward our employees' willingness to take part in a real organisational shift in culture, with all our teams now aligned, from Research & Innovation and Human Resources to Operations and Marketing.

“

Today, we are managing our sustainability goals with the same entrepreneurial spirit and the same ambition as our business goals. ”

The complete reinvention of all our practices is also a fantastic source of innovation and an amazing creative opportunity for the whole organisation.

When we launched the programme and announced our goals, we did not necessarily know how we would achieve them. I am convinced that this is what pushed our teams to be bold, creative and innovative. We have found solutions that we would never have previously believed were possible.

Today, we are managing our sustainability goals with the same entrepreneurial spirit and the same ambition as our business goals. That is why, this year, we have set new goals for the future by defining our "Science Based Targets". In this way, for example, by 2025, all our industrial, administrative and research sites will be required to achieve carbon neutrality, and we have committed to reduce all our greenhouse gas emissions by 25% by 2030, in absolute terms, compared to 2016, aligning our commitments with the 2°C trajectory that we believe to be the right course for the world.

But to go further, we know that we cannot act alone. From the beginning, we have sought to maintain discussions with external experts from every field. Accepting to be challenged continues to make us stronger. This is the case, for example, when the members of our *Panel of Critical Friends*

challenge us to always do better. Joining forces with all our stakeholders amplifies our impact. 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. However, even though we have made multiple, measurable advances, the final stage of our journey to reach our 2020 goals will be the most difficult. There are still major challenges ahead of us. And there is one in particular – to ensure that our products are used in a more responsible way by the people who buy them.

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.

We know that there are still many hurdles to overcome, but we are determined. We are pleased to play our part in helping to solve the great challenges of our planet, and delighted to share beauty with all.

Low-carbon growth, delivered

Climate change is a pressing issue, and the repercussions of this upheaval, particularly on the most vulnerable, require urgent action. With a commitment to making a profound transformation toward a low-carbon business model, the L'Oréal Group aims to play a catalysing role, in order to contribute actively to addressing this major challenge facing the world.

CO₂ emissions reduction: a global strategy

To reduce its carbon footprint, L'Oréal is taking a two-pronged approach. Firstly, the Group has reduced the emissions of its industrial sites by 73% compared to 2005 by lowering the greenhouse gas emissions of its plants and distribution centres, using renewable energy and improving its energy efficiency (see page 16 for more information). In the same period, its production volume increased by 33%, which confirms L'Oréal's ability to combine commercial success with its commitment to ambitious climate action.

In order to further strengthen its environmental performance, the Group has also forged a partnership with Suez to develop innovative technologies and solutions for all L'Oréal's industrial, administrative and research sites worldwide. By the end of 2017, 24 L'Oréal sites had already achieved carbon neutrality.

Additionally, L'Oréal has committed to balance the residual emissions linked to its industrial and logistics activities by 2020 through carbon savings generated within its sustainable sourcing activities. In partnership with its suppliers, NGOs or local experts, the Group



UNITED STATES

L'ORÉAL TAKES THE LEAD ON SUSTAINABILITY

In the United States, L'Oréal reduced the CO₂ emissions of its plants and distribution centres by 84% between 2005 and 2017. By end of 2017, all L'Oréal production sites were supplied by 100% renewable electricity, due to a series of on-site renewable energy projects and the purchasing of Renewable Energy Certificates at a local level. L'Oréal has installed more than 3,500 solar panels (with a 1.2MW generating capacity) at its plant in North Little Rock, Arkansas, and 4,100 panels (with 1.42MW generating capacity) at its Florence plant in Kentucky. Additionally, the Group launched another major initiative in 2017: biogas sourcing. This will help to significantly expand the proportion of renewable energy used by L'Oréal's North American production and distribution sites. In 2017, L'Oréal USA received a Green Power Partner of the Year Award from the U.S. Environmental Protection Agency.

develops projects designed to improve producers' lives, preserve biodiversity and capture or avoid carbon emissions in three ways:

- improving energy efficiency;
- promoting low-carbon farming practices, including agro-forestry;
- managing forests sustainably.

Launched in 2015, this innovative programme, called *Carbon Balanced*, covers L'Oréal's sites' Scope 1 and 2 emissions (meaning the emissions arising from all the Group's sites), together with the Scope 3 emissions linked to the downstream transport of its products (approximately

2017 in five key figures



400,000 tonnes of CO₂ annually). In 2017, this enabled the Group to prevent the emission of 45,291 tonnes of CO₂ equivalent (CO_{2e}), compared to 8,300 tonnes of CO_{2e} in 2016.

New Science Based Targets commitments confirmed

In December 2017, the *Science Based Targets* programme, an initiative established by CDP, the United Nations Global Compact, the World Resources Institute and the NGO WWF, validated the Group's new 2030 commitments. In this way, L'Oréal plans to lower its Scope 1, 2 and 3 carbon emissions by 25% in absolute terms, compared to 2016. And all its industrial, administrative and research sites have committed to a journey to achieve carbon neutrality by 2025.

A further commitment made as part of its *Science Based Targets* efforts – by 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable. This initiative will have a direct effect on the use of fossil fuels and will help to stimulate the circular economy.

Supporting women fighting against climate change

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.

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.

"At L'Oréal, we consider it a strategic imperative to commit ourselves, alongside the C40 women mayors, to supporting the future generation of women leaders in addressing climate change. This commitment reflects two of the Group's major values: promoting gender equality and preserving the climate," explains Alexandra Palt, Chief Corporate Responsibility Officer of the L'Oréal Group and Executive Vice President of the L'Oréal Foundation. *"Women play a fundamental role in the fight against climate change. It is our responsibility to help and support them."*

In every city signing up to the programme, L'Oréal will engage mentors from its teams to support the young women who are selected. This is already the case in Paris and in Mexico City: in each of these cities, a first cohort of 11 young women has been chosen to benefit from this mentoring programme.

-73%



By reducing the CO₂ emissions of its plants and distribution centres by 73%, in absolute terms, compared to 2005, while increasing its production volume by 33% within the same period, the Group has reinforced its ability to combine economic growth with ambitious climate commitments.

76%



76% of products launched in 2017 had an improved environmental or social profile. Every time a new product is created or renovated, the Group now takes into account its contribution to sustainability, as well as its performance and profitability.

53,505



The number of people from underprivileged communities who gained access to employment through one of L'Oréal's programmes. Our 2020 goal: to reach 100,000 people.

91%



The proportion of the Group's brands that have conducted an assessment of their environmental and social impact.






3

In 2017, for the second year in a row, L'Oréal was awarded a triple "A" CDP ranking, the highest score possible, on the three key topics of climate protection, managing water sustainably and preventing deforestation. The Group was one of just two companies among more than 3,000 assessed globally to obtain the triple "A" score, and the only French company.






