L'ORÉAL

# Environment

# Disclosures on management approach

On October 23, 2013, L'Oréal presented its Sustainability Commitments for 2020, Sharing Beauty With All. This public announcement bears witness to L'Oréal's ambitions, and to the dedication of the Group's management and teams to building and consolidating sustainable development.

Ten years ago, the Group signed the United Nations Global Compact and ever since has been committed to supporting the ten fundamental principles of the Pact within its sphere of influence.

The Group has been resolute in its pursuit of progress in the fields of sustainable development and CSR, as early as 2009 setting itself an ambitious target for reducing the environmental footprint of its sites and production plants. The creation of the L'Oréal Foundation in 2007 gave further proof of the Group's commitment to sponsorship and philanthropy.

L'Oréal today has a solid legacy of actions in the field of sustainability and is thus in a position to set its sights high for the future by making its commitments part of its growth model.

The Sharing Beauty With All program encompasses all the Group's impacts, on the environment, on its employees and on communities, and covers four areas:

- Innovating sustainably,
- Producing sustainably,
- Living sustainably,
- Developing sustainably.

Every year, the Group reports on its progress and achievements in the relevant fields (human rights, working standards, environmental standards, anti-corruption measures), primarily through its Sustainable Development Report, the GRI (Global Reporting Initiative) indicators and those of the UN Global Pact.

The efforts and the progress made in 2013 have been recognized, as in previous years, by some of the most demanding bodies in the field, including Vigeo, Institut Ethisphère, the Carbon Disclosure Project (which in 2013 ranked L'Oréal among the 10% of highest-scoring corporations) and OEKOM.

**The L'Oréal Group's sustainable development commitments for 2020: Sharing Beauty With All.**

On October 23, 2013, L'Oréal Chairman and CEO Jean-Paul Agon announced the Group's commitments for 2020 to reduce its impacts while achieving its ambitions for growth.

**Developing sustainably**

L'Oréal's ambition is to reach one billion new consumers through its universalisation strategy which aims to respond to the different beauty needs of men and women all over the world. The Group's growth strategy is partly based on its commitment to produce more, with less impact, and to involve consumers, who are at the heart of its business activities, by offering them products which are both sustainable and aspirational, thus inciting them to make sustainable choices. For this purpose, L'Oréal has undertaken to improve its practices throughout its value chain, from research to production, while sharing its growth with the surrounding communities.

These commitments are the fruit of two years of consultation with various stakeholders throughout the world. L'Oréal will regularly communicate on its progress with regard to each of the objectives with the assistance of a panel of independent international experts [1] chaired by José Maria Figueres, recognised throughout the world for his commitment to Sustainable Development.

*[1] The panel of international experts:*
*Sze Ping, Chinese environmentalist, former Greenpeace activist, Executive Director of Greenovation Hub;*
*Mehjabeen Abidi-Habib, Pakistani researcher in human ecology, specialist of natural resources management;*
*HRH Celenhle Dlamini, South African, one of the Directors of Ubuntu Institute working on the achievement of the UN Millenium Development;*
*Zem Joaquin, American, eco-luxury specialist and founder of the "Eco-fabulous" website, aiming to make sustainability desirable;*
*Analisa Balares, American, Founder and CEO of WomensphereTM, developing medial tools, online communities, and an award to inspire and support women willing to make a difference in the world;*
*Christian de Boisredon, French, promoting the concept of "impact journalism" through Sparknews, in order to give visibility to positive initiatives throughout the world.*

# Disclosures on management approach

## Sharing Beauty With All: a commitment in four areas

1. **Innovating sustainably** - By 2020, 100% of the Group's products will have an environmental or social benefit.

Whenever the Group's brands invent or renovate a product, they will improve its environmental or social profile in terms of at least one of the following criteria:

- The new formula reduces its environmental footprint (and in particular its Water Footprint).
- The new formula uses sustainably sourced renewable raw materials or raw materials derived from Green chemistry.
- The new packaging has an improved environmental profile.
- The new product has a positive social impact.

2. **Producing sustainably** - By 2020, the Group commits to reducing its environmental footprint by 60% whilst bringing beauty to one billion new consumers.
   - A 60% reduction of $CO_2$ emissions at our plants and distribution centres in absolute terms, from a 2005 baseline.
   - A 60% reduction in water consumption per finished product unit from a 2005 baseline.
   - A 60% reduction in waste generation per finished product unit from a 2005 baseline.
   - Sending zero industrial waste to landfill.
   - Reducing the $CO_2$ emissions from transportation of products by 20% per finished product/Km from a 2011 baseline.
3. **Consuming sustainably** - By 2020, the Group wants to empower all l'oréal consumers to make sustainable consumption choices.
   - A product assessment tool will evaluate the environmental and social profile of all new products. All brands will make this information available to allow consumers to make sustainable lifestyle choices.
   - All L'Oréal brands will have assessed their environmental and social footprint and will have made commitments to improve it. Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.
   - Consumers will be able to influence the Group's sustainability actions through a consumer consultative group on sustainability.
4. **Sharing growth**
   - Employees: by 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world.
   - Suppliers: by 2020, 100% of the Group's strategic suppliers will be participating in the supplier sustainability programme.
   - Communities: by 2020, through its actions, the Group will enable more than 100,000 people from socially or financially deprived communities to access work.

## Governance

Manufacturing and distributing products that respect the environment and human beings is key to L'Oréal's vision of sustainable development.

In pursuit of these aims, EHS responsibilities are clearly set out at every level. The Group EHS Director reports to the Executive Vice-President Operations, who in turn reports to the Group Chief Executive Officer. He is responsible for the implementation and deployment of the Group's EHS policy, and for the development and implementation of strategies and action plans for production sites, distribution centers, Research & Innovation Centers, administrative sites and stores.

EHS managers in each of the entities concerned liaise with the Group EHS Department on achieving the Group's objectives.

The compensation of plant or distribution center managers is in part linked to their EHS performance.

Teams strive constantly to reduce L'Oréal's environmental footprint. The Group's environment policy is founded on strict compliance with regulations, internal standards applicable on all sites and operational processes based on prevention, reduction and reuse. The policy is backed by monthly reporting of detailed indicators used to monitor the progress of results. L'Oréal managers are also responsible for implementation of Group environmental policy, for organization at local level and for achieving targets.

L'Oréal has 45 production plants and 71 distribution centers around the world.

Reductions are calculated against comparable data over the 2005-2015 period.

