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L'ORÉAL

Disclosures on management approach

L'Oréal became a signatory of the United Nations Global Compact in 2003 and is committed to respecting and promoting the Human Rights.

L'Oréal's Chairman and Chief Executive Officer has given the Senior Vice President, Chief Ethics Officer, the mission of overseeing the respect of Human Rights.

The Chief Ethics Officer reports regularly to the Chairman and Chief Executive Officer. He informs the Board of Directors and the Executive Committee.

Country Managers are in charge of implementing the Human Rights policy in their country. The Group's Chief Ethics Officer meets systematically with each Country Manager in order to raise their awareness in particular on Human Rights issues and corruption prevention.

L'Oréal ensures that these conventions are observed with regard to its employees thanks to the actions taken by the Human Resources functions and at its suppliers and subcontractors thanks to the actions taken by the Purchasing function (see the section on "Societal Information", paragraph on "Subcontracting with suppliers" for further details).

L'Oréal sets out its Human Rights policy in documents such as "The L'Oréal Spirit" or the Code of Business Ethics.

In the "As an Employer" section of "The L'Oréal Spirit", the Group describes its principal commitments to its staff, namely in terms of diversity. Its commitments on the abolition of child labour and forced labour are set out in the "As a Responsible Corporate Citizen" section of that document.

Furthermore, several chapters of the Code of Business Ethics are devoted to the practical implementation of respect for Human Rights: health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers.

All new employees receive a copy of the Code of Business Ethics, which is available in 35 languages (43 versions) and in Braille in French and English. This Code of Business Ethics is available on the www.loreal.com website.

Every year, L'Oréal organises an Ethics Day in order to ensure ongoing internal communication on this topic. In 2013, all the Group's employees were able to ask L'Oréal's Chairman and Chief Executive Officer questions which he answered during a live webchat. All Country Managers also had the opportunity to discuss ethics with their employees. More than half the Group's employees took part in this dialogue and over 3,200 questions were asked worldwide.

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

Investment

L'Oréal considers Human Rights issues in its economic decision-making, particularly when such decisions concern countries where the protection of Human Rights is a concern.

This process of taking into account Human Rights issues is formally provided for with respect to proposed acquisitions, framework agreements with key suppliers and real estate projects.

Within the scope of the legal due diligence reviews carried out prior to proposed acquisitions, the Group's Legal Department includes an "ethics and Human Rights questionnaire" prepared by the Ethics Department. The answers to this questionnaire are intended to identify, within the internal control system existing in the target company, whether the risks of non-compliance with Human Rights (abolition of child labour and forced labour, etc.) have been taken into account.

Framework agreements signed with suppliers/subcontractors contain a societal clause providing for the same commitments as those set out in the Fundamental Conventions of the International Labour Organisation (ILO).

In choosing a property to buy or lease off-plan within the scope of a real estate project, L'Oréal applies the Guide to Sustainable Construction and Design, which requires it to ensure that the seller is the due and proper owner and has compensated any tenants/users in accordance with international regulations.

To help employees take into account Human Rights issues in carrying out their work, training on ethical standards covers Human Rights matters among other topics. An e-learning module on ethics was rolled out to all countries in October 2013.

L'Oréal also organises training for positions more particularly concerned by Human Rights, especially purchasers. Training on Responsible Purchasing, on the "Buy & Care" programme and on social audits is a compulsory part of induction training for all new purchasers. In 2013, a specific e-learning module was launched on the social audit programme.

Non-discrimination

For over 10 years, L'Oréal has been engaged in an innovative, ambitious policy in favour of Diversity. The Group has set itself three priorities: gender, disability and socio-cultural and ethnic origin and its actions are more particularly focussed on the areas of human resources, solidarity sourcing and marketing.

Today, with a network of more than 86 Diversity coordinators all over the world, the initiatives conducted by all the Group's subsidiaries make L'Oréal a pioneer and one of the recognised major players in the area of diversity at worldwide level.