2020 commitments, 2017 results

Every year, L'Oréal reports the evolution of sustainability performance in relation to its 2020 goals. The table below provides a concise, overall summary of the Group's progress within the four major focus areas of its *Sharing Beauty With All* programme, using "strategic" performance indicators.* The figures and activities relating to each focus area are shared in detail within the pages of this report.**

Innovating sustainably

2020 TARGETS	2017 RESULTS	2016 RESULTS
 <p>100% of L'Oréal products will have an improved environmental or social profile.</p> <p>Every time the Group creates or renovates a product, it will improve the product's environmental or social profile with regard to at least one of these four criteria:</p>	<p>76% ☺ of new or renovated products have an improved environmental or social profile.***</p>	82%
 <ul style="list-style-type: none"> the new formula reduces the product's environmental footprint, particularly with regard to water use; 	<p>52% ☺ of new or renovated products have an improved environmental profile due to a new formula with a lower environmental footprint.</p>	
 <ul style="list-style-type: none"> the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry; 	<p>48% ☺ of new or renovated products have an improved environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or respect the principles of green chemistry.</p>	
 <ul style="list-style-type: none"> the new product has a positive social impact; 	<p>31% ☺ of new or renovated products have an improved social profile, as they incorporate raw materials from <i>Solidarity Sourcing</i> programmes.</p>	
 <ul style="list-style-type: none"> the new packaging has an improved environmental profile. 	<p>55% ☺ of new or renovated products have an improved environmental profile due to packaging with a lower environmental footprint.</p>	

Producing sustainably





2020 TARGETS	2017 RESULTS	2016 RESULTS
 <p>L'Oréal will have reduced the CO₂ emissions generated by its plants and distribution centres by 60% in absolute terms, compared to 2005.</p>	<p>- 73% reduction in CO₂ emissions from plants and distribution centres since 2005.</p>	- 67%
 <p>L'Oréal will have reduced the CO₂ emissions linked to the transport of its product by 20% (in grams of CO₂ per sales unit per km), compared to 2011.</p>	<p>- 18% reduction in CO₂ emissions linked to the transport of products (in grams of CO₂ per sales unit per km) since 2011 with 357,770 tonnes ☺ of CO₂ emitted in 2017, which represents 0.0228 g CO₂ per sales unit per km.</p>	- 20%
 <p>L'Oréal will have reduced its water consumption by 60% per finished product, compared to 2005.</p>	<p>- 48% reduction in water consumption at plants and distribution centres since 2005 (in litres/finished product).</p>	- 48%
 <p>L'Oréal will have reduced its waste generation by 60% per finished product, compared to 2005.</p>	<p>- 37% reduction in waste generated from plants and distribution centres since 2005 (in grams per finished product).</p>	- 35%
 <p>L'Oréal will send zero industrial waste to landfill.</p>	<p>Less than 0.1% ☺ of waste from plants and distribution centres was sent to landfill. With the exception of one site, all the Group's plants and distribution centres achieved zero waste to landfill (beyond regulatory requirements).</p>	0,2%

* Excludes acquisitions and sub-contracting.

** Corporate, social, environmental and health & safety data in this report were verified by Deloitte & Associés and PricewaterhouseCoopers Audit and are indicated throughout by symbols indicating the level of audit assurance: ☺ (moderate) and ☺ (reasonable). Please refer to the methodological note and 2017 assurance report published in the Publications available at: www.sharingbeauty.com/resources.

*** In 2017, the SPOT tool replaced the mechanisms previously used to evaluate the social and environmental progress of formulas and packaging. SPOT takes more criteria into account, and enables a more comprehensive and rigorous analysis, whereby the diverse impacts are considered in terms of their contribution to the product's overall impact.

Living sustainably

2020 TARGETS	2017 RESULTS	2016 RESULTS
 <p>L'Oréal will evaluate the environmental and social profile of all its products using an assessment tool. All brands will make this information publically available to allow consumers to make sustainable choices.</p>	<p>100% of new or renovated products in 2017 were assessed using our product assessment tool.*</p> <p>% of brands communicating information arising from the product assessment tool to consumers.**</p>	
 <p>All brands will assess their environmental and social impact and make commitments to improve it.</p>	<p>91% of brands have assessed their environmental and social impact.</p>	90%
 <p>Every brand will report on its sustainability progress and raise consumer awareness of its commitments.</p>	<p>46% of brands conducted a consumer awareness initiative.</p>	46%
 <p>Consumers will be able to influence L'Oréal's sustainability efforts through a consumer advisory committee.</p>	<p>The activities undertaken by the Group take into account consumers' expectations, as expressed through a series of surveys conducted in 2017 by the Group on sustainability issues.</p>	





Developing sustainably...

2020 TARGETS	2017 RESULTS	2016 RESULTS
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... with communities

 <p>By 2020, L'Oréal will enable more than 100,000 people from underprivileged communities to gain access to employment through the following programmes:</p>	<p>53,505 people from underprivileged communities gained access to employment.***</p>	46,805*** people
 <ul style="list-style-type: none"> • <i>Solidarity Sourcing:</i> 	<p>48,692 people gained access to work through the <i>Solidarity Sourcing</i> programme.***</p>	42,500*** people
 <ul style="list-style-type: none"> • vocational training in the beauty sector; 	<p>3,771 people in difficult social or economic situations participated in free vocational training in the beauty sector through the <i>Beauty for a Better Life</i> programme, supported by the L'Oréal Foundation.</p>	3,295 people
 <ul style="list-style-type: none"> • employment of disabled people. 	<p>1,042 people with disabilities work for L'Oréal.</p>	1,010 people

... with suppliers

 <p>L'Oréal will assess and select all strategic suppliers on the basis of their environmental and social performance.</p>	<p>82% of the Group's strategic suppliers have been assessed and selected to date on the basis of their environmental and social performance.</p>	83%
 <p>All strategic suppliers will assess their own sustainability policy, with L'Oréal's support.</p>	<p>87% of strategic suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support.</p>	83%
 <p>All suppliers will have access to L'Oréal training tools to improve their sustainability policies.</p>	<p>Our dedicated online training platform was launched at the end of October 2016. It will firstly be made available to strategic suppliers, before being gradually implemented more broadly.</p>	
 <p>20% of strategic suppliers will be associated with the <i>Solidarity Sourcing</i> programme.</p>	<p>9% strategic suppliers are involved in the <i>Solidarity Sourcing</i> programme.</p>	4%

... with employees

 <p>Employees will benefit from health cover that reflects best practice in their country of residence.</p>	<p>96% of the Group's permanent employees benefit from health cover that reflects best practice in their country of residence.</p>	88%
 <p>Employees will benefit from financial protection in the event of a life-changing accident.</p>	<p>92% of the Group's permanent employees have access to financial protection in the event of a life-changing accident (including death or permanent disability).</p>	85%
 <p>Every L'Oréal employee will be able to attend at least one training session per year, wherever they are in the world.</p>	<p>78% of the Group's employees benefitted from at least one training session in 2017.</p>	77%

* The scope includes products made by L'Oréal (except full-buy, recent acquisitions, testers and samples, etc.).

** This indicator will be completed when the social and environmental display mechanism is finalised; this is currently being developed and will be implemented by the Group's brands.

*** Since L'Oréal sold *The Body Shop* on 7th September 2017, the beneficiaries of *Community Trade*, the initiative of this brand, are no longer accounted for within the Group's indicator.



INNOVATING SUSTAINABLY

By 2020, 100% of L'Oréal's products will have an improved environmental or social profile. The Group is promoting sustainable innovation by reducing the environmental footprint of its product formulas by sourcing raw materials in a sustainable way that respects biodiversity, optimising packaging and committing to zero deforestation.



Reducing the environmental footprint of formulas / 11

Respecting biodiversity / 12

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Reducing the environmental footprint of formulas

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENT


76% ✓

of new or renovated products have an improved environmental or social profile in 2017.*

ENVIRONMENTAL FOOTPRINT OF FORMULAS


52% ✓

of new or renovated products have an improved environmental profile, due to a new formula with a lower environmental footprint.

By 2020, 100% of L'Oréal's products will have an improved environmental or social profile, due in particular to improvements in the environmental profile of product formulas.

Improving the biodegradability of product formulas

L'Oréal has conducted lifecycle assessments to measure the environmental impacts of its products for many years. It has identified that water, and in particular the water discharged when the consumer uses the product, is among its principal impacts on the environment.

