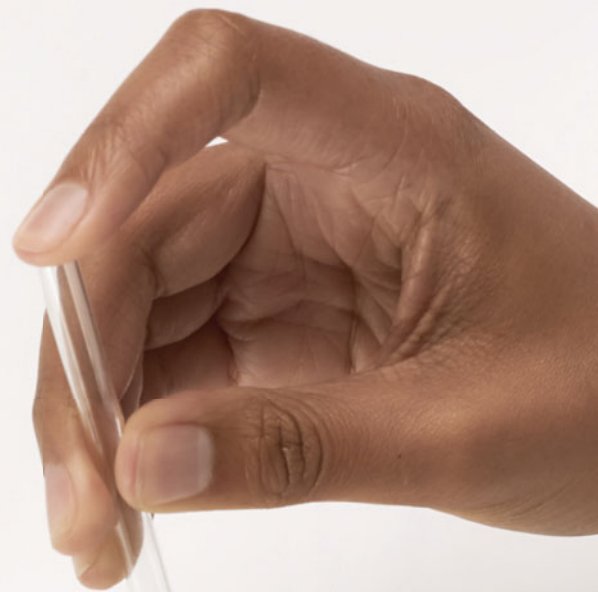


**2019
PROGRESS
REPORT**



**SHARING
BEAUTY
WITH ALL**



THE L'ORÉAL SUSTAINABILITY
COMMITMENT



L'ORÉAL

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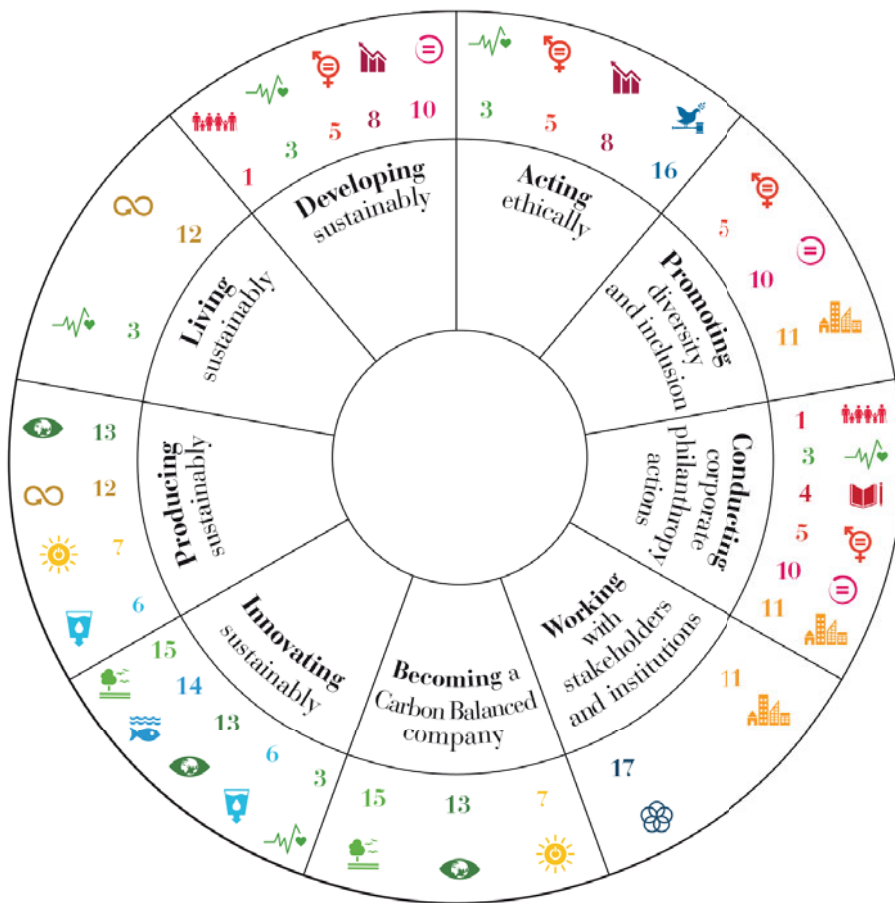
Sharing Beauty With All: L'Oréal's commitment to sustainability

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 the end of 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 15 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**
- 11 SUSTAINABLE CITIES AND COMMUNITIES**
- 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**

Editorial



“ Our collective responsibility is immense, and everyone can make a difference. We are therefore actively working with our partners and suppliers. ”

Jean-Paul Agon
Chairman and Chief Executive Officer

2019 was a year of new advances towards our 2020 *Sharing Beauty With All* goals, L'Oréal's programme of transformation towards a more sustainable, responsible company and good corporate citizen. A year from our deadline, 2019 also enabled us to consider lessons learnt, and prepare for the future.

Firstly, we learnt that our drive to achieve a paradigm change has been decisive. Before launching the programme, L'Oréal had already been engaged for more than 20 years in efforts to reduce our impact. Through *Sharing Beauty With All*, we went well beyond that. Our ambition was to collectively reinvent the way in which we run our business – with an ambitious strategy and goals spanning the entire value chain. Product sustainability is now just as fundamental a criterion as quality and profitability. Moreover, our non-financial results are edited in the same way as our financial results. In 2019, 85% of our new or renovated products already had an improved social or environmental profile. And we have directed our transition towards a low-carbon business model, reducing the CO₂ emissions of our production sites by 78% between 2005 and 2019, while increasing our production by 37% in the same period. Yes, we are proving that decoupling impact from growth is possible.

Secondly, we learnt that *Sharing Beauty With All* has generated a virtuous circle. For all of us, setting ambitious goals has been an incredible source of acceleration. And therefore performance. This ambition requires us to be bolder, more creative and more innovative on a daily basis. As of now, I can say that we will be able to meet the majority of the programme's 2020 goals. For others, the journey will be a little longer.

“L’Oréal’s sustainable revolution marks the dawn of a new era.”

Transformation towards sustainability is a continuous exercise, which requires us to perpetually challenge ourselves. The most important of all is to ensure that the dynamic of transformation is in place.

Lastly, our commitments create a positive ripple effect across our whole ecosystem. Our collective responsibility is immense, and everyone can make a difference. We are therefore actively working with our partners and suppliers. And we believe that sustainable change, in order to be complete and truly impactful, will also be achieved by raising awareness of more responsible consumption among consumers. This is why we are going to make information available on the social and environmental impact of our products. Catalysing change everywhere is our duty, and without doubt one of our greatest future challenges.