- In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.
- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, the Group jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany. France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

L'Oréal has moreover developed a diversity assessment in France with a hundred or so indicators that together cover the 6 dimensions of Diversity policy. For the same purpose, an automatic Diversity Reporting tool with 30 indicators (recruitment, training, remuneration...) has been made available to all the subsidiaries.

In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.

▶ EQUAL PAY FOR MEN AND WOMEN

Equal pay is the rule. The Group's policy is to guarantee equal pay and grade for men and women with the same qualifications.

In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland).

In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality.

L'Oréal France also received the Professional Equality label. The INED (National Institute of Demographic Studies) conducted an independent study that shows that the net wage gap between men and women is lower than 4% for categories Frames and Workers. This gap has reduced by nearly one third in recent years since it was 10% in 2007. This same study shows that there is no gap for categories Employees and Agents mastery, which is qualified by the INED «result quite remarkable.» A hiring, equal, the classification level of pay is the same.

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with International Labour Organisation (ILO) conventions C100 and C111 on non-discrimination.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractors will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with discrimination issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

► *Freedom of Association and Collective Bargaining*

In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal ensures that other modes of dialogue exist with its employees enabling them to report any concerns they have (see also Labour Practices – Aspect: Labour/Management Relations – Management approach – Social dialogue).

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C87 and C98 on the freedom of association.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with freedom of association issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

► *Child Labor*

Concerning the abolition of child labour, all L'Oréal entities are required to verify the age of their new employees when they are hired.

L'Oréal has chosen to set a compulsory minimum age of 16 for its entire staff, a minimum age which is higher than that required by the International Labour Organisation.

In light of their young age, employees who are between 16 and 18 years old are subject to specific measures and in particular: no night work, no overtime, no work involving the use of hazardous substances or tools, no carrying of heavy loads, the implementation of a reinforced training programme, appointment of an internal "tutor" and inclusion on a special register. In 2013, 570 employees aged between 16 and 18 worked within the Group's entities.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C138 and C182 on child labour.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with child labour issues.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Forced or Compulsory Labor*

Concerning the elimination of all forms of forced or compulsory labour, recourse to prison labour is possible when it is voluntary within the scope of a professional reinsertion programme, and paid at market price. Suppliers or subcontractors must request the authorisation of L'Oréal before they have recourse to this form of labour.

Furthermore, all Group entities are required to ensure that none of their employees are subject to the retention of identity papers or travel documents, or are obliged to pay recruitment fees or to deposit money in order to be able to leave their employment.

L'Oréal's suppliers and subcontractors are asked to comply with Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C29 and C105 on forced labour.

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with the issue of forced labour.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

➤ *Security Practices*

Circulated at the end of 2013, L'Oréal's new Security Code of Conduct emphasises the following issues:

- In conducting its business, L'Oréal constantly seeks to provide all its employees with the safest possible working and living environment and to protect the Group's tangible and intangible assets.
- The Group's Safety and Security Division helps draft policies and procedures and choose relevant standards. It also ensures that the Group has the appropriate human and material resources in this respect, and is involved in assessing risk and launching awareness-raising initiatives aimed at all employees. Risk assessment is reviewed on a continuous basis. The Division relies on a network of Safety and Security officers and managers, particularly in countries where the risk of malicious acts against L'Oréal is considered the highest. In carrying out its business activities, the Group seeks to ensure the safety and security of its employees at all times.

➤ *Indigenous Rights*

Consideration for the rights of indigenous peoples is embedded in various operating procedures.

For example, in choosing a property to buy or lease off-plan, L'Oréal applies the Guide to Sustainable Construction and Design, which requires it to ensure that the seller is the due and proper owner and has compensated any tenants/users in accordance with international regulations.

In accordance with the requirements of the Convention on Biological Diversity which L'Oréal signed up to in 2005, the Group's respect for the rights of indigenous peoples leads it to obtain a preliminary agreement as well as a guarantee as to the fair return of resources to local populations as part of its responsible approach to sourcing raw materials.

