

**2018
PROGRESS
REPORT**



***SHARING
BEAUTY***
WITH ALL

THE L'ORÉAL SUSTAINABILITY
COMMITMENT

L'ORÉAL

**SHARING
BEAUTY**
WITH ALL



FIND OUT MORE ONLINE

Learn more about L'Oréal's sustainability strategy, commitments and initiatives at www.loreal.com/sharing-beauty-with-all



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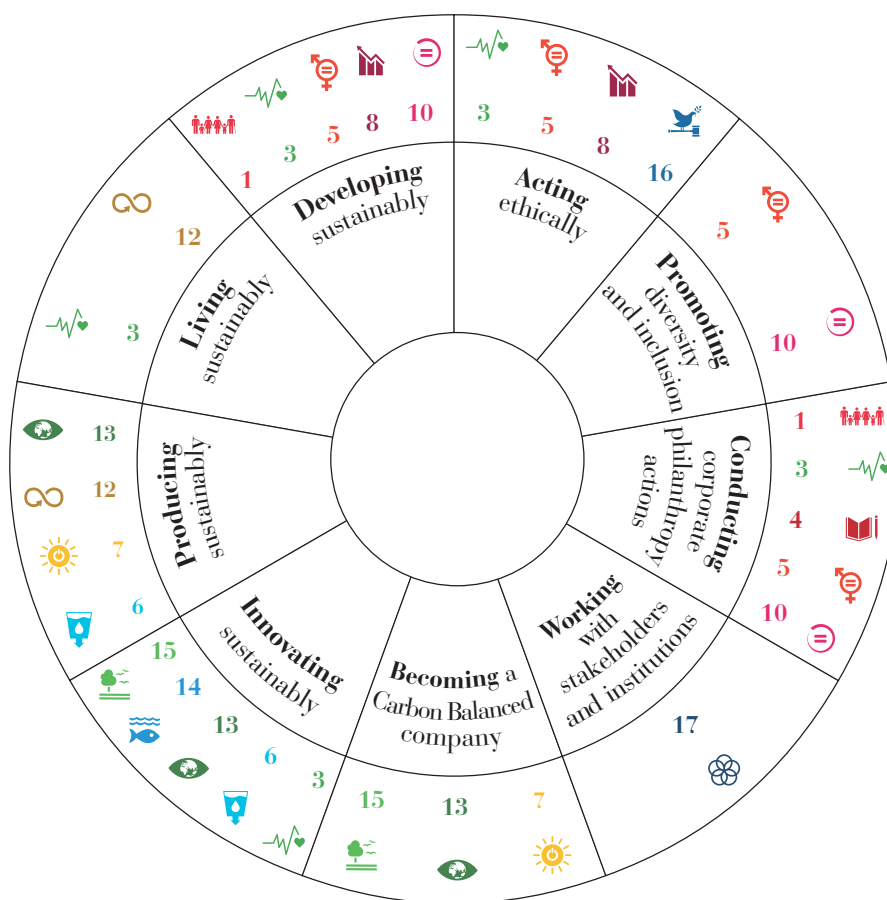
Sharing Beauty With All: L'Oréal's commitment to sustainability

As part of L'Oréal's sustainability programme, *Sharing Beauty With All*, launched in 2013, the Group has 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. These 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. This 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 Fondation L'Oréal and by its brands), enable the Group to contribute to 14 of the 17 Sustainable Development Goals defined by the United Nations in 2015.

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



- 1 NO POVERTY**
- 3 GOOD HEALTH AND WELL-BEING**
- 4 QUALITY EDUCATION**
- 5 GENDER EQUALITY**
- 6 CLEAN WATER AND SANITATION**
- 7 AFFORDABLE AND CLEAN ENERGY**
- 8 DECENT WORK AND ECONOMIC GROWTH**
- 10 REDUCED INEQUALITIES**
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
- 13 CLIMATE ACTION**
- 14 LIFE BELOW WATER**
- 15 LIFE ON LAND**
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**
- 17 PARTNERSHIPS FOR THE GOALS**

Low carbon growth: a new ambition

Climate change is a pressing global issue, and its repercussions require urgent action.

With a commitment to making a profound transformation towards a low-carbon business model, the L'Oréal Group aims to play a catalysing role, in order to contribute actively to addressing this challenge.

Reducing CO₂ emissions: a global strategy

To reduce its carbon footprint, L'Oréal is taking a two-pronged approach at all its manufacturing sites: improving energy efficiency and using renewable energy (see page 16 for more detail). In this way, the Group reduced its greenhouse gas emissions across to 2005, while increasing production by 38% in the same period. It has also reduced the carbon footprint of its administrative sites and research centres by 18%, compared to 2016. Overall, 38 sites achieved carbon neutrality in 2018.

In order to balance the residual emissions linked to its manufacturing and logistics activities, including its owned and operated sites, by 2020, the Group continues to develop projects its Carbon Balanced ambition. This entails generating carbon gains within its sustainable supply chains. Established in 2015, this programme enabled the Group to avoid the emission of 59,341 tonnes of CO₂ equivalent (teq CO₂) in 2018, compared to 45,291 teq CO₂ in 2017.

The Group's efforts to protect the climate are recognised. In 2018, and for the sixth year running, the Group

obtained an 'A' rating from CDP (see page 27) for its climate action commitment and initiatives.

Implementing approved Science Based Targets commitments

Founded by CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the NGO WWF, the Science Based Targets (SBT) initiative seeks to encourage businesses to commit to a voluntary transition towards a low carbon economy, in line with the Paris Agreement. The SBT initiative has established a framework requiring companies to engage their entire value chain over the long term, and evaluates businesses' climate action plans.

In 2018, L'Oréal began to put its new SBT-approved 2030 commitments into practice. These were approved at the end of 2017 and therefore conform to the trajectory that will enable global warming to remain below 2°C, as required by the Paris Agreement.

In this way, L'Oréal has committed to reduce its entire greenhouse gas emissions (Scopes 1, 2 and 3) by 25% in absolute terms, compared to 2016. This encompasses both those that are produced directly by the Group and those produced indirectly, such as through its suppliers' activities or consumers' use of its products.

And by 2025, all L'Oréal's manufacturing, administrative and research sites will have achieved carbon neutrality.