L'Oréal's teams therefore focus on improving the environmental profile of product formulas in two ways:

- improving the biodegradability of formulas, i.e. their ability to be broken down by natural micro-organisms;
- reducing their water footprint, which represents the product's impact on the aquatic environment.

An eco-design tool for formulas

L'Oréal has categorised all the products it manufactures (shampoos, hair care, styling, hair colours, shower gels, skin care, deodorants, sun care, make-up, perfumes, etc.) according to the benefits they offer to consumers. After defining 143 product categories and screening more than 40,000 formulas, the Group created an eco-design tool to improve the environmental profile of its formulas, while maintaining the same benefits for the consumer. The tool has been integrated within SPOT, the Group's product evaluation tool (see page 20), and is used by all its product formulation teams.

Among the new products launched in 2017, products across the Group's diverse brands feature formulas with levels of biodegradability exceeding 98%. These include, for example, Garnier's Nourishing Banana Hair Food Fructis mask or Nourishing Botanical Toner with Honey Flower, the L'Oréal Paris Smooth Sugars Clearing Scrub,

Vichy's Hair Mass Recreating Concentrate and Yves Saint Laurent's Illuminating Cleanser.

Overall, L'Oréal increased the average biodegradability rate of its shampoos sold in 2016 to 91%, and its shower gels to 87% (compared to 84% in 2015).

Recognised results

These product formula footprint improvements, combined with the reduction in water consumption achieved at production level (see page 17), enabled L'Oréal to obtain CDP's "A" score for corporate performance on sustainable water management in 2017, the highest level possible, for the second year running (see page 27).

BIOThERM



NEW SOLAR PROTECTION THAT RESPECTS THE AQUATIC ENVIRONMENT

In 2017, Biotherm launched its Waterlovers sun care range. 7 years of research, conducted by a team of 20 L'Oréal scientists, resulted in a formula with a 96% biodegradable base. In addition, the formula includes organic filters that protect the skin effectively from the sun, with a reduced impact on water. In particular, L'Oréal's teams conducted more than 200 tests in different aquatic environments simulated in a laboratory (fresh water and salt water). Overall, this product's environmental footprint has been reduced by 80% compared to the average of the sun care product category. ●

* These are either new products for which new formulas have been developed and are being produced for the first time in the Group's manufacturing plants, or products for which packaging was created or updated in 2017.

Respecting biodiversity

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENT



76% ✓

of new or renovated products have an improved environmental or social profile in 2017.*

RAW MATERIALS AND BIODIVERSITY



48% ✓

of new or renovated products have an improved environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or respect the principles of green chemistry.

SOCIAL IMPACT OF PRODUCTS



31% ✓

of new or renovated products have an improved social profile as they incorporate raw materials produced from *Solidarity Sourcing* programmes.

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.

Prioritising the use of renewable raw materials

59% of L'Oréal's raw materials (by volume) are derived from renewable sources, largely of plant origin.

The Group uses approximately 1,600 raw materials from nearly 360 species of plant originating from a hundred countries. Certain products launched in 2017 comprised more than 98% renewable raw materials. These include, for example, Garnier's Soothing Botanical Toner with Rose Water, Kiehl's Crème de Corps Nourishing Dry Body Oil, L'Oréal Professional's Powermix Color Radiance Additive, and Sanoflore's Moisturising Complexion Enhancer.

L'Oréal's product formulators are strongly encouraged to use ingredients that are either:

- sustainably sourced;
- or prepared using green chemistry principles, i.e. via processes that minimise the number of chemical synthesis stages as well as solvent and energy consumption. In 2017, 25% of the raw materials used by L'Oréal (by volume) were obtained according to green chemistry principles.

Reinforcing our sustainable sourcing methodology

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:

- guaranteeing the traceability of raw materials, which means knowing the origin of the plant and the country in which it was produced;

- evaluating social and environmental issues with suppliers in each sector;
- verifying that the following criteria are respected:
 - labour conditions must be decent and safe, in line with human rights and the principles prescribed by the International Labour Organization, across the whole supply chain;
 - equal opportunities and zero discrimination between producers are verified, and women's empowerment is encouraged;
 - the growing and harvesting of crops must contribute to improving producers' livelihoods and respect traditional knowledge of biodiversity, in line with the principles of the Nagoya Protocol;
 - cultivation and harvesting practices preserve biodiversity, particularly forests;
 - sustainable, low-carbon agricultural practices are in place;
- having this entire process verified by an independent third party, in order to measure the positive impact of the programmes on the respective sectors.

THAILAND



PLANTING TREES IN RICE PADDIES TO RESTORE SOIL HEALTH

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. 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. ●

*This means new products, i.e. products with new formulas, developed and produced for the first time in the Group's plants, or products with new or updated packaging in 2017.

Optimising packaging

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENT



76% ✓

of new or renovated products have an improved environmental or social profile in 2017.*

PACKAGING



55% ✓

of new or renovated products have an improved environmental profile, due to packaging with a lower environmental footprint.

MATERIALS



7,294

tonnes of recycled material were used in 2017.

CERTIFIED PAPER AND CARDBOARD



97%

of paper used for product use instructions is certified.

100%

of cardboard for product boxes is certified.

By 2020, 100% of L'Oréal's products will have an improved environmental or social profile. Optimising packaging is essential to achieving this goal.

Since 2007, L'Oréal has implemented a responsible packaging policy based on three pillars, known as the "three Rs": Respect, Reduce and Replace. The Group uses a global, systematic eco-design process, ahead of product design, for the packaging of finished products and also for packaging used during transport. L'Oréal extended this process to include point-of-sale (POS) advertising materials in 2015. It systematically analyses the environmental profile of its packaging in order to identify opportunities for improvement.

Respecting the environment

For its paper, cardboard and wood-fibre based packaging, the Group has set itself a target of using only materials from responsibly managed forests where biodiversity is protected. In 2017, 97% of the paper used for product use instructions, 100% of the cardboard used for product boxes and 89% of the paper and cardboard used in POS was certified (FSC or PEFC).

L'Oréal has also made a commitment to no longer produce finished products containing PVC by 1st January 2018. To date, the use of PVC represents only 0.007% of the plastic used by the Group (not including recent acquisitions).

Reducing and optimising resources

Developing packaging of an optimal size and weight with fewer resources represents another major opportunity to drive improvement. The Group saved 5,092 tonnes of packaging materials between 2008 and the end of 2017 through reduction initiatives at source and lightweighting efforts. L'Oréal is also working to reduce its resource consumption through large-format or refillable packaging.

Replacing materials with more sustainable alternatives

L'Oréal replaces conventional materials with alternatives from recycled or renewable sources (recycled or biosourced materials) at every possible opportunity. In 2017, the Group replaced virgin materials with 7,294 tonnes of recycled materials (PCR), an increase of 10% on 2016. This progress results primarily from its efforts to integrate recycled materials within the plastic component of its packaging, with a 33% increase compared to the previous year. For example, the Redken, Kiehl's and Pureology brands all brought shampoos to market in 2017 packaged in 250ml bottles made from 100% recycled plastic.

With a strong commitment to developing innovative solutions for plastics recycling, L'Oréal also signed an agreement with Carbios in 2017 to co-create a consortium to industrialise the bio-recycling technology designed and developed by Carbios.

LUXURY



THE REFILLABLE CHALLENGE

How do you combine luxury with sustainability? One of the important approaches used by L'Oréal's teams is to create refilling systems that improve the environmental impact of the product while also guaranteeing a premium experience for the consumer. The jar used for the facial care product, Absolute L'Extrait, developed

in 2017 by the Lancôme brand, is symbolic of this ambition. This 50ml glass jar 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. ●

*This means new products, i.e. products with new formulas, developed and produced for the first time in the Group's plants, or products with new or updated packaging in 2017.