Since 2006, and regardless of whether the countries from which the raw materials originate comply with the protocol on Access to genetic resources and Benefit-Sharing (ABS), L'Oréal puts in place "ABS-type" approaches which seek to respect the rights of indigenous peoples at each stage in the process, by taking account of the ecological, economic and social issues at stake. This ensures it adopts a sustainable development approach throughout the raw materials supply chain.

All of the Group's renewable raw materials undergo a strict examination in light of biodiversity protection criteria, which takes into account the ecological status of the resources and/or their ecosystem, any measures taken to protect such resources, the impact of production on natural environments, and so on. This includes respect for the rights of indigenous peoples who are often heavily dependent on biological resources.

Depending on the product sourced, suppliers therefore assess:

- the significance of the plant in terms of income and jobs for the local community and the degree to which the resources are returned to the local populations in that particular sector;
- the recognition of time-honoured uses and knowledge, which are taken into account in managing all aspects relating to intellectual property;
- the access of local populations to the raw materials in order to keep up traditional usages, i.e., for food, fuel, fodder, medicine, construction materials that are difficult to replace and/or the cultural importance of the raw materials;
- any changes in land use likely to result from producing the raw material. Particular attention is given to land used initially for food.

Since 2010, a systematic study of the patents filed by the Group ensures that it respects traditional know-how and gives local populations free access to their resources. The same requirements apply to patents filed by suppliers.



FOR FURTHER INFORMATION, SEE THE ENVIRONMENT FACT SHEET, ASPECT: BIODIVERSITY, INDICATOR EN14.

The Group's Chief Ethics Officer who is responsible for Human Rights issues must be informed of all alleged violations of the rights of indigenous peoples.

Assessment

The treatment of Human Rights issues at all Group sites is analysed using an ethics-based self-assessment tool which allows Country Managers to assess any ethical risks (including those relating to Human Rights) in their country and take the necessary measures to mitigate these risks.

An annual ethics-based reporting system covers all of the issues dealt with in the Code of Ethics. The information captured by this system enables the Group's performance in terms of Human Rights to be assessed.

In 2014, all factories and distribution centres will be audited by external auditors, mainly as regards compliance with ILO Fundamental Conventions.

Supplier Human Rights Assessment

L'Oréal works with thousands of suppliers throughout the world to cover its needs in terms of packaging, raw materials, subcontracting, production equipment, promotional and advertising items, and non-production-related products and services (commonly referred to as indirect).

The global volume of purchases directly related to production (packaging, raw materials and subcontracting) represented €3.69 billion in 2013 (Cosmetics scope, excluding The Body Shop).

Thus, the Group's Purchasing policy is aimed at building a balanced, long-lasting relationship with subcontractors and suppliers with respect for social and environmental issues.

The Group actively seeks to work with suppliers who share its values and commitments, particularly in terms of Human Rights. Referencing such suppliers is therefore a vital part of the policy.

For industrial purchases, dedicated purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy via the "Welcome On Board" (WOB) supplier referencing process. This makes it possible to make sure that the supplier is of real interest, provide it with all the information, documents and contacts required for it to understand the expectations and processes at L'Oréal, and finally to obtain the supplier's commitment to L'Oréal's values that are shared in this manner.

In order to embed social, ethical and environmental concerns within its supply chain, in 2002 L'Oréal launched the "Buy & Care" programme, adhered to by all the Group's purchasers. Within the framework of this programme, L'Oréal asks its suppliers and subcontractors to comply with the Group's General Terms of Purchase, which require them in turn to comply with the Fundamental Conventions of the International Labour Organisation as well as local legislation, in particular with regard to minimum wages, working time and health and safety.

Each new supplier/subcontractor referenced by Purchasing teams must respect these societal clauses and accept that a social audit may be performed at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

Following on from this commitment, L'Oréal's "Buy & Care" programme consists, since 2002, of a section aimed at an audit of this compliance with social legislation enabling it to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety for their teams and health and hygiene in the workplace.