Our ethical principles – integrity, respect, courage and transparency – guide our development, contribute to our reputation and notably form the foundation of our policies on sustainability, social and societal responsibility, compliance and philanthropy. Today, I am most proud that L’Oréal should be doubly recognised, both as a leader in its profession and a sustainability leader, by independent, authoritative experts. In 2019, we were the only company in the world to have achieved CDP’s triple A rating (the highest possible ranking) for the fourth year running, for our efforts to fight climate change, manage water sustainably and prevent deforestation. L’Oréal ranks No. 1 globally in the Covalence EthicalQuote index of ethical performance. In terms of gender equality, we are recognised as one of the most gender equal businesses in the world. Within the context of our ongoing commitment to the UN Global Compact, we have been named as one of the 36 LEAD companies, an accolade reserved for the most advanced organisations on responsible business and that contribute to the UN’s Sustainable Development Goals. And we have been distinguished for the tenth time as one of the most ethical companies in the world by the Ethisphere Institute.

But the scale of the challenges facing our planet is unprecedented. We know that the greatest transformations are still to come. And that they will have to be deeply disruptive.

We remain faithful to our ambition – L’Oréal strives to be and must be exemplary. We must always do better, and more rapidly, given the tremendous pace of the current global turmoil.

L’Oréal’s sustainable revolution marks the dawn of a new era.

2019 in five key figures

-78% 

We have reduced the CO₂ emissions of our plants and distribution centres by 78%, in absolute terms, compared to 2005, while increasing our production volume by 37% in the same period.

85% 

85% of products launched or renewed in 2019 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.

90,635 

The number of people from underprivileged communities who have gained access to employment through one of our Group’s programmes.

89% 

The proportion of our brands that have conducted an assessment of their environmental and social impact.

3A











In 2019, for the fourth year running, our Group was awarded a triple ‘A’, the best possible score, in each of the rankings conducted by CDP on three key topics: protecting the climate, managing water sustainably and the fight against deforestation. We are the only company worldwide to have achieved 3 ‘As’ from CDP four years in a row.

2020 commitments, 2019 results







Every year, L'Oréal reports the evolution of its sustainability performance in relation to its goals for the end of 2020. 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.

 Social, societal, environmental and health and safety data in this report was verified by the Group's auditors Deloitte & Associés and PricewaterhouseCoopers Audit, and are indicated throughout by symbols highlighting the level of audit assurance:  (moderate) and  (reasonable). Please refer to the methodological note and 2019 Assurance Report published in the 'Publications' available at: www.loreal.com/sharing-beauty-with-all-resources.

Innovating sustainably





2020 TARGETS	2019 RESULTS	2018 RESULTS
 100% of L'Oréal products will have an improved environmental or social profile. 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 :	85%  of new or renovated products have an improved environmental or social profile.	79%
 <ul style="list-style-type: none"> the new formula reduces the product's environmental footprint, particularly with regard to water use; 	46%  of new or renovated products now have an improved environmental profile due to a new formula with a lower environmental footprint.	48%
 <ul style="list-style-type: none"> the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry; 	59%  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.	43%
 <ul style="list-style-type: none"> the new product has a positive social impact; 	40%  of new or renovated products now have an improved social profile, as they incorporate raw materials from <i>Solidarity Sourcing</i> programmes.	31%
 <ul style="list-style-type: none"> the new packaging has an improved environmental profile. 	67%  of new or renovated products now have an improved environmental profile due to packaging with a lower environmental footprint.	58%

Producing sustainably

2020 TARGETS	2019 RESULTS	2018 RESULTS
 L'Oréal will reduce the CO ₂ emissions generated by its plants and distribution centres by 60% in absolute terms, compared to 2005.	-78% reduction in CO ₂ emissions from plants and distribution centres since 2005.	-77%
 L'Oréal will cut the CO ₂ emissions linked to the transport of its products by 20% (in gram of CO ₂ per sales unit per km), compared to 2011.	-12% reduction in CO ₂ emissions linked to the transport of products (in gram of CO ₂ per sales unit per km) since 2011 with 434,293 tonnes of CO ₂ emitted in 2019.	-8%
 L'Oréal will lower its water consumption by 60% per finished product, compared to 2005.	-51% decrease in water consumption at plants and distribution centres since 2005 (in litres/finished product).	-48%
 L'Oréal will reduce its waste generation by 60% per finished product, compared to 2005.	-35% reduction in waste generated from plants and distribution centres since 2005 (in gram per finished product).	-37%
 L'Oréal will send zero industrial waste to landfill.	The 0  waste to landfill goal (beyond regulatory requirements) for all factories and distribution centres was achieved in 2018.	

* The 'strategic' indicators as well as the figures and detailed initiatives exclude acquisitions and sub-contracting.

Living sustainably

2020 TARGETS	2019 RESULTS	2018 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 2019 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>89% of brands have assessed their environmental or social impact.</p>	88%
 <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>	57%
 <p>Consumers will be able to influence L'Oréal's sustainability efforts through a consumer advisory committee.</p>	<p>In 2019, in an extension of the advisory committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainability topics. This encompassed multiple studies conducted among American, Indian and European consumer panels, enabling the Group to understand their expectations and refine its policies.</p>	

Developing sustainably...

2020 TARGETS	2019 RESULTS	2018 RESULTS
... 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>90,635 people from underprivileged communities gained access to employment.</p>	63,584 people
 <ul style="list-style-type: none"> • Solidarity Sourcing programme; 	<p>70,912 people gained access to work through the Solidarity Sourcing programme.</p>	56,842 people
 <ul style="list-style-type: none"> • vocational training in the beauty sector; 	<p>18,443 people from highly disadvantaged backgrounds took part in free vocational training in the beauty sector as part of the Beauty For a Better Life programme, supported by the L'Oréal Foundation.</p>	5,565 people
 <ul style="list-style-type: none"> • equal opportunities for people with disabilities. 	<p>1,280 people with disabilities work for L'Oréal.</p>	1,177 people
... with suppliers		
 <p>L'Oréal will assess and select all strategic suppliers on the basis of their environmental and social performance.</p>	<p>87% 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>96% of strategic suppliers have completed a self-assessment of their sustainability policy with L'Oréal's support.</p>	93%
 <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>17% strategic suppliers are involved in the Solidarity Sourcing programme.</p>	13%
... with employees		
 <p>Employees will benefit from health cover that reflects best practice in their country of residence.</p>	<p>94% 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>91% of the Group's permanent employees have access to financial protection in the event of a life-changing accident (death or permanent disability).</p>	93%
 <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>96% of the Group's employees benefitted from at least one training session in 2019.</p>	88%

* 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.