Achieving zero deforestation

MONITORING INDICATORS UP TO 2020

PALM OIL



100%

of supplies of palm oil, palm oil derivatives and palm kernel oil derivatives have been certified sustainable as per RSPO criteria since 2012.

SOYA OIL



92%

of soya oil is certified organic.

CERTIFIED PAPER AND CARDBOARD



97%

of paper used for product use instructions is certified.

100%

of cardboard used for product boxes is certified.

As part of L'Oréal's zero deforestation policy, published in 2014, the Group pledged that by 2020 at the latest, none of the ingredients and raw materials used in its products would be linked with deforestation.

Since 2007, L'Oréal has implemented sustainable sourcing action plans for raw materials that risk being produced as a result of deforestation.

Palm oil, palm oil derivatives and palm kernel oil derivatives

L'Oréal purchases less than 400 tonnes of palm oil annually. However, it consumes approximately 74,000 tonnes of palm oil derivatives (from the pulp of the palm's fruit) and palm kernel oil (the extract of the kernel).

100% of the palm oil sourced by L'Oréal has complied with *Roundtable on Sustainable Palm Oil* (RSPO) standards since 2010, following the rigorous Segregated (SG) model, one of the most demanding. Regarding palm oil derivatives, which are also 100% certified since 2012, L'Oréal has increased the proportion of its Mass Balance purchases, achieving 51% by the end of 2017 (compared to 34% in 2016). The remainder is covered by the RSPO Book and Claim model. Furthermore, in 2014, the Group began tracing derivatives all the way back to their source. To date, its research has made it possible to trace 91% of its derivative volumes back to refineries, 74% back to mills and 15% back to plantations.

L'Oréal uses the deforestation risk evaluation tool devised by the NGO Global Forest Watch. All the Group's direct suppliers are also assessed in line with the *Sustainable Palm Index*, which was established in 2016 and made available to all industry players in 2017.

Soya oil and its derivatives

In 2017, 92% of soya oil used by L'Oréal (221 tonnes per year, less than 0.001% of global production) and sourced from Brazil has been certified organic or Identity Preserved (IP). The soya

oil derivatives used by the Group are largely sourced from zones classified as posing no risk of deforestation.

Wood-fibre based products

Among the materials used by L'Oréal for its packaging, 97% of paper used for product instructions and 100% of cardboard for product boxes come from sustainably managed forests (certified according to FSC or PEFC standards). 89% of the paper and cardboard used in POS materials is also certified. L'Oréal also uses other wood-based ingredients, such as cellulose derivatives and certain perfumery ingredients. A 2017 study conducted together with the NGO *Rainforest Alliance* enabled L'Oréal to lift the risk of deforestation from its principle supplies.



The Group's ambition and achievements in fighting deforestation have been recognised. In 2017, for the second year running, L'Oréal was awarded an "A" score by CDP, the highest possible level of performance (see page 27). Elsewhere, in 2017, L'Oréal's ten principle suppliers of paper, palm oil and soy took part in the first edition of the Forest Disclosure Project Supply Chain, a CDP programme (see page 24).

INDONESIA



RESTORING PEATLANDS AND SUPPORTING LOCAL PRODUCERS TO PRESERVE THE ENVIRONMENT

In 2017, L'Oréal launched a four-year peatland restoration project in Borneo, Indonesia, with one of its palm oil derivative suppliers. For many years, Indonesian peatlands have been illegally drained and burned, in order to be converted into agricultural land. This phenomenon has two major consequences - it unleashes large quantities of greenhouse gases and encourages the spreading of fires in the dry season. To eliminate this issue, the project plans to train local village communities on sustainable farming practices in dedicated fields. The initiative will also re-wet 2,000 hectares of land, in order to regenerate local biodiversity. In 2017, the project contributed to preventing the emission of more than 31,700 tonnes of CO₂ equivalent. ●



PRODUCING SUSTAINABLY

The Group's 2020 target is to reduce the environmental footprint of its plants and distribution centres by 60%, compared to 2005. At L'Oréal, reducing greenhouse gas emissions in absolute terms, water consumption and waste generation per finished product, and improving product transportation impacts have become fundamental indicators of industrial performance.



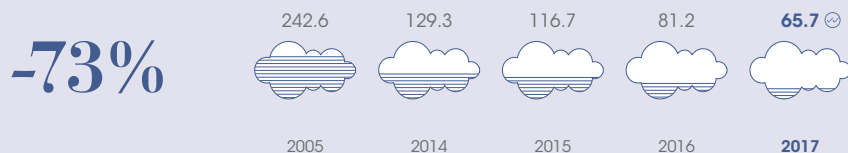
Reducing CO₂ emissions / 16
Reducing water consumption / 17
Reducing waste / 18

Reducing CO₂ emissions

MONITORING INDICATORS UP TO 2020

CO₂ EMISSIONS FROM PLANTS AND DISTRIBUTION CENTRES SINCE 2005*

(kiló tonnes in absolute terms, based on GHG Protocol methodology, Scopes 1 and 2)



CO₂ EMISSIONS LINKED TO TRANSPORT SINCE 2011**

(in grams of CO₂ per sales unit per km)



In 2017, L'Oréal reduced the greenhouse gas (GHG) emissions of its plants and distribution centres by 73% in absolute terms, compared to 2005, exceeding the -60% goal it had committed to achieve by 2020. It also reduced the emissions linked to transporting its products by 18% (per sales unit per km), compared to 2011.

L'Oréal reduced its GHG emissions by 73% between 2005 and 2017, in absolute terms. This exceptional performance was recognised for the fifth year running by CDP, which awarded L'Oréal with an "A" score in its 2017 Climate Leadership Index. At the end of 2017, the *Science Based Targets* initiative validated the Group's new emissions reduction goals relating to its entire value chain and all its impacts (see pages 6-7).

Improving energy efficiency

For more than 20 years, the Group has reduced energy consumption at its manufacturing sites by improving building design and insulation, optimising industrial processes and using energy-efficient technologies. In this way, L'Oréal reduced its energy consumption by 35% (in kWh per finished product) between 2005 and 2017. It also committed to certifying all its plants according to the ISO 50001 energy management standard. By the end of 2017, 44% of plants (18 sites) were ISO 50001-certified. L'Oréal also implemented a new tool, *Energyscan*, which categorises every type of energy consumption on a particular site. The best-performing results are established as a standard for all the Group's plants.

Increasing the use of renewable energy

In 2017, renewable electricity accounted for 53% of power requirements at L'Oréal's plants and distribution centres. The Group achieved this through large-scale projects harnessing diverse technologies adapted to the needs and location of each site (such as biomethanisation, biomass and solar panels), and by purchasing green electricity and gas. 24 of the Group's sites had achieved carbon neutrality by the end of 2017, including nine plants.***

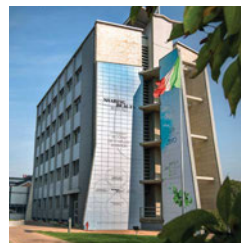
Reducing product transport emissions

L'Oréal also aims to reduce the emissions generated by the transport of its products from its manufacturing plants to its distributors (i.e. its customers). In 2017, the Group reinforced this strategy of sustainable transport with the global implementation of "Transport Labs". These seminars, which were organised in six regions, assembled more than 510 participants, including 200 transport companies, experts and promoters of innovative projects. As a result, the Group has undertaken multiple efforts. For example, in Russia, deliveries to the regional distribution centre of Novosibirsk have taken place by train since April 2017, which has generated a CO₂ emissions reduction of 5% for the transport of the products of the Group's Consumer Products Division, in one year.