Subcontractors, wherever they are based in the world, along with suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

The social audits are carried out on behalf of L'Oréal by independent external service providers. The initial audits are financed by L'Oréal and the follow-up audits are paid for by the suppliers.

The audits cover the following **10 chapters**:

- child labour;
- forced labour;
- the environment, health and hygiene and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

Since January 2013, the social audits include questions concerning the environment and in particular compliance with regulations.

L'Oréal's social audit is based to a great extent on the internationally recognised SA 8000 standard, but does comprise a few exceptions, particularly with regard to the minimum age for child labour. In this respect, the Group has chosen to set the compulsory minimum age at 16 for all employees working for its suppliers, a higher age limit than that required by the Fundamental Conventions of the International Labour Organisation (ILO).

Since 2006 when L'Oréal set up a reporting tool, it has conducted more than 5 200 social audits at over 3,900 supplier sites.

Added to this are the social audits conducted by The Body Shop (TBS). Indeed, since its integration into the L'Oréal Group in 2006, TBS has pursued its longstanding programme of social audits. TBS is one of the founding members of the Ethical Trading Initiative (ETI) and has adopted their "Supplier Code of Conduct". The Body Shop has developed a programme enabling them to support their commitment to responsible sourcing. One of the activities under this programme is control of working conditions, defined in the "Supplier Code of Conduct", on the production sites of their suppliers.

Human Rights Grievance Mechanisms

L'Oréal's "Open Talk" policy enables employees to raise concerns they may have directly with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website. This site is accessible in 21 languages. All allegations are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.

External stakeholders (e.g., suppliers and local communities) may also consult the Chief Ethics Officer.

All concerns regarding Human Rights are related to the Chief Ethics Officer who is in charge of Human Rights policy.

I

Investment

HR1

Total number and percentage of significant investment agreements and contracts that include human rights clauses of that underwent Human Rights screening

All framework agreements signed with suppliers/subcontractors in 2013 contain a societal clause providing for compliance with the Fundamental Conventions of the International Labour Organisation.

An "ethics and human rights questionnaire" was applied to all acquisitions carried out in 2013.

HR2

Total hours of employee training on human rights policies or procedures concerning aspects of Human Rights that are relevant to operations, including the percentage of employees trained

Since training on Human Rights issues is included in more general training programmes, L'Oréal does not specifically monitor the number of hours devoted to Human Rights training.

At Corporate level, the Ethics Department gave 23 training sessions to 669 employees, representing a total of 1,474 training hours.

A specific e-learning programme on ethics to all employees and covering topics including Human Rights (health, hygiene and safety, diversity, harassment and sexual harassment, respect for private life) was rolled out in all countries in October 2013.

In 2013, 116 purchasers were trained in Responsible Purchasing. In all, 75% of the Group's purchasers have been trained in Responsible Purchasing since the training programme was launched.

Furthermore, in 2013, 92% of the Group's countries included subjects related to Human Rights (health, safety and security, diversity, harassment and bullying, sexual harassment, privacy, contribution to the community, and supplier selection and fair treatment of suppliers) in their local training programmes. 100% of the countries communicated on at least one of these topics.

N

L'ORÉAL

on-discrimination

HR 3 *Total number of incidents of discrimination and corrective actions taken*

Diversity is one of L'Oréal's core values and accompanies its employees and consumers across the globe on a journey towards the 'universalisation' of beauty. The diversity of L'Oréal's teams at all levels and in all fields leads to greater creative thinking, tighter social cohesion and a better understanding of consumers, allowing the Group to develop products meeting the needs of all. L'Oréal stands firmly against all notions or practices of discrimination between people. It has made disability, socio-professional equality and socio-ethnic origin the cornerstone of its collective commitment to non-discrimination, which is reflected in daily human resources practices across the globe, along with responsible marketing and sourcing policies.