2018 in five key figures

-77% 

L'Oréal has reduced the CO₂ emissions of its plants and distribution centres by 77%, in absolute terms, compared to 2005, while increasing its production volume by 38% in the same period.

79% 

79% of products launched in 2018 have an improved social or environmental profile. Each time a product is created or renovated, its contribution to sustainability is now taken into account, in addition to its performance and profitability.

63,584 

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

88% 

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

3

In 2018, for the third 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 is the only company to have obtained the triple 'A' score, three years running.

Editorial

In 2018, we continued the in-depth transformation of our company towards an increasingly more responsible and sustainable business model. We are fully engaged in striving to reach the highly ambitious goals of our *Sharing Beauty With All* programme by the end of 2020. Launched in 2013, it addresses all our impacts throughout our entire value chain.

Our most rapid progress has focused on our transition towards a low carbon business model. In particular, we reduced the CO₂ emissions of our plants and distribution centres by 77% between 2005 and 2018. At the same time, our production increased by 38%. We are proving in this way, year after year, that it is possible to combine growth with reducing our environmental impact.

And to reaffirm our unrelenting commitment to take climate action, we have set ourselves even more ambitious new targets, towards 2030, through the *Science Based Targets* initiative's framework (see page 5). These commitments are in line with the 2°C trajectory defined by the Paris Agreement.

In parallel, our ambition is to become part of the circular economy. In this respect too, we are making progress in preserving natural resources, such as water, for example. In 2018, three of our plants have become 'dry factories', which means that 100% of the water used for industrial purposes is recycled and reused in a closed loop. Beyond a continuously more sustainable manufacturing operation, we continue to improve the profile of our products, so that the consumer is not obliged to choose between beauty and ethics. In 2018, 79% of our new or renovated products had an improved social or environmental profile.

In this way, we continue to improve the biodegradability of our formulas and to source natural ingredients from



“ If the final gesture towards recycling is necessarily made by consumers, companies have a role to play in inspiring people to take action, and accompanying them in their efforts. Our brands must bring our vision of a more beautiful world to life.”

Jean-Paul Agon
Chairman and Chief Executive Officer

sustainable sources. The optimisation of our packaging is clearly a priority. And by 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable. Elsewhere, we are covering ever more aspects of our value chain. We have also chosen to extend our initiatives to the design of our stores and point-of-sale advertising, through our new ambition, *'Retailing Sustainably'*.

And beyond this concrete progress, corporate responsibility is now a key element of measuring and evaluating the performance of both the whole L'Oréal Group and its leaders. It's a major structural evolution. Of course, sustainability was already completely integrated within the Group's strategy. Now, the transformation of our organisation is becoming everyone's business. We apply the same exacting requirements to social, societal and environmental performance as we do to economic and financial results. As proof, a part of my bonus, as well as part of our senior management's bonus, is dependent on achieving these objectives.

All our progress has once more been recognised. We are the only company in the world to have obtained, for the third year running, a triple 'A', the highest possible rating, from CDP, the independent, international benchmarking organisation.

In the area of gender equality, we have been classed as the most gender-equal company in Europe by Equileap, and we are second globally, among more than 3,000 businesses. Lastly, for the first time, we have achieved first place in the Covalence EthicalQuote ethical reputation index across all industries. This ranking covers the 581 largest listed companies in the world.

These recognitions are the result of all our teams' determination. They motivate us to move ever further and more rapidly. It's this philosophy that has always guided us. From the outset of our programme, we have established extremely ambitious

“
Our steadfast determination to reach our goals has led us to completely reinvent the way in which we conduct our work.”

2020 goals. And we have done so without always knowing how to achieve them in advance. But we were convinced that it would oblige us to create the most innovative, disruptive solutions. We will be able to meet the vast majority of these goals. For others, the road will be a little longer. Our steadfast determination to reach them has led us to completely reinvent the way in which we conduct our work, from the design of new products to their distribution, including their production and the sourcing of raw materials.

This progress has been accompanied by a change of structure, so that the initiatives undertaken within the scope of our *Sharing Beauty With All* programme and those of the Fondation L'Oréal will always be overseen by one leadership, which is directly linked to me. These synergies guarantee consistency between exemplary business activities and an exemplary positive contribution to society. One cannot proceed without the other within our vision of global corporate responsibility.

However, to really make a real difference, we know that only transforming our company is not enough. Communicating more robustly on sustainability with consumers is also our responsibility. We are multiplying our initiatives, such as the 'Triens en Beauté' ('Let's recycle in beauty') campaign, launched in France and supported by our diverse brands. It aims to explain how to separate hygiene and beauty products. If the final gesture towards recycling is necessarily made

by consumers, companies have a role to play in inspiring people to take action, and accompanying them in their efforts. Our brands must bring our vision of a more beautiful world to life.






We have undertaken our initiatives in the context of the United Nations Global Compact's ten principles for nearly 20 years, and since 2015 they have also contributed to the United Nations Sustainable Development Goals. We are conscious that we cannot act alone to address the magnitude of the current challenges. That's why we are joining forces to participate in transforming our sector and we're forging external partnerships with multiple stakeholders, including NGOs, start-ups, corporate organisations and suppliers. The more numerous we are in taking action, the more all our initiatives, placed side by side, contribute to making a tangible positive difference.

Doing everything in our power to be an exemplary leader is our obsession. Because L'Oréal will continue to be a high-performing company if, and only if, it generates sustainable growth while creating shared value. We have undertaken and accomplished multiple initiatives, but we must collectively accelerate our efforts in the face of the climate crisis. It is a moral imperative – we must act. We are resolved to addressing these challenges on a global scale. It's the condition inherent to the company's long-term success and to safeguarding our planet. Our future as citizens of the world hangs in the balance.