Engaging suppliers

Since 2009, L'Oréal has encouraged its packaging and raw materials suppliers to work with CDP, within the context of its *Carbon Disclosure Project Supply Chain* programme. In 2017, 355 of them began this effort, compared to 291 in 2016 (see page 24).

ITALY



SETTIMO, A MODEL OF GOOD ENVIRONMENTAL PERFORMANCE

Established in 1959, the Group's Settimo plant in Italy specialises in producing make-up and hair care products. The plant achieved carbon neutrality in 2015 due to its innovative energy mix. It is 45% heated by biogas, with the remainder coming from the town's district heating network, to which the plant is connected. Two thirds of its electricity needs are met by a biomass power station, with the remainder derived from 14,000 photovoltaic solar panels. In 2017, the Settimo plant was able to further increase its energy efficiency by taking advantage of its water programme. The heat arising from the washing water is now recaptured and reused, and the energy needs of the water treatment station's ventilators were reduced by a third.

* Indicator calculated according to the "market-based" methodology defined by the GHG Protocol. These values take into account the emissions connected to refrigerant leaks.

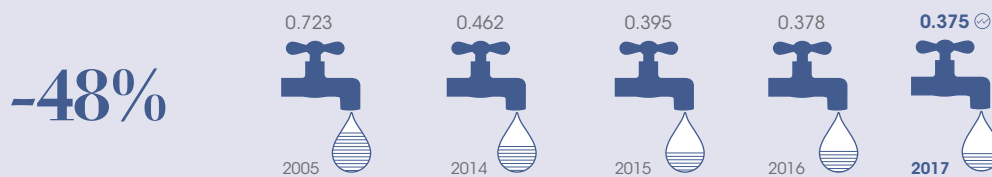
** Calculation relates to the scope of the Group, and excludes The Body Shop, NYX Professional Make-up Europe, IT Cosmetics and brands acquired in 2017, as well as products sold online from the Group's websites.

*** The nine plants that achieved carbon neutrality in 2017 are: Libramont in Belgium, Settimo in Italy, Alcalá de Henares and Burgos in Spain, Gauchy, Ormes and Rambouillet in France, Karlsruhe in Germany and Montreal in Canada.

Reducing water consumption

MONITORING INDICATORS UP TO 2020

WATER CONSUMPTION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005 (in litres per finished product)



L'Oréal has committed to reduce its water consumption by 60% per finished product by 2020, compared to 2005. To achieve this goal, the Group is undertaking multiple actions: optimising consumption and developing projects to treat, recycle and reuse water at its production sites.

A recognised approach to sustainable water management

L'Oréal prioritises responsible water use within its manufacturing operations by minimising its water requirements and taking into account the local availability of this vital resource. Overall, these combined operational initiatives allowed the Group to lower the water consumption (in litres per finished product) of its plants and distribution centres by 48% between 2005 and 2017. This represents a reduction of 31% of the Group's consumption in absolute terms, while production increased by 33% during the same period.

 This performance, combined with its efforts to improve the water footprint of products formulas (see page 11), saw L'Oréal honoured for the second year running with an "A" score in CDP's 2017 ranking of corporate performance on sustainable water management, the highest possible level (see page 27).

Optimising water consumption

The Group uses the Waterscan tool in all its plants to categorise the diverse types of water use (cleaning, cooling, lavatories, etc.) and identify how much water is consumed within each category. The best level of performance achieved for a particular type of water use is established as a standard for all the Group's plants.

Treating industrial water on site

The Group continues to install water treatment stations on its manufacturing sites. The water treatment station at L'Oréal's plant in Nairobi, Kenya, which is situated near a nature reserve, opened in 2017, and represents a key contribution to improving the site's environmental footprint.

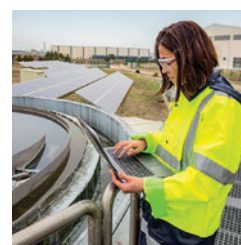
Promoting water reuse and recycling on site: towards dry factories?

L'Oréal aims at reusing industrial water at every possible opportunity, and then re-treating the wastewater leaving the water treatment system, with the help of diverse technologies (including ultrafiltration, reverse osmosis, etc.), in order to extract very high-quality water. This water is then reused for cleaning production tools or for cooling processes. By the end of 2017, 11 of the Group's plants had installations of this kind in place, becoming pioneers in the beauty industry: in Karlsruhe (Germany), Libramont (Belgium), Montreal (Canada), Suzhou (China), Burgos (Spain), Aulnay and Rambouillet (France), Pune (India), Settimo (Italy), Istanbul (Turkey) and Vorsino (Russia). Globally, L'Oréal now aims to develop "dry factories" (see case study).

Engaging suppliers

Since 2013, L'Oréal has encouraged its packaging and raw materials suppliers to participate in CDP's *Water Disclosure Project*, a programme whose mission is to engage companies in publishing their water management strategy and performance annually. In 2017, 84 of the Group's suppliers agreed to participate in the programme (see page 24).

SPAIN



BURGOS, L'ORÉAL'S FIRST "DRY FACTORY"

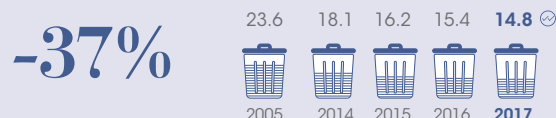
In addition to its renewable energy production installations, the Burgos plant in Spain established a wastewater recycling system in 2015. The facility has since been upgraded to increase the plant's capacity to reuse water at the end of the production process. The result: in 2017, the Burgos plant became the Group's first dry factory. Today, 100% of the water used for industrial processes is cleaned and recycled in a closed loop on site, so that it can be used again. ●

Reducing waste

MONITORING INDICATORS UP TO 2020

WASTE GENERATION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005

(in grams per finished product)



WASTE RECOVERED



WASTE SENT TO LANDFILL*



By 2020, L'Oréal will have reduced the waste generated by its plants and distribution centres by 60%, compared to 2005. The Group is undertaking ambitious efforts to reduce waste at source, while also ensuring the recovery of residual waste.

A highly ambitious policy

L'Oréal has an ambitious waste management policy which goes well beyond regulatory compliance. The Group has therefore set itself a very stringent definition of the concept of "waste", which includes, for example, raw material packaging or product packaging, sludge from wastewater treatment plants, etc.

In 2017, the Group reduced the quantity of waste generated per finished product by 37%, compared to 2005, while production increased by 33% during the same period. Overall, it averted 1,155 tonnes of waste in 2017.

Generating less waste at source

In order to fulfil its waste commitment, L'Oréal is optimising its use of materials across its manufacturing operations. This approach is based on multiple Group-wide projects that seek to:

- reduce waste related to transport packaging in plants and distribution centres, through eco-design, lightweighting, and optimising, reusing and standardising materials. Another strategy in place is "wall-to-wall" production, whereby a packaging production unit managed by a supplier is established on site. This allows the plant to reduce the transport of packaging and the generation of waste linked to transport packaging;
- improve manufacturing and packaging processes to minimise production losses;
- install sludge treatment systems in plants equipped with a wastewater treatment facility, in order to reduce the volumes generated and consequently the impact of their transport and their downstream treatment.

Recovering residual waste

L'Oréal aims to go one step further by ensuring the best possible recovery of waste that cannot be avoided at source. In 2017, it recovered 96% of its industrial waste by reusing or recycling it, or harnessing it to produce energy. 61% of this waste was comprised of recovered materials (i.e. reused or recycled).

Promoting the circular economy

Throughout its value chain, L'Oréal endeavours to promote eco-design, resource efficiency and local waste management. The Group seeks to join circular economy networks wherever it operates, in order to create industrial synergies with other players in the area.