*** '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.



INNOVATING SUSTAINABLY

By the end of 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, by optimising packaging and by committing to zero deforestation.



Reducing the environmental footprint of formulas / 09

Respecting biodiversity / 10

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Reducing the environmental footprint of formulas

MONITORING INDICATORS UP TO 2020

IMPROVING PRODUCTS



85% 

of new or renovated products in 2019 have an improved environmental or social profile*.

ENVIRONMENTAL FOOTPRINT OF FORMULAS



46% 

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

By the end of 2020, 100% of our 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.

Our 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.


We have defined 143 product categories and screened more than 40,000 formulas. We created an eco-design tool with the aim of improving the environmental profile of our formulas, while maintaining the same benefits for our consumers.

Integrated within SPOT, the Group's product evaluation tool (see page 18), this mechanism is used by all the product formulator teams. Among the new products launched in 2019, products across the Group's diverse

brands feature formulas with levels of biodegradability exceeding 98%. For example, this includes Biotherm's Life Plankton™ Essence, Vichy's Liftactiv specialist peptide-C anti-aging ampoules, Biolage R.A.W.'s Fresh Recipes Cleansing Juice, and Garnier's Pure Thyme Perfecting Toner.

In total, the average biodegradability rate of all our shampoos sold in 2018 rose to 91%, and that of our shower gels increased to 92% (compared to 89% in 2017).

Recognised results

 These improvements in the footprint of our formulas, combined with the reductions in water consumption achieved at production level (see page 15), have enabled L'Oréal to obtain in 2019, for the fourth year running, an 'A' score (the highest level of performance), in the ranking of companies on sustainable water management conducted by CDP (see page 25).

GARNIER



FRUCTIS HAIR FOOD ALOE VERA, A MASK LINKING RESPONSIBILITY WITH EFFECTIVENESS

In 2019, Garnier launched its new ultra-nourishing Fructis Hair Food, composed of ingredients of 98% natural origin and enriched with Aloe Vera to hydrate the hair.

Reinforcing Garnier's best-selling Fructis Hair Food range, this product can be used as a detangling conditioner, as a mask or non-rinse treatment. Not only effective, the formula of this new treatment is also particularly responsible – vegan (without any ingredient or derivative of animal origin), 98% biodegradable and dermatologically tested. It is also composed of pure vegetable oils and made in a factory committed to sustainable practices. ●

 See page 6 for more information on the audit of indicators.

* 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 2019.

Respecting biodiversity

MONITORING INDICATORS UP TO 2020

IMPROVING PRODUCTS



85% ✓

of new or renovated products in 2019 have an improved environmental or social profile*.

RAW MATERIALS AND BIODIVERSITY



59% ✓

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



40% ✓

of new or renovated products have an improved social profile as they include, in particular, raw materials produced through *Solidarity Sourcing* programmes.

By the end of 2020, 100% of our 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 350 species of plants originating from around a hundred countries. 68% ✓ (by volume) of these renewable raw materials are derived from sources certified as sustainable**.

Certain products launched in 2019 comprised more than 98% renewable raw materials, such as rich cream Sanoflore Rosa Fresca, L'Oréal Paris' Extraordinary Oil Make-up Remover Milky Gel 3 in 1, Biologie R.A.W.'s Fresh Recipes Aloe Jelly, and Giorgio Armani's Crema Nera reviving volcanic mask.

Our 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, energy consumption and waste. In 2019, 28% 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 2019, we continued to implement our sustainable sourcing policy for renewable raw materials. This methodology was strengthened with the support of the NGO *Rainforest Alliance*, and is based on the following 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. In 2019, the on-the-ground audit process for producers (comprising 88 indicators) was reviewed by Ecocert Expert Consulting, *The Biodiversity Consultancy* and *The Danish Institute for Human Rights*.

MADAGASCAR

SOURCING CENTELLA ASIATICA SUSTAINABLY

The active extracts of *Centella Asiatica* are used in skincare products. In 2016, L'Oréal launched a project in partnership with its suppliers and the support of the Union for Ethical BioTrade (UEBT), aiming to preserve this wild plant while guaranteeing traceability, quality, fair pay for the women collecting the *Centella* leaves, and respect of Human Rights. By the end of 2019, 3,366 women had benefitted from fair pay and taken part in training on good collecting practices. This is helping to ensure the preservation of this resource while making it easier to extract and in this way, lowering the footprint of the production process. Encouraged by these results, the partners have decided to renew the initiative for another three years. In parallel, studies on cultivating *Centella* and optimising the extraction process of its active ingredients have been conducted, in order to develop techniques that are more respectful of this fragile resource and the balance of biodiversity. ●

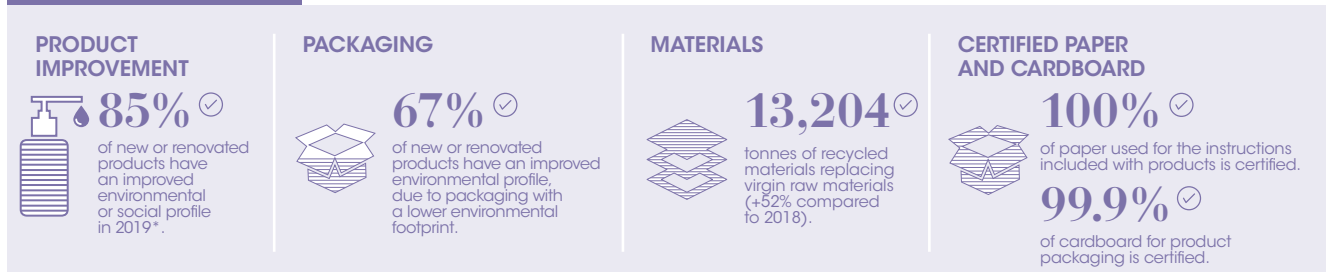
⊙ ⊕ See page 6 for more information on the audit of indicators.

* 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 2019.