2020 commitments, 2018 results

Every year, L'Oréal reports the evolution of its 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	2018 RESULTS	2017 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>79% ☺ of new or renovated products have an improved environmental or social profile.</p>	76%
 <ul style="list-style-type: none"> the new formula reduces the product's environmental footprint, particularly with regard to water use; 	<p>48% ☺ of new or renovated products now 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>43% ☺ of new or renovated products now have an improved environmental profile due to a new formula incorporating renewable raw materials that are either 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 now 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>58% ☺ of new or renovated products now have an improved environmental profile due to packaging with a lower environmental footprint.</p>	





Producing sustainably

2020 TARGETS	2018 RESULTS	2017 RESULTS
 <p>L'Oréal will reduce the CO₂ emissions generated by its plants and distribution centres by 60% in absolute terms, compared to 2005.</p>	<p>-77% reduction in CO₂ emissions from plants and distribution centres since 2005.</p>	-73%
 <p>L'Oréal will cut the CO₂ emissions linked to the transport of its products by 20% (in grams of CO₂ per sales unit per km), compared to 2011.</p>	<p>-8% reduction in CO₂ emissions linked to the transport of products (in gram of CO₂ per sales unit per km) since 2011 with 413,568 tonnes of CO₂ emitted in 2018.</p>	-18%
 <p>L'Oréal will lower its water consumption by 60% per finished product, compared to 2005.</p>	<p>-48% decrease in water consumption at plants and distribution centres since 2005 (in litre/finished product).</p>	-48%
 <p>L'Oréal will reduce 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>	-37%
 <p>L'Oréal will send zero industrial waste to landfill.</p>	<p>ZERO ☺ waste to landfill from plants and distribution centres. All the Group's plants and distribution centres have achieved zero waste to landfill (exceeding regulatory requirements).</p>	0.1%

* Excludes acquisitions and sub-contracting.

** Social, societal, environmental and health and safety data in this report was verified by PricewaterhouseCoopers Audit and are indicated throughout by symbols highlighting the level of audit assurance: ☺ (moderate) and ☺ (reasonable). Please refer to the methodological note and 2018 Assurance Report published in the "Publications" available at: www.loreal.com/sharing-beauty-with-all-resources.

Living sustainably

2020 TARGETS	2018 RESULTS	2017 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 2018 were assessed using our product assessment tool.*</p> <p>% of brands communicating information arising from the product assessment tool to consumers.**</p>	100%
 <p>All brands will assess their environmental and social impact and make commitments to improve it.</p>	<p>88% of brands have assessed their environmental or social impact.</p>	91%
 <p>Every brand will report on its sustainability progress and raise consumer awareness of its commitments.</p>	<p>57% 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 2018 by the Group on sustainability issues.</p>	

Developing sustainably...

2020 TARGETS	2018 RESULTS	2017 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>63,584 people from underprivileged communities gained access to employment.</p>	53,505 people
 <ul style="list-style-type: none"> • Solidarity Sourcing programme; 	<p>56,842 people gained access to work through the Solidarity Sourcing programme.</p>	48,692 people
 <ul style="list-style-type: none"> • vocational training in the beauty sector; 	<p>5,565 people from highly disadvantaged backgrounds took part in free vocational training in the beauty sector as part of the <i>Beauty For a Better Life</i> programme, supported by the L'Oréal Foundation.</p>	3,771 people
 <ul style="list-style-type: none"> • equal opportunities for people with disabilities. 	<p>1,177 people with disabilities work for L'Oréal.</p>	1,042 people

... with suppliers

 <p>L'Oréal will assess and select all strategic suppliers on the basis of their environmental and social performance.</p>	<p>83% of the Group's strategic suppliers have been assessed and selected to date on the basis of their environmental and social performance.</p>	82%
 <p>All strategic suppliers will assess their own sustainability policy, with L'Oréal's support.</p>	<p>93% of strategic suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support.</p>	87%
 <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 is firstly being made available to strategic suppliers, before being gradually implemented more broadly.</p>	
 <p>20% of strategic suppliers will support the Solidarity Sourcing programme.</p>	<p>13% strategic suppliers are involved in the Solidarity Sourcing programme.</p>	9%

... 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>	96%
 <p>Employees will benefit from financial protection in the event of a life-changing accident.</p>	<p>93% of the Group's permanent employees have access to financial protection in the event of a life-changing accident (death or permanent disability).</p>	92%
 <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>88% of the Group's employees benefitted from at least one training session in 2018.</p>	78%

* 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.



VOLUME:
400ml

MATERIAL:
RECYCLED PET
PLASTIC

code series (UN 7168 grab)	
line series (UN 7168 Terp)	
Index	Modification

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 responsible, sustainable way that respects biodiversity, optimising packaging and committing to zero deforestation.



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Reducing the environmental footprint of formulas

MONITORING INDICATORS UP TO 2020

IMPROVING PRODUCTS



79%

of new or renovated products in 2018 have an improved environmental or social profile.*

ENVIRONMENTAL FOOTPRINT OF FORMULAS



48%

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. These studies highlight that water is one of the principal impacts of formulas on the environment, in particular the water discharged by the consumer during rinsing, once the product has been used.

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. The Group has defined 145 product categories and screened more than 40,000 formulas. Additionally, it has created an eco-design tool in order to improve the environmental profile of formulas, while maintaining the same benefits for the consumer.

This tool is integrated within SPOT, the Group's product evaluation tool (see page 20) and used by all its product formulation teams.

Among the new products launched in 2018, products across the Group's diverse brands feature formulas with levels of biodegradability exceeding 98%. These include, for example, Garnier's Color Herbalia smoothing treatment, Vichy's Dercos Nutrients Nutri Protein Mask, Matrix' Biolage R.A.W. Rebalance Conditioner and Shu Uemura's Instant make-up prep mask.

Overall, L'Oréal increased the average biodegradability rate of all its shampoos sold in 2017 to 91%, and its shower gels to 89% (compared to 87% in 2016).

Recognised results

These product formula footprint improvements, combined with the reduction in water consumption achieved at production level (see page 17), have enabled L'Oréal to obtain CDP's 'A' score for corporate performance on sustainable water management in 2018, the highest level possible, for the third year running (see page 27).

L'ORÉAL PARIS



A HAIR-STYLING MIST THAT RESPECTS THE ENVIRONMENT

In 2018, L'Oréal Paris launched its Stylista Beach Wave Mist. The research behind this product has enabled the creation of an ultra-light mist texture combining two requirements: effectiveness and respect for the environment. Not only does the Beach Wave Mist offer high performance, with excellent hair-styling effects, but its formula is more than 99% biodegradable and its minimal water footprint is reduced by 98% compared to the category average. ●

* 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 2018.