CHINA



YICHANG: THE WAR AGAINST WASTE

In 2017, the Yichang plant launched its *War Against Waste* project with the aim of reducing by 50% the waste linked to its production process by 2018 (compared to 2016). The plant implemented around 40 tangible activities throughout its production operations. For example, it used reusable containers in place of disposable boxes for transport packaging, and reduced losses of liquids and packaging materials during the production process. Today, the Yichang plant is one of the highest performing plants in the Group on waste management and reduction. Additionally, other plants within the Group have been inspired by these good practices at a global level. ●

* Beyond local regulatory requirements



LIVING SUSTAINABLY

L'Oréal aims to empower its consumers to make sustainable choices. To achieve this goal, the Group has adopted a multi-faceted approach: gathering information on the environmental and social impact of products, evaluating the footprint of each brand, raising awareness among consumers and making sustainability desirable.



Assessing the footprint of products / 20

Raising consumer awareness of sustainable consumption / 21

Assessing the footprint of products

MONITORING INDICATORS UP TO 2020

EVALUATED PRODUCTS



100%

of new or renovated products were assessed in 2017 using the product assessment tool.*

CONSUMER INFORMATION**



% of brands sharing information arising from the product assessment tool with consumers to help them make informed consumption choices.

By 2020, L'Oréal will make information relating to the environmental and social profile of every product available to consumers, in order to help them make informed, sustainable consumption choices.

SPOT: a unique evaluation tool

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. The Group implemented the tool, known as the *Sustainable Product Optimisation Tool* (SPOT), in 2017 across all its brands.

A robust methodology, co-created with experts

To create the tool, L'Oréal convened a panel of 12 international experts, who contributed to developing the methodology – in line with European *Product Environmental Footprint* standards) – in order to ensure that the final methodology would lead to a relevant and robust assessment of impacts. For the social element, L'Oréal worked with a panel of nine renowned experts in social life cycle analysis to establish the first methodology to calculate the social impact of cosmetics. As for the environmental side, the SPOT tool integrates lifecycle analysis methodologies as well as the concept of "planetary boundaries" developed by Professor Johan Rockström's team at the *Stockholm Resilience Centre*. These were used within SPOT to consider the diverse environmental impacts of a product in terms of the environmental challenges facing the world.

A means of improving products' social and environmental profile

In 2017, all the teams responsible for product design undertook training on using SPOT. The tool is therefore now completely integrated into the design and launch process for new products, and allows us to:

- simulate diverse design options (ingredients, packaging, sourcing, etc.) in order to be able to assess their impact on the environment and society, and in this way, to identify potential opportunities for improvement.
 - quantify the impact reduction across every aspect of the product and follow progress on four areas of improvement: packaging, the footprint of the formula, the proportion of renewable ingredients sourced sustainably or derived from green chemistry, and the social benefit of the product.
- 100% of the products created or renovated in 2017* – more than 2,300 products – were assessed using SPOT.

The next stage: informing consumers

Our teams are now working to make the SPOT product assessments accessible, through a social and environmental information system that is relevant for consumers and in line with European recommendations on the subject. All the Group's brands will adopt this social and environmental display mechanism.

VICHY



MEASURING PRODUCT IMPROVEMENT USING SPOT

In 2017, the Vichy brand renovated its rich skincare treatment *Aqualia Thermal*. Using SPOT allowed the brand to quantify its exact progress on each of the four areas of improvement:

- packaging: the box was no longer laminated, which promotes the recycling of packaging, the jar contained 10% recycled glass and its weight was reduced by 10g (-44%);
- the environmental footprint of the formula: the biodegradability rate increased from 71% to 97%;
- the proportion of renewable ingredients sourced sustainably or derived from green chemistry rose from 55% to 95%;
- social impact: the product formula now includes shea butter produced via a sustainable sourcing programme in Burkina Faso. ●

*The scope regards products produced by L'Oréal (except full-buy, recent acquisitions, testers and samples, etc.).

** This indicator will be completed when the social and environmental display mechanism is finalised (which is being developed), and will be implemented by the Group's brands.

Raising consumer awareness of sustainable consumption

MONITORING INDICATORS UP TO 2020

ASSESSMENT AND REPORTING



91% ✓

of brands have assessed their environmental and social impact, and committed to reduce it and report on their progress.*

RAISING CONSUMER AWARENESS



46% ✓

of brands conducted a consumer awareness initiative.*

By 2020, L'Oréal will have improved the environmental and social profile of 100% of its new products. It will communicate the performance of these products to consumers, in order to encourage them to make sustainable consumption choices.

Improvement plans continue across L'Oréal brands

Since the launch of the *Sharing Beauty With All* programme in 2013, each brand within the Group has assessed its environmental footprint, analysing its portfolio of formulas and its packaging, in order to create a sustainable innovation plan. The brands identify opportunities for improvement for every product range, and develop a plan of action. In 2017, 91% of the Group's brands undertook this effort.

Engaged and engaging campaigns

Conscious of the influential capacity of its brands, L'Oréal encourages them to raise awareness and encourage action among its partners, customers and consumers on today's major social and environmental issues. Each brand must therefore identify a cause of their own and conduct awareness campaigns. In 2017, 46% of brands had carried out this type of activity.

The brands already engaged in awareness efforts have continued their activities. Armani continued to develop *Acqua for Life*, its initiative to promote access to safe drinking water. Biotherm maintained its commitment to protect the oceans together with the organisation *Mission Blue*. La Roche-Posay continued its *Skin Checker* campaign, which aims to help prevent skin cancer. Nearly 120 million people have committed to check their beauty spots to help prevent melanomas since the campaign was launched in 2014. L'Oréal Professional expanded its awareness-raising initiative among hairdressers to prevent musculo-skeletal disorders.

The campaign reached more than 330,000 hairdressers in 2017. Among the new campaigns launched in 2017, Garnier joined forces with Unicef to support children living in countries affected by humanitarian crises, an issue that touches one child in four, or 537 million children globally. By supporting Unicef's work and funding "Child Friendly Spaces" throughout the world, Garnier supported 300,000 children in 2017. Elsewhere, the SkinCeuticals brand, an expert in skincare, together with the NGO *ReSurge International*, launched a programme designed to train the first generation of women in reconstructive surgery in developing countries. In 2017, six female surgeons were trained in Bangladesh, Ecuador, Nepal, Mozambique and Zimbabwe.

L'ORÉAL PARIS



MEN EXPERT SUPPORTS MOVEMBER

The illnesses uniquely affecting men are continuously evolving. Mental health problems among men and boys are growing. The number of instances of testicular cancer has doubled over the past 50 years, for example, while instances of prostate cancer are increasing - it is predicted that more than 450,000 cases will be diagnosed annually by 2020. That is why Men Expert, a L'Oréal Paris brand, chose to join forces with the Movember Foundation, an international men's health organisation. In 2017, this partnership raised more than 530,000 euros for research into prostate and testicular cancer, and suicide prevention. The L'Oréal Paris brand ambassadors were encouraged to take action to publicise this men's health awareness campaign. Wearing a moustache - the symbol of the campaign - they participated in videos delivering advice and information, and encouraging men to talk about their health. <https://movember.com> ●

* Percentage calculated compared to consolidated sales for 2016.



DEVELOPING SUSTAINABLY

Sharing its growth with internal and external stakeholders is a priority for L'Oréal. The Group helps people from underprivileged communities to gain access to employment through multiple programmes. It empowers its suppliers to support its sustainability strategy and guarantees its employees the best social practices worldwide.



Promoting access to employment and social inclusion / 23

Joining forces with suppliers to meet the Group's commitments / 24

Putting employees at the centre of commitments / 25

Promoting access to employment and social inclusion

MONITORING INDICATORS UP TO 2020

TOTAL BENEFICIARIES



53,505 ✓

people from underprivileged communities gained access to employment.