** The list of recognised certifications was defined with the support of the NGO *Rainforest Alliance* in 2017. This list is consistent with L'Oréal's grid of sustainable sourcing criteria (comprising 88 indicators), which was reviewed in 2019 by Ecocert Expert Consulting, *The Biodiversity Consultancy* and *The Danish Institute for Human Rights*.

Optimising packaging

MONITORING INDICATORS UP TO 2020



By the end of 2020, 100% of our 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 18).

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 2019, 100% ✓ of the paper used for product use instructions, 99.9% ✓ of the cardboard used for product packaging and 94% 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, with the exception of recent acquisitions.

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 2019, the Group reduced the weight of Garnier's 300ml shampoo bottles by 8% in Europe, representing a saving of 30 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 2019, the Group

replaced virgin materials with 13,204 ✓ tonnes of recycled materials (PCR), an increase of 52% on 2018. This progress is primarily the result of its efforts to integrate recycled content within plastic and glass packaging.

Forging strategic partnerships

Determined to promote the development of innovative plastic recycling solutions, L'Oréal has forged a partnership with PureCycle with the aim of producing recycled, food grade PP (polypropylene). This is in addition to the commitments it undertook with the company LOOP™ Industries in 2018 to increase its supplies of recycled, food grade PET plastic, as well as the co-creation, in 2017, of a consortium with the company Carbios, to develop and industrialise enzymatic bio-recycling technology**.

Within the context of the SPICE initiative,*** L'Oréal also continued to share its packaging optimisation methodology in 2019, developed using SPOT, its product evaluation tool (see page 18). The Group is also participating in the reflections led by the Ellen MacArthur Foundation through its *New Plastics Economy* initiative, of which it has been a core member since 2018. In particular, L'Oréal has committed to making 100% of its plastic packaging refillable, reusable, recyclable or compostable by 2025.

YVES SAINT LAURENT

PURE SHOTS, AN ECO-DESIGNED LUXURY TREATMENT

In 2019, the Yves Saint Laurent brand launched a new range of specially targeted skincare, the Pure Shots serums. In keeping with the brand's DNA, this elegant product, designed to be refilled, is presented in the form of a compact and practical bottle, into which slides a cartridge of serum. In order to reduce its environmental impact, the cartridges of all four types of serum can be inserted into the same transparent bottle. This eco-design enables a significant water saving and a carbon footprint reduction, compared to producing a non-refillable bottle. The impact is halved if customers use an entire product and three refills, instead of four whole products, with a 52% reduction in total packaging weight. Pure Shots goes to prove that sustainable innovation without compromise on luxury is possible. ●

⊗ See page 6 for more information on the audit of indicators.

* 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 2019.

** LOOP™ Industries is a company specialising in plastics recycling, which supplies the Group with food grade PET derived from recycling through chemical depolymerisation. The company Carbios is a pioneer in the development of enzymatic processes for the biodegradation and biorecycling of plastics.

*** 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



100% 

of soya from Latin America is certified sustainable.

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 our deforestation policy, published in 2014, we pledged that by the end of 2020 at the latest, none of the ingredients and raw materials used in our 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 purchased less than 320 tonnes of palm oil in 2019, and uses the equivalent of 70,000 tonnes of palm oil 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 complies with *Roundtable on Sustainable Palm Oil (RSPO)* standards, following the Segregated (SG) model. Regarding palm oil derivatives, also 100%  certified, L'Oréal has increased the proportion of its Mass Balance purchases, achieving 70% in 2019 (compared to 54%  in 2018). 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. For the year 2018,* 98% of L'Oréal's derivative volumes were traced back to refineries, 88% back to mills and 25% back to plantations. In 2019, L'Oréal published a list of 1,355 mills indirectly connected to its palm oil derivatives supply chain, as well as a list of direct palm oil derivatives suppliers.




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. The indicators used for this assessment are aligned with the requirements of the Group's zero deforestation standards. This tool was made public in 2019.

Soya oil and its derivatives

In 2019, 100% of soya oil used by L'Oréal and sourced from Latin America (270 tonnes annually) was certified as sustainable

(organic label 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, 94%  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 fourth year running, L'Oréal was awarded an 'A' score by CDP, the highest possible level of performance, for its sustainable forest management.

In 2019, 30 of the Group's suppliers of paper, palm oil and soy took part in the third edition of the *Forest Disclosure Project Supply Chain*, a CDP programme (see page 22).

To learn more about the topic of palm oil, please see our *Palm Oil Progress Report*, on loreal.com.

INDONESIA

SUPPORTING PRODUCERS IN PREVENTING DEFORESTATION

By the end of 2019, in the region of Berbak, in Jambi, on the Indonesian island of Sumatra, 7,169 independent palm oil producers had benefited from training on good agricultural practices. The increase in the quality of their harvest and yields has enabled these farmers to stabilise and boost their income. The aim of this sustainable sourcing project, launched by L'Oréal in 2018 together with the NGO *SNV (Netherlands Development Organisation)*, is to train 12,500 smallholder farmers in five years, in order to prevent any deforestation, while improving their quality of life. The involvement of all actors in the supply chain reinforces the traceability and improves the control of production practices to help guarantee zero deforestation. L'Oréal is also supporting the restoration of 22,000 hectares of peatland in the region, participating in this way in the protection of a biodiversity corridor and avoiding the emission of 50,000 tonnes of CO₂ in 2019. ●

  See page 6 for more information on the audit of indicators.

* Traceability has been recorded for purchases in 2018, as the traceability data represents the culmination of a process of collection among all the actors in the supply chain, of verification and consolidation of data collected by an independent third party.



PRODUCING SUSTAINABLY

L'Oréal set itself a goal, by the end of 2020, 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 / 14
Reducing water consumption / 15
Reducing waste / 16

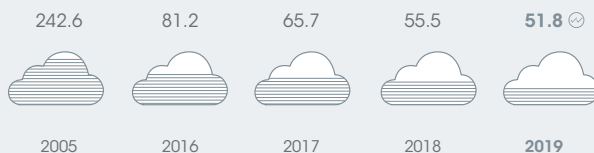
Reducing CO₂ emissions

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)

-78%



CO₂ EMISSIONS LINKED TO TRANSPORT SINCE 2011**

(in gram of CO₂ per sales unit per km)

-12%

434,293 tonnes of CO₂ emitted in 2019.

In 2019, we reduced the greenhouse gas (GHG) emissions of our plants and distribution centres by 78% in absolute terms, compared to 2005, exceeding the -60% goal in place for the end of 2020.