Respecting biodiversity

MONITORING INDICATORS UP TO 2020

IMPROVING PRODUCTS



79% ✓

of new or renovated products in 2018 have an improved environmental or social profile.*

RAW MATERIALS AND BIODIVERSITY



43% ✓

of new or renovated products have an improved environmental profile due to a new formula integrating renewable raw materials that are responsibly 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 include, in particular, raw materials produced through *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

Today, 59% of L'Oréal's raw materials (by volume) are derived from renewable sources, and are largely of plant origin. The Group uses approximately 1,600 raw materials from nearly 340 species of plants originating from around a hundred countries. Certain products launched in 2018 comprised more than 97% renewable raw materials. These include, for example, the Huile de Beauté La Provençale Bio, Roger&Gallet's Fleur de Figuier Hand & Nail Sanitizer, Lancôme's Nurturing Brightening Oil-in-Gel Cleanser and Kérastase's Aura Botanica Baume Miracle.

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 reduce the number of chemical synthesis stages as well as solvent and energy consumption. In 2018, 27% of the raw materials used by L'Oréal (by volume) in its formulas were developed according to green chemistry principles.

Strengthening L'Oréal's sustainable sourcing methodology

In 2018, L'Oréal continued to implement its sustainable sourcing policy for renewable raw materials, strengthening it with the support of the NGO *Rainforest Alliance*.

The 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;
 - growing and harvesting practices preserve biodiversity, particularly forests;
 - sustainable, low-carbon agricultural practices are put 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.

MADAGASCAR



SOURCING VANILLA SUSTAINABLY

L'Oréal has collaborated with a supplier, a local NGO and farming communities in Madagascar to launch a new *Solidarity Sourcing* project for its purchases of vanilla. The aim was to develop a sustainable, traceable, high-quality supply chain, which respects the integrity of natural ecosystems

and contributes to improving quality of life for farming communities living in the protected area of Loky Manambato. In 2018, the project counted 154 farmers divided in two associations, who have been able to benefit from training on responsible farming practices and from fair pay. By 2020, the goal is to raise yields and improve the quality of vanilla, while doubling the number of farmers involved in the project and promoting reforestation initiatives in the production area. ●

* 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 2018.

Optimising packaging

MONITORING INDICATORS UP TO 2020

PRODUCT IMPROVEMENT



79% ✓

of new or renovated products have an improved environmental or social profile in 2018.*

PACKAGING



58% ✓

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

MATERIALS



8,705 ✓

tonnes of recycled materials were used in 2018.

CERTIFIED PAPER AND CARDBOARD



100% ✓

of paper used for the instructions included with products is certified.

99.9% ✓

of cardboard for product packaging 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 using SPOT, L'Oréal's product assessment tool (see page 20).

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 (FSC or PEFC). In 2018, 100% ✓ of the paper used for product use instructions, 99.9% ✓ of the cardboard used for product packaging and 93% of the paper and cardboard used in POS was certified. Since 1st January 2018, the Group has not used any PVC-based material in the production of its finished products.

Reducing and optimising resources

Designing packaging of an optimal size and weight with fewer resources, including large sizes and refillable formats, represents another major opportunity to drive improvement. In this way, in 2018, the Group reduced the weight of Garnier Micellar Water bottles by 22% in Asia, which represents a saving of 35 tonnes of PET plastic.

Replacing materials with more sustainable alternatives

L'Oréal replaces conventional materials with alternatives from recycled or renewable sources (recycled or bio-sourced materials) at every possible opportunity. In 2018, the Group

replaced virgin materials with 8,705 ✓ tonnes of recycled materials (PCR), an increase of 19% on 2017. This progress is primarily the result of its efforts to integrate recycled materials within the plastic component of its packaging, with a 38% increase compared to 2017.

Forging strategic partnerships

Determined to promote the development of innovative plastic recycling solutions, L'Oréal partnered with the company LOOP in July 2018 to increase the volume of recycled food-grade PET plastic it sources. This collaboration has recently contributed to the co-creation, in 2017, of a consortium with the company Carbios, to develop and industrialise enzymatic bio-recycling technology.

In 2018, L'Oréal shared its packaging optimisation methodology, developed using SPOT within the context of the SPICE initiative.** The Group is also participating in the reflections led by the Ellen MacArthur Foundation through its *New Plastics Economy* initiative. In January 2018, L'Oréal announced a new commitment – by 2025, 100% of its plastic packaging will be refillable, reusable, recyclable or compostable.

L'ORÉAL PROFESSIONAL



SOURCE ESSENTIELLE, A SUSTAINABLE INNOVATION

In 2018, L'Oréal Professional launched the Source Essentielle range, with square-shaped shampoo bottles enabling minimal use of plastic materials. The bottles fit perfectly one on top of the other, and can be displayed in this way in hairdressing salons without any POS stands. Indeed, shampoo counters enable consumers to refill their bottles at the hairdresser. Each refill saves the equivalent of 40% of the weight of a bottle. ●

* 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 2018.

** The Sustainable Packaging Initiative for Cosmetics (SPICE) is an initiative co-created by L'Oréal and the consultancy Quantis, which shares each participant's best practices and methodologies, in order to standardise the methods used to evaluate the environmental footprint of packaging.

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 in line with RSPO criteria since 2012.

SOYA OIL



98%

of soya is certified organic.

CERTIFIED PAPER AND CARDBOARD



100% ✓

of paper used for the instructions included with products is certified.

99.9% ✓

of cardboard used for product packaging 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 action plans in order to ensure the sustainable sourcing of raw materials that may be the cause of deforestation.

Palm oil, palm oil derivatives and palm kernel oil derivatives

L'Oréal purchases less than 370 tonnes of palm oil annually. However, it consumes the equivalent of approximately 71,000 tonnes of palm oil in 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 Segregated (SG) model. Regarding palm oil derivatives, which are also 100% ✓ certified since 2012, L'Oréal has increased the proportion of its Mass Balance purchases, achieving 54% ✓ by the end of 2018 (compared to 51% in 2017). 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, L'Oréal has traced 95% of its derivative volumes back to refineries, 85% back to mills and 25% back to plantations. L'Oréal has also published a list of 1,300 mills indirectly connected to its supply chain.

L'Oréal uses the deforestation risk evaluation tool devised by the NGO *Global Forest Watch*. All the Group's direct suppliers are assessed in line with the *Sustainable Palm Index*, another tool available to stakeholders within the palm oil sector. To make further progress, in 2018 L'Oréal began developing a new tool to evaluate refineries and crushers (which extract the oil from the nuts) on the basis of their policies, procedures and reporting. This tool will be available and shared publically by the end of 2019.