SOLIDARITY SOURCING



48,692 ✓

people gained access to employment. **

VOCATIONAL TRAINING IN THE BEAUTY SECTOR



3,771 ✓

people in difficult social or economic situations participated in free vocational training in the beauty sector through the Beauty for a Better Life programme, supported by the L'Oréal Foundation.

HIRING PEOPLE WITH DISABILITIES*



1,042 ✓

people with disabilities work for L'Oréal.

By 2020, L'Oréal will have helped more than 100,000 people from underprivileged communities gain access to employment. To achieve this goal, the Group has developed multiple initiatives: *Solidarity Sourcing* projects, vocational training and the inclusion of people with disabilities.

Empowering people through responsible purchasing

The *Solidarity Sourcing* programme, established in 2010, directs a proportion of the Group's global purchases to suppliers who give people who are typically excluded from the job market access to work and a sustainable income. This includes companies that employ people from underprivileged communities, firms that may not typically be able to access major international calls for tenders, and micro-enterprises.

The *Solidarity Sourcing* programme is active across all the regions where L'Oréal operates and covers all types of purchases, including raw materials, contract manufacturing and promotional items. In 2017, it enabled 48,692 people from communities facing social or financial challenges to gain access to or retain a job and a decent income. This result represents an increase of 15%, or 6,192 more beneficiaries than in 2016.**

Beauty For a Better Life

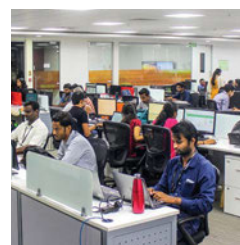
The L'Oréal Foundation oversees *Beauty For a Better Life*, a free vocational training programme for beauty sector skills that draws on the Group's expertise in fields such as hairdressing and make-up. It supports people in difficult living situations, particularly socially and economically vulnerable women, victims of conflicts or violence or young people who have left home or dropped out of school. Active in 27 countries, *Beauty For a Better Life* in partnership with local NGOs, helped 3,771 people gain access to employment in 2017.

Including people with disabilities

L'Oréal has developed a global policy to promote the inclusion of people with disabilities since 2008, in close collaboration with local and international experts including associations and NGOs. A network of Diversity coordinators active across the Group's 65 entities conducts initiatives in line with this policy, adapting them to the local circumstances of each country. Since 2005, the Group has been an active member of the *ILO Global Business and Disability Network*, the branch of the International Labour Organization dedicated to disability issues, and shares its good practices. In 2017, L'Oréal had 1,042 disabled employees.

In autumn 2017, the Group was recognised by Thomson Reuters as one of the ten best-performing companies on Diversity and Inclusion, among more than 5,000 businesses assessed.

INDIA



AN INCLUSIVE WEBSITE FACTORY

L'Oréal's first *Solidarity Sourcing* programme on the strategic topic of digital technology took shape in 2017. The project, called *Website Factory*, is notably unfolding in India, in partnership with the Group's supplier Photon. Brands such as L'Oréal Paris, Garnier, Kérastase and Essie are using it to implement and maintain their websites. Located in the area of Chennai classed as a "priority development zone" by the Indian government, the programme has three areas of focus:

- developing employment and regenerating the region;
- practising a policy of including local, underprivileged communities, particularly through training programmes;
- respecting and providing equal opportunities to women and minority groups.

It employs 69 people full time, a figure which is expected to double in 2018, considering the outlook for the initiative's activity. ●

* This indicator takes into account employees who wanted to declare their disability and/or who are officially recognised as disabled by local authorities or by a doctor, according to local legislation or practices.

** On a like-for-like basis, i.e. comprising the L'Oréal's *Solidarity Sourcing* programmes outside *Community Trade*, the initiative of The Body Shop brand.

Joining forces with suppliers to meet the Group's commitments

MONITORING INDICATORS UP TO 2020

SELECTION



82% ✓

of the Group's strategic suppliers* have been assessed and selected based on their environmental and social performance. They represent 74% of direct purchases (raw materials, packaging and contract manufacturing).

SELF-ASSESSMENT



87% ✓

of strategic suppliers* have completed a self-assessment on their sustainability policy, with L'Oréal's support.

By 2020, 100% of L'Oréal's strategic suppliers will participate in its sustainability programme. The Group has developed a two-pronged approach: It selects suppliers on the basis of their environmental and social performance, and provides them with training tools.

Evaluating suppliers' environmental and social performance

L'Oréal considers that the activities of its suppliers are part of its wider social and environmental footprint. The Group therefore partners with its suppliers, particularly its "strategic" suppliers* on its sustainability initiatives. L'Oréal evaluates and selects its suppliers based on five key elements: quality, CR, innovation, supply chain and service, and competitiveness. These elements form a global assessment framework for all types of purchase. The CR pillar represents 20% of the total assessment score and is organised by a series of criteria, including:

- social audits - In 2017, 1,231 social audits were conducted, bringing the total number of audits to more than 9,400 since 2006;
- CR policy assessment by Ecovadis - By the end of 2017, more than 480 suppliers, including 153 strategic suppliers were assessed (compared to 303 suppliers, including 137 strategic suppliers in 2016). This represents 87% of the Group's strategic suppliers;
- capacity to propose responsible products and services – this includes everything from green chemistry and eco-designed packaging to POS advertising;
- score achieved through CDP's programmes;
- integration of projects such as *Solidarity Sourcing* within their operations.

Helping suppliers to build their environmental strategy

L'Oréal provides its suppliers with in-service training tools to help them optimise their social and environmental policies. With approximately 33% of the Group's carbon

footprint arising from its suppliers' activities, L'Oréal has encouraged suppliers to work with CDP, within the scope of the CDP *Supply Chain* programme, since 2009. In this way, suppliers are encouraged to develop carbon emissions reduction goals and communicate their 2020 action plans (see page 16). In 2017, 355 L'Oréal suppliers undertook an initiative of this kind (compared to 291 in 2016). By the end of 2017, the suppliers participating in the CDP *Supply Chain* programme represented 60% of the Group's direct purchases (compared to 57% in 2016). L'Oréal's goal is to expand this share to 80% by 2020.

L'Oréal has taken the same approach with regard to two other CDP programmes. The Group has encouraged its suppliers to join CDP's *Water Disclosure Project Supply Chain* since its launch in 2013. 84 suppliers participated in 2017 (see page 17). Elsewhere, in 2017 ten key suppliers of paper, palm oil and soy participated in the first edition of CDP's *Forest Disclosure Project Supply Chain* (see page 14).

ITALY



TOWARDS ECO-DESIGNED POS ADVERTISING

In order to improve the environmental impact of its point-of-sale (POS) advertising materials, L'Oréal has developed an eco-design approach. It has established 14 "golden rules" covering the entire lifecycle of POS materials (including FSC-certified or recycled materials, optimising quantities and volumes, flat-packed deliveries to optimise transport, prioritising reusable options, etc.) and which all the Group's POS suppliers must respect. In order to facilitate the implementation of these rules, the Group organised a competition in Western Europe. In Italy, Vichy took action through its Christmas promotional events, using 100% eco-designed and reusable gift boxes and POS materials. In 2017, the quantity of paper and cardboard used in Italy for POS advertising dropped by 18% compared to 2016, and 100% of these materials were FSC-certified. ●

* "Strategic suppliers" are suppliers whose added value is significant for the Group by contributing to L'Oréal's strategy on a long-term basis through their weight, innovations, shared goals and geographical representation. In the future, this approach will cover 80% of the Group's direct purchases by value.