The means used to produce the reporting, the scope of consolidation, the indicators and the data are all included in the Material aspects and boundaries sheet.

# Materials

In 2013, the Group committed itself to ambitious targets for Innovating Sustainably. By 2020, 100% of new products will have an environmental or social benefit. This means that every time L'Oréal invents or improves a product, it will improve its environmental or social profile against at least one of the following criteria:

- The new formula will reduce its environmental footprint (and in particular its Water Footprint). By 2020, 100% of its renewable raw materials will come from sustainable sources or green chemistry.
- The new formula will use sustainably sourced renewable raw materials or raw materials derived from Green chemistry.
- The new packaging will have an improved environmental profile.
- The new product will have a positive social impact.

Reference values for Group formulae were established in 2013, to serve as a baseline for measuring progress by 2020.

A Sustainable Innovation manager is appointed for the entire R&I structure and, supported by a team, is responsible for the implementation and deployment of the policy of eco-design of raw materials and formulae for all product categories, in order to achieve the Group's objectives.

Sustainable Innovation coordinators are appointed for each product category in all the laboratories concerned. They are responsible for the operational deployment of the eco-design policy for formulae, in conjunction with the marketing teams and with the support of the R&I Sustainable Innovation department.

Sustainable Sourcing Coordinators are also appointed within the departments concerned (Raw Materials Research and Raw Materials Purchasing). They are responsible for the operational deployment of the sustainably sourced renewable raw materials policy, in conjunction with suppliers and with the support of the R&I Sustainable Innovation department.

The policy is supported by an array of eco-design tools developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

Respect: L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 88% of paper printers and 97% of cardboard suppliers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

Reduce: weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product. In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

Replace: aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix…), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

This approach is an integral part of the tasks of the packaging teams, organized by technical sector. These teams are responsible for the technical design of packaging components and finished products. They work closely with purchasing departments when drawing up specifications for suppliers, as part of the process of optimizing formats and identifying new materials, and they manage environmental approvals. They are also responsible for consolidating and reporting specific Packaging Sustainability indicators for their entities on an annual basis, and for all reporting on the Group's packaging development activities

## *Energy*

Energy demand in the cosmetics industry is relatively low compared to other sectors.

The Group is committed to using energy efficiently, however, and to reducing its dependence on fossil fuels. As far as possible, L'Oréal purchases natural gas rather than heating oil (which has a higher carbon content) and is continuing to develop its renewable energy strategy.

### BUS PROJECT (BETTER UTILITIES FOR SUSTAINABILITY)

The BUS project is a Group-wide pilot project run by operations managers, which draws on expertise from across L'Oréal to identify methods, technical solutions and good practices in cleaning, cooling, air compression and other factory processes.

To date, 11 good practices have been identified, notably to improve energy efficiency; they are accompanied by technical recommendations and rolled out throughout the whole Group.

## *Water*

Water is used at every stage in product manufacture (for both raw materials and packaging, during production), but also when consumers use the products. For this reason, the Group has implemented a dedicated policy and a certain number of initiatives to optimize the use of this resource.

Whitin the framework of Sharing Beauty With All, L'Oréal has made a significant pledge by setting ambitious targets, in particular 60% reduction in water consumption per finished product (2005-2020). L'Oréal has a program of preservation in position since 2003 and significant progress was realized in the reduction of the use and the increase of the efficiency. A lot of the water consumed in L'Oréal factories is used for cleaning production equipment and packaging lines to maintain very strict hygiene standards. This represents 34% of all water consumption in the industrial sites. To meet the targets set, L'Oréal's teams aim to reduce the amount of water used for cleaning operations as far as possible without affecting product quality. This optimisation is very complex, as each cleaning process depends on the formula of the manufactured product and the specific equipment used.

The Group also makes sure that the water used for the cleaning and the other industrial processes is tested and treated before being rejected in the municipal stations. L'Oréal supports the research in this field, with the University of Newcastle within the framework of a research project of the European Union on the energy efficiencies in the waste water treatment.

The indicators of water consumptions are monthly reported in liter by finished product for the industrial sites and the distribution centers. The cartography of water consumptions allows to establish specific action plans of reduction.

An analysis of potential water savings was defined in 2013 for each Group plant. It takes account of each type of water use, and makes it possible to compare current consumptions with the attainable targets. The actions that will make it possible to achieve these targets have been scheduled over time, and form the Group's "Water" Roadmap. It is monitored on a monthly basis.

# Biodiversity

L'Oréal has for many years followed an approach to biodiversity protection that gives priority to:

1. limiting the impact of its ingredients on aquatic ecosystems,
2. ensuring sustainable sourcing of renewable raw materials.

## REDUCING THE IMPACT OF RAW MATERIALS AND PRODUCTS ON THE ENVIRONMENT AND ON AQUATIC ECOSYSTEMS

Since 1995, the date of creation of its ecotoxicology laboratory, L'Oréal has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments.

Anticipating and minimising the potential impact of the ingredients used in its products on the natural environment and, in particular, on aquatic ecosystems, is of utmost importance to L'Oréal. From the product-conception phase onwards, therefore, raw materials undergo a robust selection process before entering a formulation.

The Group has developed several tools and procedures to determine the potential impact on biodiversity of the ingredients used:

- development in its ecotoxicology laboratory of innovative methods for early environmental evaluation of raw materials (e.g. automation of the safety test on microalgae);
- launch in 2004 of the assessment of its entire raw materials portfolio for persistence, bioaccumulation and toxicity criteria.

As of the end of 2008, 99% of raw materials were assessed in this way. All new raw materials now systematically have to undergo this assessment before they can be accepted into the ingredients portfolio.

In 2013, L'Oréal has undertaken to innovate such that in 2020 all of its new products have an environmental or social benefit.

In 2013, L'Oréal moreover developed an ecological performance index for a cosmetic formula. A calculation method for the Water Footprint specific to cosmetic products, particularly rinsed products was applied (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Improvement in the percentage of biodegradability and/or of the Water Footprint of a formula is an essential factor for reducing the impacts.

Thus, following on from the work carried out to get to know and improve the environmental profile of ingredients which began in 1995, the Research & Innovation teams are currently working on improving the biodegradability and the Water Footprint of formulas.

## AN ARRAY OF ECO-DESIGN TOOLS HAS BEEN DEVELOPED AND DEPLOYED IN ALL GROUP LABORATORIES

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

2013 also saw the launch of certain products formulated for a high level of biodegradability, such as Kerastase Cleansing Oil (96%), Garnier Fructis Men Mint Explosion shampoo (95%) or Biotherm Aquafitness shower gel.