Soya oil and its derivatives

In 2018, 98% of soya oil used by L'Oréal and sourced from Brazil

(265 tonnes annually) has been certified as sustainable (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, 100% ✓ of paper used for product instructions and 99.9% ✓ of cardboard for product packaging come from sustainably managed forests (certified according to FSC or PEFC standards). Additionally, 93% ✓ of the paper and cardboard used in POS materials is certified. L'Oréal also uses other wood-based ingredients in its products, such as cellulose derivatives and certain perfumery ingredients. A study conducted together with the NGO Rainforest Alliance enabled L'Oréal to remove deforestation risks from its principle supplies.



For the third year running, L'Oréal was awarded an 'A' score by CDP, the highest possible level of performance. In 2018, 32 suppliers of paper, palm oil and soy took part in the second edition of the Forest Disclosure Project Supply Chain, a CDP programme (see page 24).

INDONESIA



IMPROVING PRODUCTION TECHNIQUES TO PREVENT DEFORESTATION

In 2018, L'Oréal collaborated with the NGO SNV (*Netherland Development Organisation*) to implement a sustainable sourcing project focusing on palm oil derivatives in the region of Berbak in Jambi, on the Indonesian island of Sumatra. The project, in which all local stakeholders are involved, from the mill to the derivative producer, aims to support 12,500 smallholder farmers in improving their palm oil production practices over five years. It has a double goal of achieving zero deforestation and improving farmers' quality of life, including by raising and safeguarding their income. ●



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

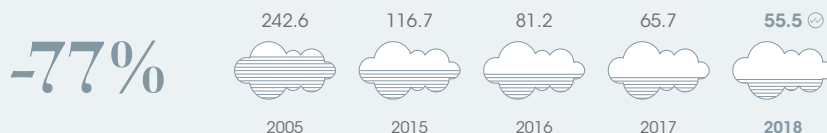
Reducing water consumption / 17

Reducing waste / 18

Reducing CO₂ emissions

MONITORING INDICATORS UP TO 2020


CO₂ EMISSIONS FROM PLANTS AND DISTRIBUTION CENTRES SINCE 2005*
(kilo 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 2018, the L'Oréal Group reduced the greenhouse gas (GHG) emissions of its plants and distribution centres by 77% in absolute terms, compared to 2005, exceeding the -60% goal it had committed to achieve by 2020.

 L'Oréal reduced its GHG emissions by 73% between 2005 and 2017, in absolute terms. This exceptional performance was recognised for the sixth year running by CDP, which awarded L'Oréal with 'A' rating for its efforts in fighting climate change.

L'Oréal is pursuing its initiatives with an ever greater ambition – the Group's new 2030 emission reduction goals have been approved by the Science Based Targets initiative and cover the whole of its value chain and its direct and indirect impacts.

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 36% (in kWh per finished product) between 2005 and 2018. The Group is also undertaking an initiative to certify all its plants according to the ISO 50001 energy management standard. By the end of 2018, 60% of plants (24 sites) were ISO 50001-certified. L'Oréal also continued implementing its new tool, Energyscan, which categorises every type of energy consumption on a particular site. The best level of performance is established as a standard for all the Group's plants.

Increasing the use of renewable energy

In 2018, renewable electricity accounted for 66% of power requirements at L'Oréal's plants and distribution centres. The Group achieved this through large-scale projects harnessing technologies adapted to the location of each site (such as biomethanisation, biomass and solar panels, etc.), and by purchasing green electricity and gas.

By the end of 2018, 38 of the Group's sites had achieved carbon neutrality, including 12 plants.***

Reducing product transport emissions

L'Oréal has reduced the emissions linked to the transport of products from its manufacturing plants to its distributors by 8% (by sales unit per km), compared to 2011.**** To promote its sustainable transport strategy, L'Oréal asked its businesses' transport teams to implement seven priority initiatives. These include, for example, reducing emissions at source, particularly by studying the network in order to reduce the distances travelled and the number of deliveries, as well as by optimising the refilling rate. The financial savings set to be generated through these efforts will be invested in sustainable transport solutions.

Engaging suppliers

Since 2009, L'Oréal has encouraged suppliers to work with CDP, within the context of the CDP *Supply Chain* programme. In 2018, 437 of them began this effort, compared to 355 in 2017 (see page 24).

FRANCE



ACTIVE COSMETICS PRODUCTION: TWO PLANTS GO CARBON NEUTRAL

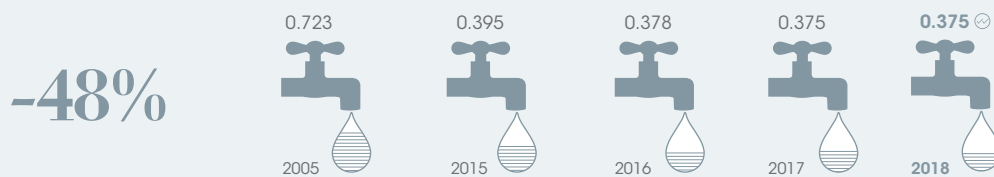
Specialising in the fabrication of health-care and dermo-cosmetic products, the production facility Active Cosmetics Production comprises the Vichy plant, which obtained carbon neutrality in 2017, and the La Roche-Posay site. On this second site, energy efficiency efforts and research into sources of renewable energy led to an innovative, biopropane-based solution in early 2018. Biopropane is a 100% organically sourced gas made in the Netherlands from vegetable oils certified as sustainable and recycled industrial waste. The plant began using this new source of energy in mid-2018, a first for the industry in France. In this way, the La Roche-Posay plant's energy mix is now derived from 100% renewable sources. ●

* Indicator calculated according to the 'market-based' methodology defined by the GHG Protocol. These values take into account the emissions connected to refrigerant leaks.
** The calculation relates to the Group's operational boundary, and excludes new acquisitions (Stylenanda and Logocos), as well as products sold online from the Group's websites.
*** The 12 plants that achieved carbon neutrality in 2018 are: Libramont in Belgium, Settimo in Italy, Alcalá de Henares and Burgos in Spain, Gauchy, Ormes and Rambouillet, Tours, Vichy and La Roche-Posay in France, Karlsruhe in Germany and Yichang in China.
**** The decrease in this indicator (-18% in 2017) is linked to a sharp rise in airport transport in Asia. Conversely, road transport emissions did not increase in 2018, despite an increase of 3% in the tonnage despatched. During the period 2011-2018, road transport emissions rose 4 times less rapidly than the tonnage despatched.