Between 2005 and 2019, L'Oréal reduced its GHG emissions by 78% in absolute terms. This exceptional result was recognised for the seventh year running by CDP, which gave L'Oréal an 'A' ranking for its efforts to fight climate change.

We are pursuing our 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, including its direct and indirect impacts.

In September 2019, L'Oréal joined the UN's *Business Ambition for 1.5°C* initiative and committed to achieving net zero emissions of CO₂ by 2050, thereby contributing to maintaining global warming to below 1.5°C, compared to preindustrial levels.

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. Between 2005 and 2019, it was reduced by 36% (in kWh per 1,000 finished products). The Group also engaged in an initiative to achieve ISO 50001 certification (energy management) in all its factories. By the end of 2019, 68% of its factories (or 26 factories) were 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

With major projects leveraging technologies adapted to sites' geographical location (biomass, biomethanisation, solar panels etc) and the purchase of renewable gas and electricity,

69% of the needs of L'Oréal's factories and distribution centres are now met by energy from a renewable source. By the end of 2019, the Group counted 35 industrial sites having reached carbon neutrality, including 14 factories***.

Reducing product transport emissions

L'Oréal has reduced the emissions linked to the transport of products from its manufacturing plants to its distributors by 12% (by sales unit per km), compared to 2011. In 2019, its sustainable transport strategy focused on three pillars: reducing air freight; the GLAM (*Green Last Mile*) initiative, which proposes solutions enabling the Group to reduce its environmental impact in urban areas; and the implementation of a *Green Lanes* initiative promoting the reduction of CO₂ emissions on long distance road transport routes. As part of these efforts, L'Oréal has also conducted its first rail freight tests between Europe and China.

Engaging suppliers

Since 2009, L'Oréal has encouraged suppliers to work with CDP, within the context of the CDP *Supply Chain* programme. In 2019, 479 of them took part, compared to 437 in 2018 (see page 22).

Please see our Greenhouse Gas Assessment on the loreal.com website.

CHINA



MEETING THE CARBON NEUTRAL CHALLENGE

In 2019, the L'Oréal factory in Suzhou, China, became carbon neutral. This step was decisive for the Group, as China has now become L'Oréal's first country to have reached carbon neutrality for all its sites: factories, distribution centres, centres of Research and

Innovation and tertiary sites. L'Oréal China began this journey in 2018, when the Chinese and French authorities visited the Suzhou site and signed an agreement on carbon neutrality. The factory achieved this goal in June 2019, following the construction of a CHP (Combined Heat and Power) installation, which has enabled the site to produce its own electricity and thermal energy from renewable sources. ●

⊕ See page 6 for more information on the audit of indicators.

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

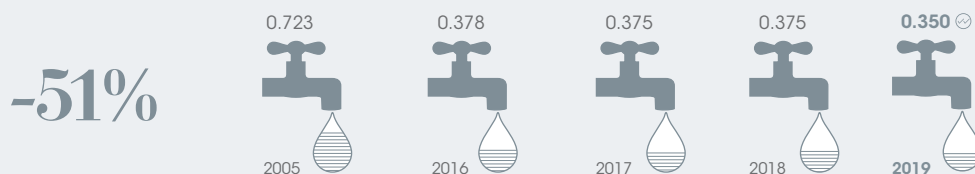
** The calculation relates to the Group's operational boundary, and excludes new acquisitions (Stylenanda and Logocos), as well as products sold online from the Group's websites.

*** The 14 plants that achieved carbon neutrality in 2019 are: Libramont in Belgium, Settimo in Italy, Alcalá de Henares and Burgos in Spain, Gauchy, Ormes and Rambouillet, Vichy and La Roche-Posay in France, Karlsruhe in Germany, Yichang and Suzhou in China, Montreal in Canada and Funza in Colombia.

Reducing water consumption


MONITORING INDICATORS UP TO 2020

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



We have committed to reduce our water consumption by 60% per finished product by the end of 2020, compared to 2005. To achieve this goal, we are 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. All the projects already in place in 2019 allowed the Group to lower the water consumption (in litres per finished product) of its plants and distribution centres by 51%, compared to 2005. This represents a reduction of 33% of the Group's consumption in absolute terms, while production increased by 37% during the same period.

 These programmes, combined with the Group's efforts to improve the water footprint of the products' formulas (see page 9), saw L'Oréal honoured by CDP for the fourth year running with an 'A' score, the highest possible level, in its ranking of corporate performance on sustainable water management (see page 25).

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 2019, 14 plants* within the Group had installations of this kind in place, breaking new ground in the cosmetics industry.

'Waterloop factory'*** ambition

Overall, L'Oréal continues to implement technologies that enable its factories to become 'waterloop factories'. This concept requires all the water necessary for production processes (cleaning equipment, producing steam etc) to be entirely derived from water recycled in a loop on site, with no water sourced from public water supplies. Optimising these manufacturing processes have contributed to reducing certain sites' water needs by up to 80%, compared to 2005. In 2019, L'Oréal finalised its Libramont (Belgium) site's 'waterloop factory' transition, bringing these factories to a total of four within the Group.

Engaging suppliers

Since 2013, L'Oréal has invited its suppliers to participate in the *Water Disclosure Project Supply Chain*. In 2019, 94 of them accepted this invitation to take part in this programme led by the CDP (see page 22).

BELGIUM

LIBRAMONT FACTORY: A FOURTH 'WATERLOOP FACTORY'

The Group's Libramont factory in Belgium has become the Group's fourth 'waterloop factory', following the Burgos, Spain, factory in 2017, the Settimo, Italy, and Vorsino, Russia, factories in 2018. All the water used to run the factory (for cleaning tanks, producing steam, utilities etc) comes from water recycled in a loop on site. The water obtained from public water supplies is only used within the composition of products or for employees' needs. The factory, specialised in creating hair colour products for the mass European market, overcame the challenge of recycling wastewater thanks to a combination of two technologies: inverse osmosis (filtration with membranes) and evapoconcentration (distillation). This installation within the factory's wastewater treatment facility, which ensures a biological and physico-chemical treatment of used water, enables the recycling of an average of 200m³ of water per day. That is 60 million litres per year, or the equivalent of 600 families' annual consumption. ●

⊙⊙ See page 6 for more information on the audit of indicators.