The average biodegradability of shampoos in 2012 was 88% and that of shower gels 86%.

## INTRODUCTION OF SUSTAINABLE SOURCING

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya protocol, aimed at regulating access to the resources of a given region and the fair and equitable sharing of the benefits arising from the use of those resources.

L'Oréal Research was already aware of these issues well before the protocol came into force and since 2005 has continuously striven to secure its supply chains in response to the issues of sustainable use of biodiversity.

One of L'Oréal's commitments made in 2013, through its Sharing Beauty With All program, was that 100% of its renewable raw materials would be sustainably sourced by 2020.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant.

In 2013, any raw material with a majority of renewable carbon content was considered as renewable.

34% of the Group's new raw materials in 2013 were plant-based and 18% complied with the principles of green chemistry.

100% of all renewable raw materials (new and existing) used by the Group are now assessed against sustainability criteria for compliance with biodiversity protection and their contribution to the socio-economic development of their region of origin and, in accordance with the commitment made in 2005, no raw material with an adverse biodiversity profile is listed.

The use of certain of the 300 plant species (20% in number) which are based on renewable raw materials may involve ecological issues (protection measures, impact of production on natural environments) or societal challenges (working conditions, fair remuneration, cultural issues) depending on their geographic origin and their extraction or production method.

This data is consolidated and managed through:

- "plant risk" indicators (ecological, social & societal risk), established using the "Plant Information Sheets" that are prepared and are available for all the plant species from which renewable raw materials are sourced, and updated on a monthly basis for the most sensitive species;
- an evaluation of the supply chains by the "Raw Material Sustainability Assessment framework" which is rolled out on a targeted basis at suppliers for the most sensitive raw materials with regard to these issues.

Corrective action plans are undertaken, if required, with suppliers and with the systematic support of independent external third parties, in order to handle the real impacts on the territories of origin of the ingredients.

Currently, 80% of the raw materials representing the Group's largest volumes of purchases (90%) and derived from species identified as sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing.

This applies in particular to certain commodities such as palm oil, soya oil, and wood fiber-based products, whose sourcing may potentially contribute to deforestation.

As well as seeking to reduce its consumption of these resources, L'Oréal relies on internationally recognized certifications to guarantee their sustainable sourcing.

In 2013, 100% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of Group purchases of paper and board packaging were certified sustainable by the FSC or PEFC. 94% of Group supplier printing sites were also certified.

60% of L'Oréal's purchases of soya oil were certified sustainable in 2013. The Group will take steps to overcome the problem of sourcing availability encountered in 2013 in order to bring this figure back to 100% in 2014.

In 2013, the Carbon Disclosure Project's Forest program ranked L'Oréal as one of the best-performing businesses in its category for its sustainable sourcing system.

## Emissions

Energy demand in the cosmetics industry is relatively low compared to other sectors and, as a result, L'Oréal is not subject to European regulations on carbon quotas.

The Group is committed to using energy efficiently, however, and to reducing its dependence on fossil fuels. As far as possible, L'Oréal purchases natural gas rather than heating oil (which has a higher carbon content) and is continuing to develop its renewable energy strategy. In recent years, a number of major renewable energy generation projects have been deployed on sites, leading to significant reductions in $CO_2$ emissions (biomass and cogeneration in Belgium, biomass in Rambouillet and Roye in France, Burgos in Spain, etc., heating networks in Germany and Italy, photovoltaic solar power in China, the USA, Spain, etc., geothermal energy in Vichy, La Roche Posay, etc.)

The Group encourages all initiatives in this direction taken by its sites around the world. Every saving is important in reducing the Group's overall carbon footprint.

Greenhouse gas emissions fell in absolute terms by 43.1% between 2005 and 2013.

L'Oréal has always considered climate change a priority issue.

The Group has set itself ambitious targets in this area, in particular with a commitment to reduce its $CO_2$ emissions by 60% in absolute terms by 2020, from a 2005 baseline.

In practice, the corresponding action plans are steered at global level but also locally:

- through a series of measures taken to limit air emissions related to its activity. Since 2003, for example, L'Oréal has been a member of the CDP (2013 scores: performance A, transparency 93) and enlisted 173 suppliers as new members in 2013;
- L'Oréal is careful when developing its products to limit the use of resources, for both products and packaging. Reduction measures taken by teams at source resulted in savings of almost 300 metric tons of packaging material in 2013, making a total saving of 3,600 metric tons since 2008.
- through a series of initiatives to combat deforestation. L'Oréal pays particular attention to the sustainable sourcing of commodities such as palm oil, soya oil and wood fiber-based products (paper and board), which can be major causes of deforestation.

L'Oréal relies on internationally recognized certifications to guarantee sustainable sourcing of its supplies.

FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE THE SECTION ENTITLED MANAGERIAL APPROACH TO BIODIVERSITY IN THIS REPORT.

## Effluents and waste

**The Group's industrial activity contributes to the generation of waste (solid and liquid). This waste must be treated under optimum conditions. L'Oréal has for many years pursued an ambitious waste management policy that extends beyond regulatory compliance and the prevention of environmental risks,** to encompass waste prevention, recycling and reuse, as well as energy recovery to avoid sending waste to landfill.

As part of its Sharing Beauty With All program, L'Oréal raised its waste reduction per finished product target at plants and distribution centers by 60% by 2020, against a 2005 baseline, and has set itself a new and ambitious target of zero industrial waste to landfill by the same date.

L'Oréal includes in transportable waste everything that comes out of a plant or a distribution centre and which is not a finished or semi-finished product (for example, the following are concerned for a plant: raw material packaging or packing items, wastewater treatment plant sludge, broken pallets, etc…). Transportable waste does not include waste from work on an exceptional scale carried out at sites (for example, rubble and other materials removed from a site when work is carried out).

In order to improve the system of waste performance monitoring and exhaustively recording the waste generated by the use of shuttle packaging, a new system of recording shuttle packing at source is to be put in place with the Group's suppliers in 2014. L'Oréal will thus record the weight of its shuttle packaging at source in transportable waste, with each of the sites being responsible for maximising the rotation rates.

L'Oréal will continue to record the rotation of shuttle packaging, which is necessary for the calculation of the waste recovery index (see the above table). Furthermore, the waste performance indicator (g/PF excluding shuttle packaging) will now take into account the materials portion of the shuttle packaging (excluding pallets), recorded at source.