Reducing water consumption

MONITORING INDICATORS UP TO 2020

WATER CONSUMPTION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005 (in litre 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 initiatives: optimising consumption and developing projects to treat, recycle and reuse water at its production sites.

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. In 2018, the Group made a series of investments in its plants to develop, in particular, recycling installations that will begin operating in 2019. All the projects already in place in 2018 allowed the Group to lower the water consumption (in litre per finished product) of its plants and distribution centres by 48%, compared to 2005. This represents a reduction of 28% of the Group's consumption in absolute terms, while production increased by 38% during the same period.

These programmes, combined with The Group's efforts to improve the water footprint of the products' formulas (see page 11), saw L'Oréal honoured for the third year running with an 'A' score, the highest possible level, in CDP's 2018 ranking of corporate performance on sustainable water management (see page 27).

Optimising water consumption

The Group uses the Waterscan tool in all its plants to categorise diverse types of water use (cleaning, lavatories, cooling, 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.

Reusing, retreating and recycling

The Group continues to install water treatment stations on its manufacturing sites. L'Oréal's goal is to reuse industrial water in an appropriate state for new use at every possible opportunity, and retreat the wastewater exiting its treatment plants with

diverse technologies (ultrafiltration, inverse osmosis, etc.), in order to extract very high-quality water. This water is reused for cleaning production tools or for cooling processes. By the end of 2018, 12 plants* within the Group had installations of this kind in place, breaking new ground in the cosmetics industry.

Towards 'dry factories'

More globally, L'Oréal continues to develop 'dry factories' (see box below). This concept consists of deriving all the water required for different purposes (cleaning equipment, producing steam, etc.) entirely from water recycled in a closed loop on site, avoiding the need to source water from external water networks. Optimising industrial processes in this way has contributed to reducing certain sites' external water needs by up to 80%, compared to 2005.

Engaging suppliers

Since 2013, L'Oréal has invited its suppliers to participate in the *Water Disclosure Project Supply Chain*. In 2018, 91 of them accepted this invitation to take part in this programme led by the CDP (see page 24).

RUSSIA



VORSINO PLANT: THE IMPLEMENTATION OF DRY FACTORIES CONTINUES

Following in the footsteps of the Burgos plant in Spain in 2017 and the Settimo plant in Italy in early 2018, the Vorsino plant in Russia became the Group's third dry factory, due to a major programme of modernisation and expansion of its water treatment facility. The project enabled the plant to treat a larger volume of industrial water and reach a very high level of water quality. In particular, the plant increased its physical, chemical and biological treatment capacity and added a crystallisation mechanism to minimise residues. All these improvements combined now enable the Vorsino plant to reuse 99% of its wastewater in a closed loop. ●

* In Karlsruhe (Germany), Libramont (Belgium), Montréal (Canada), Suzhou (China), Burgos (Spain), Aulnay and Rambouillet (France), Pune (India), Settimo (Italy), Istanbul (Turkey), Vorsino (Russia) and Migdal (Israel).

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 raw material packaging or product packaging, sludge from wastewater treatment plants, etc.

In 2018, the Group reduced the quantity of waste generated per finished product by 37%, compared to 2005. This represents a reduction of 12% in absolute terms, while production increased by 38% during the same period.

Generating less waste at source

In order to fulfil its waste reduction 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 2018, it recovered 97% 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 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, creating industrial synergies with other players in the area.

CHINA



THE SUZHOU PLANT'S WASTE REDUCTION CAMPAIGN

L'Oréal's Suzhou plant has been engaged in a campaign since 2016 to reduce waste and raise employee awareness of the need to preserve natural resources. In this way, the plant reduced its waste by 21% (per finished product) in 2018. With the combined effort of all its employees,

the plant has put tangible initiatives in place: reducing losses in the manufacturing tanks and optimising the main transport packaging used during the delivery of packaging items. In 2018, it lowered production losses by 47%, and avoided wasting more than 300 tonnes of material. At the same time, it also reduced the waste linked to packaging by 1.5%. ●

*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 its 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

PRODUCTS EVALUATED



100%

of new or renovated products in 2018 were evaluated using the product evaluation 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 its products 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. In 2018, L'Oréal shared its evaluation method for the environmental footprint of packaging, as developed through SPOT, with the SPICE initiative.***

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

100% of the products created or renovated in 2018* – 2,195 products – were evaluated using SPOT, which is now completely integrated into the design and launch process for new products, and allows L'Oréal to:

- simulate diverse design options in order to assess their impact on the environment and society, and 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 in sustainably or derived from green chemistry, and the social benefit of the product.

Informing consumers

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

KIEHL'S



AN EXAMPLE OF SOCIAL AND ENVIRONMENTAL PRODUCT PERFORMANCE MEASURED BY SPOT

In 2018, Kiehl's launched its *Made for All* shower gel, a cleansing body and hair gel designed for all the family. Using the SPOT tool, the exceptional performance of this product is precisely calculated in line with four areas of potential improvement:

- **Packaging:** the bottle is composed of 100% plastic derived from recycled post-consumer packaging;
- **Environmental footprint of the formula:** the formula achieves a biodegradability rate of 100%;
- **Raw materials of natural origin are sourced sustainably:** 95%;
- **Social impact:** the use of aloe vera derived from a L'Oréal sustainable sourcing programme in Mexico. ●

* 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. The mechanism is currently being developed, and will be implemented by all the Group's brands.

*** The Sustainable Packaging Initiative for Cosmetics (SPICE) is an initiative co-created by L'Oréal and the consultancy Quantis, which shares each participant's best practices and methodologies, in order to help standardise methods for evaluating the environmental footprint of packaging.