* In Karlsruhe (Germany), Libramont (Belgium), Montréal (Canada), Suzhou (China), Burgos (Spain), Florence (United States), Aulnay and Rambouillet (France), Pune (India), Jakarta (Indonesia), Migdal (Israel), Settimo (Italy), Mexico (Mexico), Vorsino (Russia).

***The concept of 'dry factory' was renamed as 'waterloop factory' in 2019. All the associated definitions remain unchanged.

Reducing waste

MONITORING INDICATORS UP TO 2020

WASTE GENERATION IN PLANTS AND DISTRIBUTION CENTRES SINCE 2005 (in gram per finished product)



WASTE RECOVERED



WASTE SENT TO LANDFILL*



We have committed to reduce the waste generated by our plants and distribution centres by 60% by the end of 2020, compared to 2005. We are undertaking ambitious efforts to reduce waste at source, while also ensuring the recovery of residual waste.

A highly ambitious policy

We have 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 and sludge from wastewater treatment plants.

In 2019, the Group reduced the quantity of waste generated by 11% in absolute terms, while production increased by 37% in the same period. That represents a reduction of 35% waste generated per finished product, compared to -37% in the previous year. The slightly lower result this year is primarily due to an unusual generation of waste linked to the quality and obsolescence of raw materials and finished products.

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 2019, it recovered 97% of its industrial waste by reusing or recycling it, or harnessing it to produce energy. 58% 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.

FRANCE



PARTNERING FOR A CIRCULAR ECONOMY OF GLASS

L'Oréal is committed to creating value from all its factories' waste, of which 70% will be recycled or reused. In order to implement recycling for unavoidable waste such as damaged, obsolete or unsold perfumes, the L'Oréal Luxe sites in France have forged

a partnership with a company called Cèdre, which dismantles the perfumes and transforms the recovered materials, particularly glass, into secondary raw materials. The recovered glass is then sent to the Pochet factory, one of the Group's bottle suppliers, which incorporates it within its new bottles. In this way, the Christmas 2019 edition bottle for Viktor&Rolf's Flowerbomb perfume was composed of 10% high quality recycled glass. These partnerships are therefore a way to move towards a more circular economy, where products are partially made with materials recycled from waste generated during the production of previous products. ●

☺☺ See page 6 for more information on the audit of indicators.
* 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 / 18

Raising consumer awareness of sustainable consumption / 19

Assessing the footprint of products

MONITORING INDICATORS UP TO 2020

PRODUCTS EVALUATED



100%

of new or renovated products in 2019 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. This percentage of brands that communicate information to consumers derived from SPOT will be completed as soon as the social and environmental display system is finalised. The system is being developed and will be deployed by the end of 2020.

By the end of 2020, we will make information relating to the environmental and social profile of our 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 2019, the Group evaluated the social and environmental profile of all the products developed during the year using this tool. L'Oréal shared its evaluation method for the environmental footprint of packaging, as developed through SPOT, with the SPICE initiative in 2018***.

A robust methodology, co-created with experts

To create the tool, L'Oréal convened a panel of 11 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. In terms of environmental impact measurement, the SPOT tool integrates lifecycle analysis methodologies as well as the concept of 'planetary boundaries' developed by teams at the Stockholm Resilience Centre. These were used within SPOT to consider the diverse environmental impacts of a product in relation to the world's environmental challenges.

A means of improving products' social and environmental profile

100% of the products created or renovated in 2019* – 2,180 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 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. Some of the Group's brands will start adopting this display mechanism from 2020.

REDKEN

AN EXAMPLE OF SOCIAL AND ENVIRONMENTAL PRODUCT PERFORMANCE MEASURED BY SPOT

In 2019, the Redken brand reformulated its iconic product lines All Soft, Extreme and Color Extend within a range of shampoos and conditioners called Nature + Science. Thanks to the SPOT tool, the social and environmental performance of these products has improved across the following four areas:

- Packaging: the bottle is composed of 100% PCR (Post Consumer Recycled), except for the colouring;
- Ingredients of natural origin: between 83% and 99% depending on the Product;
- Social impact: the packaging is sourced sustainably from two suppliers that promote access to employment and female entrepreneurship. ●

* 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



89% ✓

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 the end of 2020, we will have improved the environmental and social profile of 100% of our new products. We 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 2019, 89% ✓ 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 foster 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 2019, 57% ✓ of brands conducted this type of activity*.

The brands already engaged in awareness efforts have continued their activities. For example, La Roche-Posay pursues its actions to prevent skin cancer with its *Skin Checker* campaign. Since 2014, more than 110 million people have taken part to check their beauty spots to help prevent melanomas. L'Oréal Professionnel is also continuing its awareness-raising initiative among hairdressers – its training app to help prevent musculoskeletal issues has been downloaded more than 35,000 times. The Lancôme brand is developing its international programme *Write Her Future*, which fights against illiteracy among young girls, launched in 2018, together with the NGO *Care*. This programme has supported more than 13,000 beneficiaries to date. The Biotherm brand continues to develop its initiative to protect the oceans, and particularly to fight against plastic pollution, through its *Waterlovers* programme. In particular, this

programme supports the NGO *Mission Blue*, which protects 17 million km² of ocean, called Hope Posts, as well as the ecological and scientific expedition *Fondation Tara Océan*. To promote the circular economy, Biotherm has also committed to ensuring that 100% of its plastic packaging is reusable or recyclable by 2025. Finally, the programme *Armani Acqua for Life* launched four new infrastructure projects in 2019 to expand access to drinking water in India, China, Kenya and Argentina. Since 2010, 217,000 people worldwide have gained access to drinking water thanks to €9 million invested by the Giorgio Armani brand.

In 2019, L'Oréal continued to pursue its '*Triens en beauté*' ('Let's recycle in beauty') campaign in France. Launched in 2018, it aims to support consumers in separating their cosmetic product packaging. In this way, 71 L'Oréal brands in France supported the initiative by adding an awareness-raising banner '*Prenons le soin de trier*' ('Let's take the time to separate'), along with the dedicated website address trionsenbeaute.fr to all their communications materials (television, media, posters). The '*Triens en beauté*' campaigns generated 3.5 million views on social media.