The Group is also working on minimizing waste related to products, including packaging (transport items and finished products).

As regards waste per finished product, several years ago, L'Oréal developed an internal procedure which defines the ratios to be complied with between the different levels of packaging of its finished products. The procedure has been extended to the packaging used to deliver packing items to the factories or to deliver finished products from the factories to the logistical distribution centres. For such purpose, simplified specific tools for life cycle assessment and design processes have been deployed.

### IMPROVING THE QUALITY OF WASTE

L'Oréal handles the treatment of wastewater for approximately 50% of its sites, using advanced treatment plants (using biological as well as physical and/or chemical treatment methods). The Group reduced its total generation of COD (Chemical Oxygen Demand) by 69% in 2013, by pretreating industrial effluents on site prior to discharge to publicly owned treatment works.

## *Products and services*

As a socially responsible Group, L'Oréal has an obligation to take into consideration the impacts of its products on the environment: manufacturing these products consumes resources (materials, water, energy) and generates waste. The Group has for many years taken into consideration the impacts of product design and manufacture and how these impacts may be reduced.

### REDUCING THE IMPACT OF RAW MATERIALS AND PRODUCTS ON THE ENVIRONMENT AND ON AQUATIC ECOSYSTEMS

Since 1995, the year in which the Group set up its own in-house ecotoxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products.

For L'Oréal, it is of the utmost importance to foresee and minimize the potential impact of the ingredients it uses on natural habitats, and on aquatic ecosystems in particular. From the earliest stages in product design, the raw materials used in the formulation are rigorously selected.

In 2013, L'Oréal gave a sustainable innovation commitment that, by 2020, 100% of new products will have an environmental or social benefit.

L'Oréal also created an ecological performance index for cosmetics in 2013, known as the water footprint (performance index of a formula based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995, the Research teams are now also working on improving formula biodegradability and water footprint.

An array of eco-design tools has been developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access, from the design stage, to calculations of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

## REDUCING THE IMPACT OF PACKAGING

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

**Respect:** L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 88% of paper printers and 97% of cardboard suppliers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

**Reduce:** weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product.

In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

**Replace:** aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix…), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

# *Compliance*

Internal and external experts regularly visit L'Oréal's production and distribution sites to assess the compliance of their operations with the Group's rules, the progress made and the risks they present. Third-party audits are also carried out at supplier sites in accordance with the same criteria as those used for Group entities.

L'Oréal has a comprehensive programme of EHS audits, which includes in particular risk audits, "Culture Audits" and subcontractor audits.

Risk audits have 2 main objectives:

- ensuring that technical equipment, processes and operation methods implemented by management and used by employees do not carry risks of damage to the environment or to their health and safety;
- giving the Group's General Management objective knowledge of control over risks in the EHS fields on the L'Oréal sites and providing the assurance that they are under control.

These audits cover all international operations and are carried out by independent experts. As a general rule, it takes about five days for a team of three or four auditors to evaluate a factory and around three days to evaluate a distribution centre. Over the last 2 years, these audits have been extended to the administrative sites and research centres.

In 2013, risk audits were carried out at 17 factories, 12 distribution centres, 13 administrative sites and 4 Research centres.

Launched in 2009, the EHS "Culture Audits" programme aims at measuring and developing management's leadership and internal EHS culture so that EHS is at the core of the responsibilities of all operational managers. EHS "Culture Audits" are triggered by a site's performance and conducted by internal EHS specialists through group interviews with 20-30% of the site's employees. In 2013, EHS "Culture Audits" were carried out at 10 factories, 7 distribution centres, and 2 research centres.

In 2013, a new type of combined audit (a risk and culture audit) was carried out at 6 pilot sites. This principle will be extended to other Group sites in 2014.

Furthermore, within the scope of the Group's "Fire" and "Environment" insurance policies, prevention visits are conducted regularly by experts and insurers. In 2013, visits were made to 8 factories in 6 countries with regard to environmental risks (France, Brazil, Germany, Poland, Russia, Belgium) and 24 sites with regard to fire risks.

The Real Estate Department carries out audits of the Company's real estate assets every year on a rotating basis with the assistance of an outside firm. The purpose of the real estate audit is to check that the buildings have been brought into compliance with the Group's real estate procedures, and on the due and proper completion of extension or renovation operations and preservation of the assets. Since 2009, these audits have included aspects concerning "Quality of interior air" and "Energy Performance". In 2013, 5 sites were audited in various countries.

84% of L'Oréal plants (a total of 38 out of 45) are ISO 14001 certified and 82% (a total of 37 out of 45) are OHSAS 18 001 or VPP certified.

## Transports

**As part of its activity, L'Oréal transports products all over the world. Transport is a major contributor to climate change. The Group has therefore committed to reducing its environmental impact and reducing the impact associated with the transportation of its products.**

L'Oréal optimizes its global production on a regional basis, locating its operational teams as close as possible to the markets they serve. This enables each site to be more responsive and more effective in terms of logistics and transport.

Although the greenhouse gas emissions of the cosmetics industry are limited in relative terms, transport contributes to L'Oréal's global environmental footprint.

As part of its Sharing Beauty With All program for 2020, the Group has undertaken to reduce $CO_2$ emissions from transportation of products by 20% per finished product unit in g $CO_2$/FP/km from a 2011 baseline.

Since 2006, L'Oréal set up a transport policy taking environmental consideration into account.

## Overall

L'Oréal considers investment in environmental protection as naturally part of the efforts to be made by any socially responsible company. These costs are therefore incorporated into each operational project, not accounted for separately. It is therefore impossible to consolidate these costs at Group level.

Expenses are also managed by each site and generally not consolidated. Although almost all plants are ISO 14001 certified, for example, the Group has no information on the global cost of such certification.

L'Oréal does consolidate its waste treatment costs, however: in 2013, the cost of treatment was €13 million.

L'Oréal has taken out environmental liability insurance to cover environmental damage. In addition to providing insurance cover, the policy calls for preventive inspections at 10 sites a year.

There are many environmental projects in place, many originating in the pursuit of operational improvements (quality, safety, environmental).

Each site is responsible for its spending and investment in order to achieve these objectives.