Raising consumer awareness of sustainable consumption

MONITORING INDICATORS UP TO 2020

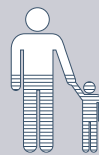
EVALUATION AND REPORTING



88% ✓

of brands have evaluated their social and environmental impact and are committed to reducing it and reporting their progress.*

RAISING AWARENESS AMONG CONSUMERS



57% ✓

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 an action plan. In 2018, 88% ✓ 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 2018, 57% ✓ of brands conducted this type of activity.*

The brands already engaged in awareness efforts have continued their activities. Garnier has worked with Unicef since 2017 to support children in situations of humanitarian crisis, and in 2018, renewed its partnership, contributing to funding emergency programmes in Jordan, India and Yemen. In this way, more than 195,000 children suffering from malnutrition in Yemen were taken into care. Armani continues its *Acqua for Life* campaign to help expand access to safe drinking water. Biotherm is still engaged in protecting the oceans, together with *Mission Blue* and *Tara Expéditions*. La Roche-Posay continues its *Skin Checker* campaign, launched in 2014, to help prevent skin cancer. Together with the NGO ReSurge International and the SkinCeuticals brand, six women surgeons completed

their second year of training in Bangladesh, Ecuador, Nepal and Zimbabwe. L'Oréal Professional continues to raise among hairdressers to prevent musculoskeletal issues, training more than 330,000 people.

Among the new campaigns launched in 2018, Biolage joined forces with the NGO *Conservation International* to help preserve fresh water ecosystems, and Ralph Lauren Fragrances formed a partnership with the *Women in Film* association, which fights for gender equality in the film industry.

In August 2018, L'Oréal launched the 'Trions en beauté' ('Let's recycle in beauty') campaign in France, in order to support consumers in separating their cosmetic product packaging. In this way, 54 L'Oréal brands in France joined the initiative by adding an awareness-raising banner 'Prenons le soin de trier' ('Let's take care to separate'), along with the dedicated website address trionsenbeaute.fr to all their communications materials, from press releases to social media.

LANCÔME



LANCÔME FIGHTS ILLITERACY

76 million young women globally are affected by illiteracy. This little known problem often exposes them to exclusion, dependence and inequality. To help give these young women a voice and the means to build their future, Lancôme has created the *Write Her Future* initiative. In partnership with the global NGO CARE, it has launched three literacy programmes in Morocco, Guatemala and Thailand, benefitting 2,047 people in 2018. The long-term objective is to enable 8,000 young women to become literate, creating a positive impact on their quality of life, but also the quality of life of their families and those around them (around 40,000 people). With illiteracy concerning both developing and developed countries, partnerships with local NGOs and *Write Her Future* were launched in 2018 in France, Germany, the United Kingdom and Spain. Brazil and the United States will follow in early 2019. ●

* Percentage calculated compared to consolidated sales for 2018.



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, 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



63,584 ✓

people from underprivileged communities who gained access to employment.

SOLIDARITY SOURCING



56,842 ✓

people gained access to employment.

VOCATIONAL TRAINING IN THE BEAUTY SECTOR



5,565 ✓

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 Fondation L'Oréal.

HIRING PEOPLE WITH DISABILITIES*



1,177 ✓

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 within its teams.

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 2018, it enabled 56,842 ✓ 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 16.7%, or 8,150 more beneficiaries than in 2017.

Beauty For a Better Life

The Fondation L'Oréal 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 25 countries, *Beauty For a Better Life* in partnership with local NGOs, helped 5,565 ✓ people gain access to employment in 2018.

Including people with disabilities

L'Oréal has developed a global policy to promote the inclusion of people with disabilities since 1990, in close collaboration with local and international experts including associations and NGOs. Since 2015, 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 best practices. In September 2018, the Group was recognised by Thomson Reuters as one of the ten best-performing companies on Diversity and Inclusion, among more than 7,000 businesses assessed.

In 2018, L'Oréal had 1,177 ✓ disabled employees. The Group also celebrated the tenth edition of the *DisAbility Awards*, which recognised internal initiatives focused not only on employees, but also on consumers, as well as the most vulnerable communities.

COLOMBIA



A PLANT LEADING THE WAY ON INCLUDING PEOPLE WITH DISABILITIES

In Colombia, 3 million people are living with a disability. To address this challenge, L'Oréal's *Breaking Barriers* programme seeks to improve daily life for disabled people through the purchase of specialist equipment and awareness-raising efforts among consumers. In Bogotá, the Group's plant had already installed the latest accessibility equipment and trained some of its employees in sign language. In 2018, it expanded these initiatives with dedicated lifts, access ramps, subtitling in meetings and Braille signs. Through a partnership with the government, the plant created an application dedicated to deaf employees and those with hearing difficulties. Now, these employees can make telephone calls using a video-calling service that links to a sign language interpreter. The plant gives these employees 50,000 pesos per month to cover their internet costs and enable them to make free calls with this application. ●

* 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.

Joining forces with suppliers to meet the Group's commitments

MONITORING INDICATORS UP TO 2020

SELECTION



83% ✓

of the Group's strategic suppliers* have been assessed and selected based on their environmental and social performance. They represent 73% of direct purchases (raw materials, packaging and contract manufacturing).

SELF-ASSESSMENT



93% ✓

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 evaluates and selects its suppliers based on five key pillars: 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 2018, 1,369 ✓ social audits were conducted, bringing the total number of audits to more than 10,800 since 2006; the audit procedure has been strengthened, with the questionnaire now taking into account additional health, safety and environmental risks, in the same way as on L'Oréal sites;
- CR policy assessment by Ecovadis - More than 620 suppliers, including 161 strategic suppliers, were assessed in 2017-18 (compared to 480 suppliers, including 153 strategic suppliers, in 2016-17). This represents 93% ✓ 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 28% 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 2018, 437 L'Oréal suppliers undertook an initiative of this kind (compared to 355 in 2017), which represents 82% of the Group's direct purchases.

The Group has also encouraged its suppliers to join CDP's *Water Disclosure Project Supply Chain* since its launch in 2013. 91 suppliers participated in 2018 (see page 17). Elsewhere, in 2018, the Group's 32 suppliers of paper, palm oil and soy participated in the second edition of CDP's *Forest Disclosure Project Supply Chain* (see page 14).



These programmes have enabled L'Oréal to obtain an 'A' score from CDP, the highest level of performance, for its suppliers' commitment.