Group employees were asked to complete the "Pulse" questionnaire in 2007 and then in 2011/2012. The findings of the 2012 study showed that 77% of employees based in over 65 countries representing all five geographic zones welcome and support L'Oréal's strong commitment to managing diversity embedded in its Human Resources policy and in its value of respect for the individual.

Strong commitments:

In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed eight other charters in Europe (including Germany, Austria, Belgium, Italy, Poland, Spain and Sweden) certain of which were created on its initiative. The most recent initiative was at L'Oréal Finland which was a founding member of the Finnish Diversity Charter in 2013.

DISABILITY OUTREACH

- With regard to disability, L'Oréal has been developing a global policy since 2008 in favour of professional insertion of the disabled in the Company. This policy focuses on five priorities: infrastructures, maintenance in employment, recruitment, subcontracting and partnerships.

To accelerate the mobilisation of its subsidiaries, L'Oréal has put in place since 2008 awards known as "Initiatives for the Disabled" which reward operational entities for their concrete actions in favour of the disabled. These awards, which are presented every two years, make it possible to showcase and share the best practices of the various L'Oréal entities both in France and in Europe. In 2012, this initiative was made international, which enabled 14 countries from four geographic zones to participate.

In 2013, L'Oréal Chile received the "Sello Inclusivo" seal which rewards efforts made with regard to accessibility. L'Oréal also signed the agreement with the International Labour Organisation to become part of this organisation's Disability Network, in order to share its best practices and interact with stakeholders, such as Non-Governmental Organisations, civil associations and other businesses.

In 2009 L'Oréal created the CSR+Disability network together with the Italian Ministry of Labour, Telefonica and the ONCE Foundation in Spain. The purpose of this tri-national network which consists of players from the private and public sphere and from associations, is to promote access to work for disabled people throughout Europe. In 2013, as a result of this partnership, we jointly created the "1st European Award for Social Entrepreneurship and Disability: Promoting Social Investment". This award aims at identifying and rewarding projects from European social entrepreneurs in the field of inclusion of the disabled or innovative projects promoted by disabled entrepreneurs.

December 3rd is the International Day of persons with disabilities declared by the United Nations. 6 Group subsidiaries went into action and created "Disability Awareness Week": Spain, Chile, Mexico, Hong Kong, Italy and Germany. France also mobilised the head office teams to raise awareness on this topic.

- Finally, with regard to recruitment, 46 countries in which the Group is established have implemented actions to diversify the origin of their recruitments with one objective: enable all talented individuals to assume high-level responsibilities within the Company, whatever their differences or their origins.

L'Oréal hosted the European Origins conference at its head office in partnership with the ENAR (European Network Against Racism) in October 2013.

▶ RAISING AWARENESS AMONG L'ORÉAL EMPLOYEES

In order to support these initiatives, L'Oréal has undertaken to train its employees in diversity by organising "Diversity Workshops". This one-day training session made it possible to raise awareness among over 15,000 employees in more than 20 countries at the end of 2013.

▶ EQUAL PAY FOR MEN AND WOMEN

Equal pay is the rule. The Group's policy is to guarantee equal pay and grade for men and women with the same qualifications.

In the field of gender equality, L'Oréal was awarded in 2010 the first European gender equality label, the "Gender Equality European Standard" (GEES), by Bureau Veritas, for eight of its entities in Europe: Germany, France, Spain, Italy, Belgium, the United Kingdom, Ireland and L'Oréal S.A. Four other entities were audited at the end of 2012 and awarded the label by Bureau Veritas (Baltic countries, Portugal, Czech Republic and Poland).

In 2013, the 8 subsidiaries which had initially obtained the GEES label were subject to a mid-term audit: 3 subsidiaries had made progress, increasing to 4 the total number of subsidiaries that have achieved the maximum level of certification. This is proof of commitment as these regular audits measure the progress made towards gender equality.