There were also many achievements in 2013, including:

- construction of buildings to recognized standards (HQE, LEED, etc.)
- construction of a water treatment works at the plant in Egypt and commissioning of the Saint Luis de Potosi treatment works (Mexico)
- installation of LED lighting at several sites
- installation of a wood-burning boiler at the Rambouillet plant (France)
- modifications to production plant to reduce the amounts of hot water used for washing, resulting in reduced water and gas consumption (multi-year program)
- systems to recover energy from water-based effluents, resulting in reduced gas consumption and $CO_2$ emissions
- deployment of photovoltaic panels in the US

Expenses (non-consolidated) included:

- subscription for the sorting of end-of-life packaging
- operation of 23 internal water treatment works
- minor energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, etc.

### EHS POLICY TRAINING

A targeted training programme is provided on L'Oréal's EHS policy and practices for managers and EHS professionals across the Group. The objectives are as follows:

- identify and share EHS vision, challenges and values across the Group;
- identify the risks inherent in a role, task, behaviour or use of equipment and implement tailored corrective solutions;
- enable managers to implement EHS policy effectively within their teams.

In 2013, a new training course was launched, EHS expertise, dedicated to the EHS teams in the factories and distribution centres. 20 people have already been trained in Europe, representing 11 nationalities. This training course will be rolled out to the other zones in 2014. Managers continue to receive training in environment, health and safety culture all over the world: 169 managers and supervisors took part in EHS Operations, and 68 top managers in Safety & Leadership.

In addition, within the scope of deployment of the "Ergonomic Attitude" programme throughout the Group, 149 people received ErgoAct training. This training will be developed further in 2014.

## *Supplier Environmental Assessment*

**Supplier environmental assessment is part of L'Oréal's wider responsibility.**

L'Oréal has fully integrated supply chain into its understanding of its environmental impacts and initiatives designed to reduce them.

Through its Sharing Beauty With All program for 2020, the Group has committed to 100% of its strategic suppliers participating in its supplier sustainability program.

This will be achieved as follows:

- all strategic suppliers will be assessed and selected on social and environmental performance.
- all strategic suppliers will have completed a self-assessment of their sustainability policy, with Group support.
- all suppliers will have access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will be associated with our Solidarity Sourcing program announced in 2012.

## *Environnmental Grievance Mechanisms*

EHS responsibilities are clearly set out at every level. The Group EHS Director reports to the Executive Vice-President Operations, who in turn reports to the Group Chief Executive Officer. He is responsible for the implementation and deployment of the Group's EHS policy, and for the development and implementation of strategies and action plans for production sites, distribution centers, Research & Innovation Centers, administrative sites and stores.

The Group's environment policy is founded on strict compliance with regulations, internal standards applicable on all sites and operational processes based on prevention, reduction and reuse. The policy is backed by monthly reporting of detailed indicators used to monitor the progress of results and to report any anomalies and incidents, in compliance with the ISO 14 001 standard (84% of L'Oréal plants, a total of 38 out of 45, are ISO 14001 certified).

Incidents are reported and monitored by EHS managers at each of the entities concerned, to ensure that they are resolved without delay.

# Materials

## EN1 Materials used by weight or volume

In 2013, L'Oréal took delivery of 330,000 metric tons of raw materials - excluding packaging - at its cosmetics plants, to be used in manufacturing its products. For reasons of confidentiality, L'Oréal does not disclose the weight of its packaging. Over 25% of the packaging materials used in the various processes to produce L'Oréal products were renewable in origin (wood, paper, board, textile).

### RENEWABLE RAW MATERIALS

As part of its 2020 Commitments, L'Oréal has given an undertaking that 100% of its renewable raw materials will be sustainably sourced by the target date.

100% of the plant-based raw materials used by the Group (both new and existing raw materials) are assessed based on Sustainable Development criteria such as respect for biodiversity and the contribution to the socio-economic development in the territories from which they originate.

In 2013, L'Oréal considered all raw materials of which the carbon contents are mostly of plant origin as being plant-based.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant.

In 2013, 34% of the Group's new raw materials are plant-based and 18% respect Green Chemistry principles.

Among the products sold in 2013, Lancôme Dreamton, Garnier Moisture Match, Revitalift Laser X3 Crème de Nuit contain at least one Green Chemistry-based Raw Material.

The use of certain of the 300 plant species (20% in number) which are based on renewable raw materials may involve ecological issues (protection measures, impact of production on natural environments) or societal challenges (working conditions, fair remuneration, cultural issues) depending on their geographic origin and their extraction or production method.

This data is consolidated and managed through:

- "plant risk" indicators (ecological, social & societal risk), established using the "Plant Information Sheets" that are prepared and are available for all the plant species from which renewable raw materials are sourced, and updated on a monthly basis for the most sensitive species;
- an evaluation of the supply chains by the "Raw Material Sustainability Assessment framework" which is rolled out on a targeted basis at suppliers for the most sensitive raw materials with regard to these issues.

Corrective action plans are undertaken, if required, with suppliers and with the systematic support of independent external third parties, in order to handle the real impacts on the territories of origin of the ingredients.

Currently, 80% of the raw materials representing the Group's largest volumes of purchases (90%) and derived from species identified as sensitive have been the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing.

## EN2 Percentage of materials used that are recycled input materials

In 2013, L'Oréal incorporated over 3,100 metric tons of recycled input materials into packaging for its finished products, an increase of 6.9% over 2012.

The absence of recycling channels in certain countries and the unreliability of global sourcing impose limits on increased use of recycled input materials. In-house teams are working on long-term projects to improve this percentage.

Transport packaging (cardboard shipers) contain between 50% and 100% recycled fiber.

# Energy

## EN3 *Energy consumption within the organization*

All the following data are in Giga Joules.

TOTAL FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES

| | |
|---|---|
| Fossil gas | 1,183,706 GJ ✓ |
| Fuel oil | 21,747 GJ ✓ |

TOTAL FUEL CONSUMPTION FROM RENEWABLE SOURCES

| | |
|---|---|
| Wood | 41,121 GJ |
| Ethanol | 16,462 GJ |
| Total | 57,583 GJ ✓ |

| | |
|---|---|
| **Total electricity consumption** | **1,470,202 GJ** ✓ |
| Generated on site (renewably sourced) | 34,296 GJ ✓ |
| Purchased (renewably sourced) | 598,347 GJ ✓ |
| Purchased (non-renewably sourced) | 837,560 GJ ✓ |
| **Total heat consumption** | **63,368 GJ** ✓ |
| Solar thermal | 2,316 GJ |
| Heat network (Germany, Italy , Belgium) | 54,304 GJ |
| Biomass (Belgium) | 15,357 GJ |
| Geothermal | 6,748 GJ |
| **Total cooling consumption** | 0 GJ |
| **Total steam consumption** | 67,176 GJ ✓ |
| **Total electricity sold** | **29,928 GJ** ✓ |
| Sold with guarantee of origin certificate | 20,485 GJ ✓ |
| Sold without guarantee of origin certificate | 9,424 GJ ✓ |
| **Total heating sold** | 0 GJ |
| **Total cooling sold** | 0 GJ |
| **Total steam sold** | 0 GJ |
| **Total energy consumption** | 2,863,783 GJ ✓ |

## EN4 Energy consumption outside of the organization

Energy consumption outside the organization was estimated for the following material line items:

- Business travel: 930,000 GJ
- Downstream transport and distribution: 4,487,000 GJ
- Use of products sold: 42,143,082 GJ
- End-of-life treatment of products sold: 604,323 GJ

These consumption figures are those used to calculate the different Scope 3 categories, using the GHG Protocol methodology and the Association Bilan Carbone spreadsheet.