KIEHL'S



A BRAND ACTING TO PROTECT THE ENVIRONMENT

In 2019, the Kiehl's brand donated a total of US\$ 800,000 in support of three causes: environmental protection, children's wellbeing and HIV/AIDS research. A highlight of the year was the brand's global partnership with singer John Legend around Kiehl's sustainability platform, *Kiehl's Future Made Better*, which connects the brand's ongoing efforts in sustainability—through formulation, packaging, manufacturing and recycling, and community commitments, to the aspirations of Kiehl's customers. As a symbol of the partnership, Kiehl's and John Legend created a limited edition Rare Earth Mask which benefitted environmental organizations globally. To mobilize consumers, they also launched the #Better10 social campaign – challenging users to help make the world a better place in the 10 minutes it takes for the Rare Earth Mask to dry, and sharing their tips and ideas using #better10. ●

☺☺ See page 6 for more information on the audit of indicators.
* 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.



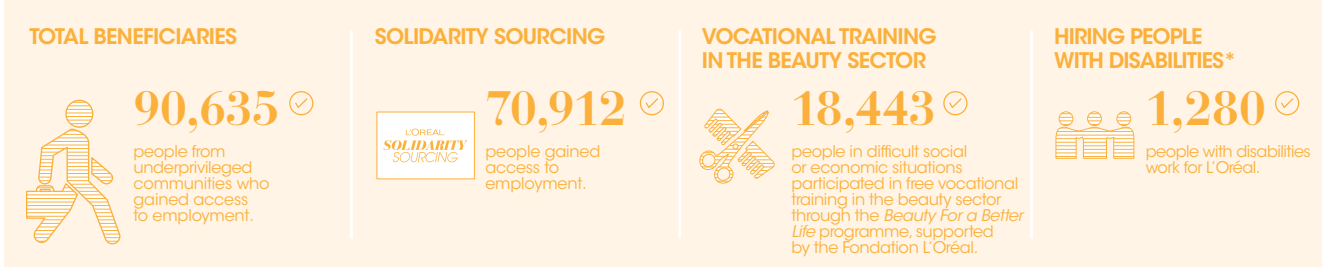
Promoting access to employment and social inclusion / 21

Joining forces with suppliers to meet the Group's commitments / 22

Putting employees at the centre of commitments / 23

Promoting access to employment and social inclusion

MONITORING INDICATORS UP TO 2020



By the end of 2020, we will have helped more than 100,000 people from underprivileged communities gain access to employment. To achieve this goal, we have developed multiple initiatives: *Solidarity Sourcing* projects, vocational training and the inclusion of people with disabilities within our 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 2019, it enabled 70,912 ✓ 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 25%, or 14,070 more beneficiaries than in 2018.

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 26 countries, *Beauty For a Better Life*, in partnership with local NGOs, helped 18,443 ✓ people, trained during the four past years, gain access to gain access to employment in 2019.

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 2019, the *Financial Times* ranked L'Oréal in the Top 100 of 1,000 European companies evaluated on their efforts to promote inclusion.

In 2019, L'Oréal had 1,280 ✓ disabled employees. To represent its brands, L'Oréal chose ambassadors including Théo Curin for Biotherm, Grace Wembolua for Saint-Gervais-Mont-Blanc and Marie Bochet for L'Oréal Paris. These Paralympic athletes undertaking extraordinary journeys are a source of inspiration for both employees and consumers.

KENYA



BEAUTY, INCLUSION AND AWARENESS-RAISING ON ALBINISM

In Kenya, albinism can represent a significant barrier to professional integration and can be a factor of exclusion. L'Oréal Kenya is working to promote inclusion for people affected by albinism, in order to help them overcome the social and economic obstacles they face. Engaged in this field since 2015, the business has already helped more than a hundred people, directly or indirectly, particularly thanks to training and mentorship provided by employees. In 2019, employees dedicated a total of 104 hours of their work time to get involved in this effort. There are many initiatives proposed, such as, for example, an annual training session for students affected by albinism, which aims to help prepare them for the world of work and build their career. Awareness-raising campaigns are also conducted among consumers on the International Day of Albinism. ●

✓ See page 6 for more information on the audit of indicators.

* 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



87% ✓

of the Group's strategic suppliers* have been assessed and selected based on their environmental and social performance. They represent 81% of direct purchases (raw materials, packaging and contract manufacturing).

SELF-ASSESSMENT



96% ✓

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

By the end of 2020, 100% of our strategic suppliers will participate in our sustainability programme. We have developed a two-pronged approach: we select suppliers on the basis of their environmental and social performance, and provide them with training tools.

Evaluating suppliers' environmental and social performance

We evaluate and select our 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 results - In 2019, 1,562 ✓ social audits were conducted, bringing the total number of audits to more than 12,400 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 - In 2019, 713 suppliers were evaluated - or 93 more than in 2018 - on their social, environmental and ethical policies, as well as their initiatives among their own suppliers. 179 of them are strategic suppliers, which represents 96% ✓ 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 14). In 2019, 479 L'Oréal suppliers undertook an initiative of this kind (compared to 437 in 2018), which represents 85% of the Group's direct purchases.

The Group has also encouraged its suppliers to join the *Water Disclosure Project Supply Chain* since its launch in 2013. In 2019, 94 suppliers took part in this (see page 15). Elsewhere, in 2019, 30 of the Group's suppliers of paper, palm oil and soy participated in the second edition of the *Forest Disclosure Project Supply Chain* (see page 12).



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

ASIA PACIFIC AND AMERICAS

WORKSHOPS TO ENGAGE SUPPLIERS ON CARBON EMISSIONS

In 2019, the Group organised two events called "*Spread the Green Vibes*" in Asia and America to bring suppliers and L'Oréal teams together around the theme of sustainability, and more particularly the reduction of CO₂ emissions. In Asia, L'Oréal has, for the first time, shared with 50 key suppliers the objectives and progress of the *Sharing Beauty With All* programme on reducing carbon emissions, and its new ambitions for 2030. Workshops on themes as diverse as sustainable sourcing, CO₂ emissions reduction, and waste and water use reduction, enabled participants to discuss and share good practices. In America, the 88 participating suppliers, representing diverse industries and activities, were also invited to share their initiatives on carbon emissions reduction and the positive impact that it generates for their communities, together with their goals and action plans for a transition towards a low carbon economy. ●

⊗ See page 6 for more information on the audit of indicators.

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.