PAKISTAN



COLLABORATING WITH MARKETING MATERIALS SUPPLIERS ON ECO-DESIGN

L'Oréal has developed a design methodology to improve the environmental impact of its point-of-sale (POS) materials. In 2018, the Group shared this approach with its POS suppliers in a large number of countries. In Pakistan, for example, the Group and its suppliers have used the methodology to re-think POS materials, moving from a multi-material design to a design with 100% recycled materials or FSC-certified cardboard for the Garnier Color Naturals range. As a result, they cut the weight of the POS by a third and reduced their volume, making them more compact to transport. In 2019, the group plans to extend this initiative to all the Garnier and L'Oréal Paris brands' POS in Pakistan. ●

* 'Strategic suppliers' are suppliers whose added value is significant for the Group by contributing to L'Oréal's strategy 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*



93%** ✓

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*



88% ✓

of the Group's permanent employees benefited from at least one training session in 2018.

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 for L'Oréal 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 2018, the programme continued its second phase, begun in 2017, towards new global 2020 goals, such as a minimum ten-day paternity leave compensated at 100%, or the expansion of 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 2018, this proportion grew to 88% ✓. Its online training portal, *My Learning*, is integral to accelerating this ambition. Available in 27 languages, it had more than 54,100 frequent users in 2018. Employees followed nearly 750,000 modules, which represents 185,000 hours of online training. Since 2017, employees have been able

to follow MOOCs offered by more than 150 universities globally. Overall, there were 3,200 registrations, and 18,000 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 27,600 participants and 170,000 volunteering hours across 63 countries, this event supported 855 organisations in 2018. From an environmental perspective, 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 in the workplace. 46 L'Oréal businesses participated in the Group's second *Sustainably Week*, which took place in September 2018 and focused on sustainable travel. During the week, 40 million tonnes of CO₂ emissions were avoided, which is the equivalent of 800 return flights from Paris to London.

EGYPT



SHARE & CARE: RAPID AND WIDESPREAD PROGRESS

Launched in Egypt in 2013, the *L'Oréal Share & Care* programme continues to make progress. In 2018, L'Oréal Egypt implemented all the measures designed to promote employee health and welfare. Firstly, the company enabled all its employees to gain access to full medical cover or health check-ups. L'Oréal Egypt also organised multiple prevention initiatives on varied and important topics for employees, such as work-related stress and breast cancer. In terms of parenthood, paid maternity leave has risen from 13 to 14 weeks, and there is improved access to crèche facilities. Bassant Zeitoun has worked with L'Oréal Egypt since 2010 in the Professional Products department: "After returning to work after both my periods of maternity leave, I benefited from tangible support and help in pursuing my career while maintaining a balance between my professional life and my life as a mother." ●

*Indicator calculated based on the Group's total workforce, except the Venezuela division and certain recent acquisitions or new subsidiaries (Luxembourg, Ivory Coast, Bangladesh, ModiFace, Stylenanda, Logocos Naturkosmetik, and La Roche-Posay's Société des Thermes).

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

Mexico: L'Oréal Mexico builds momentum on sustainability

Mexico is L'Oréal's headquarters in Latin America, and in 2018, L'Oréal Mexico made important progress on improving its environmental impacts and contributing positively to society.

Integrating sustainability at the heart of operations

Investing in renewable energy and installing solar panels has led to a -26% reduction in CO₂ emissions at L'Oréal Mexico's manufacturing sites, compared to 2017. This achievement relates to two plants – one in Mexico City and the other in San Luis Potosí, as well as the distribution centre in Mexico, which has been a carbon neutral site since 2017.

Elsewhere, the business achieved the Group's zero waste to landfill goal across all its production activities in 2018. These efforts enabled L'Oréal Mexico to obtain second place in the ranking of responsible large consumer goods businesses conducted in 2018 by the respected Mexican publishing group Grupo *Expansión*.

Building more resilient supply chains

Developing collaborative, long-term partnerships with suppliers and investing in sustainable sourcing projects is helping L'Oréal Mexico to build more resilient supply chains, in the face of climate change and resource scarcity.

In 2018, the Group's sourcing team held an event with 48 strategic suppliers from Mexico, Colombia and Argentina, helping to improve lives in the Group's sourcing communities and raise the number of beneficiaries in Mexico from 259 to 375.

L'Oréal and Multiceras, its Monterrey-based candelilla wax supplier have been conducting a programme since 2016 that allows to improve the living



L'Oréal and its candelilla wax supplier have been conducting a programme since 2016 that allows to improve the living conditions of 165 *Candelilleros* – the local candelilla wax producers – while preserving the resource and its fragile ecosystem of the Chihuahuan desert.

conditions of 165 *Candelilleros* – the local candelilla wax producers – while preserving the resource and its fragile ecosystem of the Chihuahuan desert.

Deeper commitments to support great causes

In 2018, the partnership between Garnier and children's charity UNICEF allowed to raise funds through the sale of products, directed to improving inclusive, high quality education for 22,000 children and teenagers in Mexico and support emergency relief efforts around the world.

The company is also committed to women's empowerment, a topic at the core of the L'Oréal Group's DNA. L'Oréal Mexico supported and raised the profile of six women scientists through the Fondation L'Oréal's *For Women in Science* programme.

The company also helped 49 hairdressers from disadvantaged backgrounds in Acapulco to improve their skills and prospects through the Foundation's *Beauty For a Better Life* programme. 721 L'Oréal Mexico volunteers also partnered with local NGOs to support women in vulnerable conditions.

Additionally, L'Oréal played an active role in the second annual *Women4Climate* Conference which took place in Mexico city in February 2018. The Group is the founding partner of this initiative.

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 2018, L'Oréal's CR performance and its reporting via robust, reliable indicators verified by statutory auditors, have enabled the Group to be recognised by the most demanding global organisations in this area.



In 2018, for the third year running, L'Oréal achieved an 'A' score in all three of the rankings conducted by CDP, for its efforts on climate protection, sustainable water management and fighting against deforestation. L'Oréal is the only company in the world to have been recognised for achieving the highest level of performance for three consecutive years. CDP is an independent, international organisation that evaluates companies' environmental performance.



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



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



In September 2018, L'Oréal was listed in both indices of the Ethibel Sustainability Index: Excellence Europe and Excellence Global.



In December 2018, the extra-financial rating agency Vigeo Eiris once again included L'Oréal in multiple Euronext Vigeo Eiris indices. The Group is ranked as no. 1 in all sectors.



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



This ethical reputation index ranked L'Oréal as No. 1 globally. This ranking comprises world's 581 largest listed companies and takes into account environmental, social, governance and human rights topics.

Prepared and edited by L'Oréal's Corporate Responsibility Department.

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