L'Oréal France has also been awarded the Gender Equality label. The INED (National Institute of Demographic Studies) conducted an independent study that shows that the net wage gap between men and women is lower than 4% for categories Frames and Workers. This gap has reduced by nearly one third in recent years since it was 10% in 2007. This same study shows that there is no gap for categories Employees and Agents mastery, which is qualified by the INED «result quite remarkable.» A hiring, equal, the classification level of pay is the same.

Also in the field of gender equality, L'Oréal Mexico received the World Bank's "Gender Equity Model" certification in October 2012.

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C100 and C111 on equal remuneration.

Framework agreements signed with the Group's main suppliers all contain a societal clause taking up the same commitments (for more information, see the HR1 indicator in this fact sheet).

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

All of the Group's social audits deal with discrimination issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 2.6% of the cases of non-compliance identified related to discrimination issues. All concerned practices that could encourage discrimination in hiring. Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.



FOR FURTHER INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE SECTION 6.2.2.7, "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

F

Freedom of association and collective bargaining.....

HR

4 *Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights*

Even though no L'Oréal sites have been identified in which there is a substantial risk that freedom of association and/or collective bargaining rights may be violated, all L'Oréal sites across the globe are required to submit an annual report on such issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including as concerns the right to exercise freedom of association and collective bargaining.

RELATIONS WITH SUPPLIERS

L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Terms of Purchase, which clearly stipulate the requirement to comply with ILO conventions C87 and C98 on freedom of association.

Framework agreements signed with the main suppliers all contain a societal clause providing for the same commitments (see HR1).

Each new supplier/subcontractor referenced by Purchasing teams must respect these societal clauses and accept that a social audit may be performed at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

Furthermore, all of the Group's social audits deal with freedom of association issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 2% of the cases of non-compliance identified related to freedom of association.

Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.

FOR MORE INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

C

Child labor

HR5

Operates and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor

Although no substantial risks relating to child labour have been identified at L'Oréal sites, all Group sites across the globe are required to report on these issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including on child labour issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, four supplier sites in Asia were found to employ children under 16. All of these children were 15 years of age.

One of the Group's suppliers has accepted to put in place a corrective action plan, under which the child returns to school, his or her salary is maintained within the family, and a process is introduced to verify the age of employees on hiring. An unannounced audit was performed to verify that this plan was effectively in place.

L'Oréal has decided not to work with the three other suppliers concerned.



FOR MORE INFORMATION CONCERNING ILO FUNDAMENTAL CONVENTIONS, SEE "PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION" ON PAGE 210 OF THE 2013 REGISTRATION DOCUMENT.

F

Forced or compulsory labor

HR6

Operations and suppliers identified as having significant risk for incidents or forced compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor

Even though no substantial risks relating to forced labour have been identified at L'Oréal sites, all L'Oréal sites across the globe are required to submit an annual report on such issues for oversight purposes.

In 2014, all factories and distribution centres will be audited by external auditors, including on forced labour issues.

During the social audits carried out at the Group's suppliers and subcontractors in 2013, 5% of the cases of non-compliance related to forced labour issues. Virtually all cases of non-compliance concerned workers' ID papers or the lack of any employment contract.

Corrective action plans were put in place for major cases of non-compliance and a follow-up audit will be carried out to monitor the progress made.

S

ecurity practices

HR7

Percentage of security personnel trained in the organization's Human Rights policies or procedures that are relevant to operations

L'Oréal does not directly employ any security personnel.

The Group thoroughly screens its contracts with security service providers acting for or in the Group's environment. This involves verifying qualifications, official and international accreditations, compliance with Human Rights, personnel training. Approval from the Group's Safety and Security Division must be sought before choosing a new service provider or renewing an agreement with a current service provider. In particular, L'Oréal favours security personnel that have adhered to the International Code of Conduct for Private Security Service Providers developed on the basis of the Montreux Document, an official document of the United Nations.

I

ndegenous rights

HR8

Total number of incidents of violations involving rights of indigenous peoples and actions taken

The Chief Ethics Officer was not informed of any alleged violation of the rights of indigenous peoples in 2013.