Putting employees at the centre of commitments

MONITORING INDICATORS UP TO 2020



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 2019, the Group pursued the second stage of the programme, established in 2017, with new global objectives for the end of 2020, such as paternity leave with a minimum of ten days remunerated at 100%. By the end of 2019, all the Group's subsidiaries had adopted this measure, and some countries had even gone beyond that: for example, France and the United Kingdom have moved to six weeks, and the United States has introduced an eight-week paternity leave, which saw them named in the 2019 ranking of 'Fatherly's Best Place to Work for Dads'.

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 the end of 2020. In 2019, this proportion rose to 96% ✓.

The online training portal, *My Learning*, is integral to accelerating this ambition. Available in 27 languages, it counted in 2019 nearly 52,000 regular users. Since 2017, employees have been able to follow the MOOCs offered by more than 150 universities worldwide. Overall, there were 4,100 registrations, and 26,800 hours of training were delivered, with an exceptional 28% certification rate. The Group's *Digital Upskilling* initiative, a key focus of its digital strategy, which aims to develop digital competencies essential to tomorrow's competitiveness, has reached more than 33,000 employees since 2015.

Promoting employee engagement

Since 2009, L'Oréal has engaged its employees through a day of volunteering activities called *Citizen Day*. For its tenth anniversary in 2019, which involved some 27,500 participants and 156,200 volunteering hours across 61 countries, this event supported 969 organisations. 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 engage employees in adopting sustainable behaviours in the workplace. 52 L'Oréal businesses participated in the Group's second *Sustainability Week*, which took place in November 2019 and focused on reducing waste.

PORTUGAL

SHARE & CARE: HEALTH AND WELLBEING AT WORK

In the context of the *Share & Care* programme, in 2019 Portugal began diverse efforts to make further advances on employee health and wellbeing at work. An app enabling online consultations with medical professionals was shared with all employees so that they could consult a doctor anywhere, at any time. Free skin consultations were offered in stores, and doctors as well as a nutritionist are also providing their services within L'Oréal Portugal's sites. To improve wellbeing at work, mental health and mindfulness exercises were offered every two weeks. Finally, L'Oréal Portugal has also promoted flexible working, i.e. the possibility to work outside the office, for several days per month. All these efforts reinforced existing measures to take care of employees and support them in their life projects. ●

☺☺ See page 6 for more information on the audit of indicators.

*Indicator calculated based on the Group's total workforce, except the Venezuela division and certain recent acquisitions or new subsidiaries (Ivory Coast, Bangladesh, Modiface).

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

***Indicator calculated on the Group's effective total, except the Venezuela division and certain recent acquisitions or new subsidiaries (Ivory Coast, Bangladesh, Modiface, Logoccos and Retail Excellence 4).

The *Carbon Balanced* project: towards a low carbon business

In the face of the climate emergency, the Group has committed to balance its residual CO₂ emissions (Scope 1 and 2, downstream transport and finished products) by the end of 2020, in order to become a *Carbon Balanced* company. This ambition reinforces L'Oréal's low carbon strategy, which takes a dual approach to reducing the Group's carbon footprint – lowering the emissions linked to its industrial and logistics activities while balancing residual emissions.

To pursue and evaluate this initiative, L'Oréal has developed, with the support of a committee of independent experts - carbon specialists - the *Carbon Balanced Program Framework*, a methodology designed to identify,

develop and monitor projects. This document is shared with all the Group's suppliers, project developers and relevant verification organisations. The projects launched and evaluated by the Group are structured around three pillars, with methodologies developed by international standards and the Kyoto Protocol – improving energy efficiency, promoting productive and low carbon farming practices, and developing forestry and agroforestry programmes.

For example, since 2016, L'Oréal has supported the efforts of the social enterprise Nafa Naana, which has enabled more than 5,000 women collectors of shea nuts in the south-west region of Burkina Faso to gain access to improved cooking equipment. This helps

to fight against fuel poverty and its consequences on household income and deforestation. In 2019, the project prevented the emission of more than 10,500 tonnes of CO₂ equivalent, and avoided the felling of 5,000 tonnes of timber traditionally taken from forests.

Also in 2019, L'Oréal pursued an exchange with external experts on questions relating to the mechanisms of carbon insetting, and on accounting methodologies for reducing Scope 3 emissions, by participating in the *Value Chain Intervention Consortium* hosted by the *Gold Standard*. The eight energy and forestry projects implemented since 2015 have enabled the generation of carbon gains of up to 116,720 tonnes of CO₂ equivalent.

Brazil: L'Oréal distinguished as a major sustainability actor

L'Oréal Brazil has received for the third year running the double award from *Guia Exame de Sustentabilidade*, one of the most significant sustainability accolades in Brazil. The company is considered as one of the most responsible businesses in the 'Consumer goods' category, as well as 'The best performing company on managing and valuing biodiversity' in Brazil. Meanwhile, the business has also been recognised by the *Firjan** *Environmental Prize* for both distinguishing itself in the fight against climate change, and for all

its efforts to preserve water. The Research and Innovation site's 'filter garden' is one of L'Oréal Brazil's flagship initiatives – this garden recovers and treats rainwater and used water from laboratories and bathroom facilities in a natural way, so that the water can be used again. Elsewhere, all L'Oréal Brazil's entities are using 100% renewable energy, avoiding the emission of 2,000 tonnes of CO₂ in 2019. Some 2,400 m² of solar panels have been installed, for example. The CO₂ emissions linked to transport have also been reduced by 23% between 2011 and 2019**.



* Rio de Janeiro State Industries Association.
** In gram of CO₂ per sales unit per km.

Reporting: a recognised performance

Every year, we communicate transparently, providing data on our corporate social and environmental responsibility strategy, challenges and results in three reports: the Universal 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 2019, 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 2019, for the fourth 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 four consecutive years. CDP is an independent, international organisation that evaluates companies' environmental performance.



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



In December 2019, the extra-financial rating agency Vigeo Eiris once again included L'Oréal in multiple Euronext Vigeo Eiris indices.



In December 2019, L'Oréal was listed in both indices of the Ethibel Sustainability Index: Excellence Europe and Excellence Global.



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.



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



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.



In 2019, L'Oréal was rewarded with an AAA rating (on a scale of AAA to CCC) in the ranking of MSCI Indexes on ESG, governance and human rights*.

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

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L'ORÉAL

Incorporated in France
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with a registered capital
of €111,855,722.20
632 012 100 R.C.S. Paris

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

Registered office:
14, rue Royale
75008 Paris
France