The following assumptions were used:

- **Business travel:**
  - > Car: 10 kWh LHV/liter of diesel
    http://www.acqualys.fr/page/tableau-comparatif-pouvoir-calorique-inferieur-pci-des-energies
    Fuel consumption 7 liters per 100 km
  - > Plane: FE: 0.311 kg $CO_2$/kWh LHV (taken from the Association Bilan Carbone spreadsheet)
  - > Train: diesel consumption pro rata to car $CO_2$ emissions
- **Downstream transport:**
  - > A ratio of 10 GJ/metric ton $CO_2$ was used, based on car transport also using diesel fuel.

## EN5 Energy intensity

As with most of the Group's environmental indicators, L'Oréal measures energy intensity (kWh/FP) by dividing the total energy consumption of its plants and distribution centers (electricity, gas, fuel oil, steam, heating) by the number of finished products produced by the Group's plants.

| *Energy intensity* | *2009* | *2010* | *2011* | *2012* | *2013* |
|---|---|---|---|---|---|
| kWh/FP | 174 | 158 | 145 | 145 | 142 |

# EN6 Reduction of energy consumption

L'Oréal implements projects to optimize its activity: process re-engineering (e.g. construction of a distribution centre in Roye in 2010 to optimize transport, energy savings from optimized compressed air production, installation of LED lighting, building insulation, additional insulation of steam networks in plants, heat recovery, improvements in overall production efficiency), conversion and replacement of equipment and changing employee behavior.

In order to estimate the overall improvement, given that the Group's business (cosmetics production) remains unchanged, the Environment team calculated the ratio of GJ/million units produced and found that overall efficiency had improved by 18.2% over five years. To calculate the amount of energy saved, it applied this percentage to overall energy consumption.

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Finished products (million) | 4,554.4 | 5,062.8 | 5,154.9 | 5,241.0 | 5,598.1 ✓ |
| Total energy consumption | 2,846,860 | 2,871,700 | 2,687,803 | 2,739,623 GJ | 2,863,783 GJ ✓ |
| GJ per million finished products | 625.1 | 567.2 | 521.4 | 522.7 | 511.1 ✓ |
| Change in overall efficiency over 5 years (2009-2013) | 18.2 % | | | | |
| Energy saved through conservation and improvements | 635,492 GJ | | | | |

Numerous initiatives have been taken to reduce indirect consumption of electricity:

## L'ORÉAL INVOLVES ITS SUPPLIERS IN REDUCING THEIR ENERGY CONSUMPTION

In 2010, L'Oréal partnered a glass supplier in identifying and developing a source of post-consumer recycled glass of cosmetic and food-grade quality that meets the Group's strict quality standards for its packaging. For reasons of aesthetic appearance, costs and continuity of sourcing for all product lines, the proportion of recycled glass used was set at 40%. Using recycled glass (cullet) significantly lowers the melting temperature of the glass. Incorporating 40% post-consumer recycled glass in the production of pots for Vichy, Biotherm and Garnier treatments (prior to renovation) meant a lower furnace temperature could be used, resulting in a 9% reduction in the amount of energy required for their manufacture.

Technological innovation and the sharing of certain items of equipment enabled L'Oréal to introduce new organizational structures in office automation to reduce energy consumption. In the area of of!ce equipment, technological innovation is thus a driver which enables L'Oréal to set up new organisations which lead to a reduction in energy consumption.

## INITIATIVES TO REDUCE THE ENERGY CONSUMPTION OF INFORMATION SYSTEMS: IT SUITES AND DATA CENTERS

L'Oréal (CIO department) emphasizes energy efficiency at all its major data centers. These centers are largely outsourced to partners selected specifically for their environmental commitment and pursuing a carbon footprint reduction policy recognized by the market. For its new Worldclass data center in the Paris region, which hosts almost 40% of the Group's critical IT infrastructure, L'Oréal selected two partners specializing in IT hosting. Both are recognized for their implementation of state of the art energy optimization solutions: PUE measurement and monitoring, optimized cooling architecture (freecooling), higher temperature server rooms, etc.

In addition, as part of its data center and IT infrastructure consolidation strategy, the Group's IT teams are constantly optimizing the use of IT equipment (servers and various infrastructure components) in order to improve energy efficiency ratios.

The Group currently has no precise measurements and indicators of energy reduction results, however.

### CHOICE AND DEVELOPMENT OF IT EQUIPMENT (PCS/PRINTERS, SERVERS AND IT INFRASTRUCTURE COMPONENTS) TO REDUCE ENERGY CONSUMPTION

As part of its IT hardware purchasing policy, L'Oréal gives preference to equipment carrying environmental labels of low energy consumption (TCO, Energy Star, etc.). This criterion is now systematically taken into account in calls for bids.

Replacing current hardware (PCs and servers) by new models results in an average reduction in energy consumption of 20% to 30%.

Solutions for the automatic and systematic switching of all inactive IT hardware (PCs and servers) to standby mode have already been implemented on certain sites.

### IT INITIATIVES TO REDUCE ENERGY CONSUMPTION THROUGH EMPLOYEE TRAVEL

The deployment of communication tools that began in 2010 is gathering pace. Each campus modernization is accompanied by the installation of a full standard package consisting of all the necessary IT hardware and communication tools necessary – e-mail, instant messaging (Chat), audio conferencing and web conferencing, etc.

The use of audio conferencing and web conferencing in the Group has more than trebled since 2010.