A

Assessment

HR

Total number and percentage of operations that have been subject to Human Rights reviews or impact assessments

In all, 38% of countries carried out a self-assessment of ethical risks in 2013, and the aim is for the self-assessment to be performed in all countries in 2014. An action plan is rolled out for any areas needing improvement as identified by the self-assessment.

All countries completed an annual ethics report. The countries will be informed of any areas needing improvement by the Ethics Department.

The risk analysis for suppliers and subcontractors is performed by the Purchasing Department, notably by means of social audits.

In 2013, social audits were performed of suppliers in 45 countries on all continents. However, Asia accounted for half of the audits performed. Since 2006, supplier audits have been performed in 76 countries.

S Supplier Human Rights assessment

HR

10 Percentage of new suppliers that were screened using Human Rights criteria

Each new supplier/subcontractor referenced by Purchasing teams must agree to comply with these societal clauses and accept that a social audit may be conducted at its production sites. This agreement by the supplier/subcontractor will be expressed in the form of a signed letter of ethical commitment.

The "Buy & Care" programme includes a section aimed at an audit of this compliance with social legislation enabling the Group to ensure that its suppliers comply with the applicable laws, Human Rights and labour law, and ensure safety and health for its teams in the workplace.

Subcontractors, wherever they are based in the world, and suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit. To prepare the risk map for the countries presenting risks, L'Oréal uses the Maplecroft™ indexes.

In 2013, 800 audits were carried out – on a par with 2011. The number of audits reached a peak in 2012 (1,120 audits performed) after the audit scope was extended to include the POS advertising/Promotional items business in the Asia and Africa/Middle East Zones.

The social audits carried out to date have enabled the Group to cover 85% of the eligible supplier portfolio.

BREAKDOWN OF L'ORÉAL SOCIAL AUDITS BY GEOGRAPHIC ZONE

Zones	2009	2010	2011	2012	2013
Europe	86	119	134	191	167
NAZ	5	2	9	49	29
ZAL	36	84	65	152	172
ZAMO	4	23	73	118	30
Asia, Pacific	305	339	512	610	402
TOTAL	436	567	793	1,120	800 ✓

ZAL: Latin America Zone - ZAMO: Africa, Middle East Zone - NAZ: North America Zone

A total of 67 audits were also carried out by The Body Shop in 2013.



Significant actual and potential negative human rights impacts in the supply chain and actions taken

The potential negative impacts related to Human Rights issues in the supply chain are those described in the management approach, i.e.:

- child labour and forced labour;
- environment, health and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

FOLLOWING CASES OF NON-COMPLIANCE WERE IDENTIFIED AS A RESULT OF THE SOCIAL AUDITS CARRIED OUT IN 2013

<i>Audit findings</i>	<i>2012</i>	<i>2013</i>
Access refused	4%	2%
Zero tolerance	1%	4%
Satisfactory or ongoing improvement	50%	47%
Immediate action necessary	45%	47%

<i>Breakdown of cases of non-compliance by audited issue</i>	<i>2012</i>	<i>2013</i>
% of cases of non-compliance relating to child labour	5	4
% of cases of non-compliance related to wages/ remuneration	22	18
% of cases of non-compliance related to working hours	23	21
% of cases of non-compliance related to working conditions, health and safety	40	37
% of cases of non-compliance related to audited issues	9	18

These findings can be summarised as follows: 18% of cases of non-compliance identified in 2013 (from all social audits) relate to remuneration.

In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

In 2013, there were major cases of non-compliance found at 60% of supplier sites that were audited for the first time (initial audits). During follow-up audits, there was no longer any major non-compliance at 56% of the suppliers who were initially non-compliant.

H/uman Rights grievance mechanisms.....



12 *Number of grievances about Human Rights impacts filed, addressed, and resolved through formal grievance mechanisms*

In 2013, the Chief Ethics Officer analysed a situation regarding the protection of Human Rights.