Putting employees at the centre of commitments

MONITORING INDICATORS UP TO 2020

HEALTHCARE*



96%** ✓

of the Group's permanent employees benefit from health cover in line with best practices in their country of residence.

FINANCIAL SECURITY*



92%** ✓

of the Group's permanent employees benefit from financial protection in line with best practices in the market, in the event of a life-changing accident, including death or permanent disability.

TRAINING*



78% ✓

of the Group's permanent employees benefitted from at least one training session in 2017.

L'Oréal's ambition is to provide all of its employees with access to health cover, financial protection and training, wherever they are in the world. Employees also benefit from a working environment and office buildings with improved environmental and social impacts.

L'Oréal Share & Care programme: an accelerator of social progress

Launched in 2013, the *L'Oréal Share & Care* programme was implemented with the ambitious aim of achieving a common foundation for social protection in all the countries where the Group has subsidiaries, and to become one of the most high-performing companies in each regional market across all four areas of the programme:

- *Care*: healthcare, with health cover and access to high-quality care for employees and their families;
- *Protect*: a social protection scheme to provide financial support in the event of an unexpected life accident;
- *Balance*: parenthood, to enable them to live maternity and paternity to the full, while pursuing their careers;
- *Enjoy*: quality of life at work.

In 2017, the programme entered a second phase with new global 2020 goals. Notably, the new initiatives included: a ten-day paternity leave compensated at 100%, strengthening mechanisms that promote flexible working (teleworking, flexible hours) and expanding welfare measures.

Prioritising learning and development

For L'Oréal, helping every employee to develop professionally is both central to driving performance and a question of responsibility. The Group has committed to ensuring that 100% of employees will benefit from at least one training session annually by 2020. In 2017, this proportion grew to 78%. Its online training portal, *My Learning*, is integral to accelerating this ambition. Available in 27 languages, it had more than 46,700 frequent users in 2017. Employees followed 64,000 modules, which represents 170,000 hours

of online training. For the first time, employees were also able to follow MOOCs offered by more than 150 universities globally. Overall, there were 3,200 registrations, and 19,000 hours of training were delivered.

Promoting employee engagement

Since 2009, L'Oréal has engaged its employees through a day of volunteering activities called *Citizen Day*. With some 30,000 participants and 166,000 volunteering hours across 68 countries, this event supported 707 organisations in 2017. On the environmental side, L'Oréal is pursuing the implementation of its *Working Sustainably* programme, which aims to reduce the environmental footprint of its administrative sites and research centres, and to engage employees in adopting sustainable behaviours. 57 countries participated in the Group's first ever *Sustainably Week*, which took place in April 2017 and focused on the theme of reducing paper consumption and recycling. The Group organised more than 170 awareness-raising events.

ARGENTINA



THE L'ORÉAL MAMÁ PROGRAMME

In July 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. This indemnity, which is designed to help pay for childcare in a nursery or kindergarten, ranges between 1,300 and 2,300 pesos (for a minimum national salary of 8,060 pesos). To date, this programme has been implemented in Panama, Salvador and Guatemala.●

* Indicator calculated based on the Group's total workforce, except the Venezuela division and certain recent acquisitions or new divisions (Atelier Cologne, United States, Ivory Coast, Bangladesh, Luxembourg).

** This includes 100% of employees within the *L'Oréal Share & Care* programme.

China: L'Oréal takes action on sustainability

In 2017, L'Oréal China celebrated both its 20th anniversary and significant progress on sustainability across the four pillars of the Group's *Sharing Beauty With All*.

Putting products at the heart of the action

L'Oréal's research centre in China is a pioneer in sustainable innovation. For example, a L'Oréal Paris range of anti-dandruff shampoos now features a 95.1% biodegradable formula and a 90% lower water footprint than the category average. The research centre also develops formulas with natural ingredients such as extracts of tea or ingredients derived from traditional Chinese medicine. On the packaging side, the centre focuses on using recycled materials and reducing the weight of packaging used. In this way, local brand Yue Sai has been able to re-design its *Ganoderma Vitality* product, replacing its 80g glass jar with a 5g plastic tube, thereby lowering the packaging weight by 93.75%.

Producing sustainably: transforming industrial sites

To contribute to the Group's global 2020 commitments, the Suzhou plant equipped itself with photovoltaic solar panels which now meet 10% of its electricity needs, with the remainder obtained through a contract with a neighbouring wind farm. The site therefore functions with 100% renewable electricity. Its next goal is to produce steam derived from green energy, in order to become the Group's second carbon neutral site in China, after the Yichang plant.



In China, L'Oréal sources the honey used in its products from sustainable sources, which helps to improve producers' lives and also contributes to preserving the natural habitat of pandas.

Another way to consume: empowering consumers

L'Oréal joined forces with the Chinese Ministry for the Environment in 2017 to encourage the country's citizens to consume more sustainably. Together, they launched an initial "Green Consumption Initiative" in 2017. Focused on the beauty industry, the initiative aims to promote a more sustainable lifestyle among citizens by helping them to choose more responsible products, and take a more considered approach to energy, water, waste and recycling. The Group's brands are also getting involved, following Kiehl's lead, for example. The brand has opened two LEED-certified* stores, creating new standards for the Group's stores in China.

Sharing growth with the most vulnerable

Sharing growth means including communities and stakeholders in

partnerships that generate positive impacts. For example, L'Oréal is collaborating with the NGO Shanshui Conservation to develop, in the centre of the country, a responsible supply chain for honey, which the Group uses as an ingredient in certain beauty products. The producers benefit from a fair price for their high quality honey and from training on sustainable farming practices, which in turn contributes to preserving the last natural habitat of pandas in the region.

L'Oréal China also supports the activities of the L'Oréal Foundation, such as the *Beauty for a Better Life* programme, which reached more than 1,020 beneficiaries in 2017. Elsewhere, the Group signed an agreement with e-commerce giant, Jingdong, to train and employ 300 disabled people within Jingdong's customer service team by 2020.

* Leadership in Energy and Environmental Design: a respected international environmental certification for the construction sector.

Reporting: a recognised performance

Every year, L'Oréal communicates transparently, providing data on its corporate social and environmental responsibility strategy, challenges and results in three reports: the Registration Document, L'Oréal's annual report to the United Nations Global Compact (UN Global Compact), and its *Sharing Beauty With All* Progress Report. More than ever in 2017, L'Oréal's CR performance and its reporting via robust, reliable, indicators verified by Statutory Auditors, have allowed the Group to be recognised by the most demanding global organisations in this area. This includes the American magazine *Newsweek*, which recognised L'Oréal's global leadership in sustainability and ranked it first in the category of international companies listed on Stock Exchanges, with a combined green score of 89.9%.



In 2017, for the second year running, L'Oréal was one of just two companies globally to achieve an "A" in all three of the rankings conducted by CDP, for its efforts on climate protection, sustainable water management and fighting against deforestation. CDP is an independent, international organisation that evaluates companies' environmental performance.



L'Oréal supports the UN Global Compact and joined in 2015 its LEAD programme, which brings together the companies that are the most committed to sustainability.



For the sixth year running, the extra-financial rating agency Oekom Research AG presented L'Oréal with *Prime status*, which recognises the best performing companies.



The Ethisphere Institute, global leader in defining and advancing the standards of ethical business practices, ranked L'Oréal for the eighth time as one of the "World's Most Ethical Companies".



In December 2017, the extra-financial rating agency Vigeo Eiris once again included L'Oréal in multiple Euronext-Vigeo indices. The Group is ranked as no. 1 in all sectors.



In September 2017, L'Oréal retained its position in both of the *Ethibel Sustainability Indices (ESI)*: Excellence Europe and Excellence Global.

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