The Group already has close on 200 meeting rooms equipped with classic video conferencing solutions. 2013 marked the first steps in a program to modernize these solutions (high definition (HD) video). The new technology will encourage greater use of video conferencing thanks to the significant increase in quality of service to users. Telecoms reliability and sound and picture quality are far superior to that offered by the existing system.

The first telepresence rooms – a combination of cutting-edge technology and communication tools that provides a totally immersive video conferencing experience – are already in operation.

It is very difficult to estimate what impact the deployment of these new technologies and tools will have on reducing travel and thus, indirectly, on reducing energy consumption, since the Group as yet has no indicators.

## EN7 *Reductions in energy requirements of products and services*

L'Oréal is committed to the efficient use of energy and thus to reducing the energy requirements of its products and associated services.

### BUS (BETTER UTILITIES FOR SUSTAINABILITY) PROJECT

The BUS project is a Group-wide pilot project run by operations managers, which draws on expertise from across L'Oréal to identify methods, technical solutions and good practices in cleaning, cooling, air compression and other factory processes.

To date, 11 good practices have been identified, notably to improve energy efficiency; they are accompanied by technical recommendations and rolled out throughout the whole Group.

**L'Oréal also involves its suppliers in reducing their energy consumption.** In 2010, L'Oréal partnered a glass supplier in identifying and developing a source of post-consumer recycled glass of cosmetic and food-grade quality that meets the Group's strict quality standards for its packaging. For reasons of aesthetic appearance, costs and continuity of sourcing for all product lines, the proportion of recycled glass used was set at 40%. Using recycled glass (cullet) significantly lowers the melting temperature of the glass. Incorporating 40% post-consumer recycled glass in the production of pots for Vichy, Biotherm and Garnier treatments (prior to renovation) meant a lower furnace temperature could be used, resulting in a 9% reduction in the amount of energy required for their manufacture.

# Water

## EN8 Total water withdrawal by source

A substantial proportion of the water used in L'Oréal plants is used for the cleaning of production equipments and packaging lines in order to meet the industry's extremely rigorous standards of hygiene. Cleaning accounts for 34% of the total water consumption of industrial sites.

The Group has set itself ambitious targets, most notably a 50% reduction in water consumption per finished product for the 2005-2015 period, recently increased to 60% under the Sharing Beauty With All program covering the 2005-2020 period.

Over the past nine years (2005-2013), water consumption per finished product has been reduced by 26.7% and in absolute terms by 7.7%, while production (excluding raw materials plants) has increased by 25.7%.

In 2013, water consumption per finished product fell by 5.1% and total water consumption by plants and distribution centers increased by 1.4% over 2012, while production (in units) rose by 6.8%. Total water consumption in 2013 was 2,969 thousand $m^3$.

Total water withdrawal by source for all Group plants and distribution centers, in cubic meters per year (m3/year), breaks down as follows:

| *Total water withdrawal by source* | *2011 (en $m^3$)* | *2012 (en $m^3$)* | *2013 (en $m^3$)* |
|---|---|---|---|
| Surface water, including from wetlands, rivers, lakes and oceans, groundwater | 331,667 | 297,204 | 280,115 ✓ |
| Rainwater collected directly and stored by the organization | Negligible | Negligible | Negligible |
| Waste water from another organization | 0 | 0 | 0 |
| Municipal water supplies or other water utilities | 2,552,131 | 2,627,363 | 2,688,442 ✓ |
| **Total** | **2,883,798** | **2,924,567** | **2,968,557** ✓ |

FOR FURTHER INFORMATION ON WATER MANAGEMENT, PLEASE SEE SECTION 6.3.3 «SUSTAINABLE USE OF RESOURCES» ON PAGE 216 OF THE 2013 REGISTRATION DOCUMENT

## EN9 Water sources significantly affected by withdrawal of water

The Group's plants obtain their water supplies primarily from water utility networks. No Group plant directly withdraws water from surface water (wetlands, rivers and oceans).

No water source is significantly affected by withdrawal of water. All production plants are located in urban areas with populations of over 30,000. The average withdrawal of water by a formulation site corresponds to the volume withdrawn by 1,000/1,500 local residents (130 l/resident/day): i.e. the plant's water needs represent less than 5% of the urban community's consumption and thus have no significant impact on water sources.

No Group production plants are located in a Ramsar site.

Fewer than 11% of Group products are manufactured in regions suffering from hydric stress. The Group uses the WBCSD Global Water Tool to identify zones of hydric stress.

## EN10 *Percentage and total volume of water recycled and reused*

L'Oréal has introduced several measures to achieve the Group's objective for reducing its water consumption (by 60% between 2005 and 2020, in liters/finished product).

One such measure is water recycling for reuse in certain applications. The recycling of cooling water is a standard technique first adopted over 20 years ago, thanks to a water loop feeding the production tanks.

Taking matters further, a number of projects for advanced treatment of industrial effluents have been deployed at several plants, so that the treated water can be reused for appropriate applications. Two projects were completed in 2012:

- at the Montreal plant, some of the water used to wash equipment has been replaced with water recycled through a membrane filtration system. The replacement rate is due to be increased to 40% in 2014.
- at the Pune plant in India, wastewater and effluents from the municipal mains water distillation plants are treated using a biological process and then purified via a membrane filtration system. The treated water can then be reused to produce steam or to top up cooling water.

The indicator for water recycling or reuse rates for each plant will be included in the report in the first half of 2014.

# Biodiversity

## EN11 *Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas*

No Group plant is located in a protected area.

13 plants are located less than 10 km from UICN protected areas, mostly in categories IV and V, and two sites are less than 10 km from a category I UICN protected area (Sweden 4.9 km and Montreal 9.6 km).

Only two plants (Germany and USA) are located less than 1 km from a protected area.

### CONSIDERATIONS OF BIODIVERSITY WHEN ESTABLISHING A NEW L'ORÉAL SITE

L'Oréal takes biodiversity conservation into account when selecting the location of a new plant, using a number of tools. The Sustainable Design and Construction Guide issued to all managers with real estate responsibilities sets out the requirements of biodiversity conservation and recommends the preservation or restoration of existing natural habitats. On a site where biodiversity has already suffered before the installation of a L'Oréal entity, for example, the Guide recommends restoring biodiversity and enhancing the ecological value of the site by planting indigenous or appropriate species.

Any plans for a new site should also include a global environmental impact study at the design stage (the aim being to minimize the project's negative impact on the environment and health); the study should subsequently be extended to adapt the project to the conditions imposed by the site and its environment.

Due diligence is carried out whenever the Group acquires land or buildings. During operations, Group policy is to take all the preventive measures set out in internal documents to avoid pollution of soil or rainwater. These measures are checked in the course of audits and insurance company inspections. When a site is disposed of, a pollution assessment is carried out according to an internal procedure.

### L'ORÉAL REQUIREMENTS REGARDING LAND USE

In its Sustainable Design and Construction Guide, L'Oréal sets out its requirements regarding land use:

- Reducing the impact of construction on the environment, for example by using a zone which is already industrially developed, or an existing industrial site or industrial wasteland;
- If possible, the site will have to be on a plot of land located over 30 m away from any water body (sea, ponds, lakes, rivers, etc.);
- the site will avoid land situated on natural spaces, public green spaces, land which is the habitat for endangered or disappearing species or any other undeveloped zone (for example: farmland, etc.);
- rehabilitating polluted sites (industrial wasteland) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such), thus avoiding construction on natural or undeveloped land;
- preventing soil erosion which may result from rainwater runoff or wind erosion during construction, inter alia by protecting the arable soil layer which is stored to enable it to be reused;
- maintaining or restoring existing natural habitats and biodiversity;
- maximising the green space areas on the site (even in excess of the local regulations) and minimising the impermeable areas or natural spaces.

# EN 12 *Descriptions of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas*

## POTENTIAL IMPACTS OF THE SELECTION AND USE OF RENEWABLE RAW MATERIALS

The use of renewable raw materials may create certain ecological and social issues that must be dealt with throughout the supply chain in order to ensure sustainable global sourcing compatible with the preservation of biodiversity.

To date, 43% of the raw materials used by the L'Oréal Group are plant-based. This represents more than a thousand ingredients from nearly 300 species of plant. More than 80% of the plant-based raw materials (in terms of number) derived from these species present no critical biodiversity need.

For the remaining 20%, action plans are or will be in place with suppliers to ensure that by 2020, 100% of renewable raw materials are sustainably sourced.

## POTENTIAL IMPACTS OF THE ACTIVITIES OF L'ORÉAL PRODUCTION SITES

No plant is located in a protected area and only two plants (Germany and USA) are located less than 1 km from a protected area. L'Oréal's activities thus have very little direct impact on protected areas.

## MANAGING THE IMPACTS OF PRODUCT USE

L'Oréal monitors the potential impact on aquatic ecosystems of its products, in particular that of rinse-off products (shampoos, conditioners, shower gels, etc.), after use by consumers. Since 1995, the year in which the Group set up its own in-house ecotoxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products. Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction. As they continue to learn more about and improve the environmental profile of ingredients, the Research teams are now also working on improving formula biodegradability.

## TOTAL NUMBER OF UICN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK

On the basis of information available, the UICN Red List species potentially affected by L'Oréal's raw materials sourcing activities are as follows:

| Plant species | Cupressus Sempervirens | Shorea Stenoptera | Canarium Luzonicum |
|---|---|---|---|
| Level of extinction risk/Red List Category & Criteria | Lower Risk/ near threatened | Endangered A1cd | Vulnerable A1cd |

The true ecological status of raw materials derived from these species is periodically verified with the suppliers (geographical origin, sourced from the wild or cultivated) in order to limit the impact of Group withdrawals on these species. Particular care is taken to monitor their possible inclusion on any of the lists controlling access to the resource, in order to ensure compliant sourcing.

As part of the action plan for sustainable sourcing of renewable raw materials, all raw materials derived from these species will be the subject of a specific action plan by no later than 2020 to guarantee sustainable sourcing.

Specific initiatives with the suppliers concerned are already in place for some of the raw materials of greatest importance to the Group, and guarantees of sustainable sourcing are already in preparation, such as the precise geographical origin of withdrawals, voluntary plans for sustainable management of the resource, audit reports and any voluntary applications for certification.

For other less strategic raw materials, often used only in small quantities, action plans have been deferred and may, in certain cases, involve replacement of the raw materials concerned.

## EN 13 *Habitats protected or restored*

### RESTORATION OF SITE BIODIVERSITY

When new sites are built, one of the objectives set out in the Sustainable Design and Construction Guide is the restoration of degraded habitat. On a site where biodiversity has suffered before the installation of a L'Oréal entity, for example, the Guide recommends restoring biodiversity and enhancing the ecological value of the site by planting indigenous or appropriate species.

One concrete example of initiatives to protect or restore biodiversity around L'Oréal sites is the Chevilly Research Campus in France, where ecological observations based on scientific protocols were conducted under the supervision of the Muséum National d'Histoire Naturelle in Paris; site biodiversity was analyzed by means of an inventory of various species of flora, birds and pollenizing insects, and the data was supplemented by ecologists from a specialist consulting firm who conducted further observations of chiroptera. The data was analyzed to provide a full description of site biodiversity, which in turn led to recommendations for the development and management of the site in order to preserve and develop the biodiversity present.

At a production site in Touraine, a partnership with a group of beekeepers has led to hives being introduced on the site; bee-friendly plants were planted, and monitoring indicators were introduced to observe the activity.

### OTHER VOLUNTARY OPERATIONS TO RESTORE BIODIVERSITY OFF SITE

Since 2000, the Ushuaïa brand has supported the French forestry commission (ONF) in creating a network of outstanding natural sites of biodiversity conservation.

Between 2000 and 2007, Ushuaïa supported restoration work and the introduction of new species at four arboretums.

In 2008, Ushuaïa redefined its partnership with ONF in order to play a part in the creation of a vast nature reserve in the heart of the Massif de l'Esterel, offering greater protection to the local flora and fauna. In 2012, as part of its commitment to aquatic biodiversity, the Biotherm brand lent its support to global ocean alliance Mission Blue, founded by oceanographer Sylvia Earle, which aims to finance a marine reserve in the Ross Sea, an area under threat from industrial fishing and climate change.

HYPERLINK «HTTP://WWW.LOREAL.COM/SHARING-BEAUTY-WITH-ALL/LIVING-SUSTAINABLY/BIOTHERM-MAKING-WAVES-IN-RESPONSIBLE-CONSUMPTION.ASPX» HTTP://WWW.LOREAL.COM/SHARING-BEAUTY-WITH-ALL/LIVING-SUSTAINABLY/BIOTHERM-MAKING-WAVES-IN-RESPONSIBLE-CONSUMPTION.ASPX

## EN 14 *Total number of UICN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk*

The responses under this heading may be found under indicator EN12 above, in the paragraph entitled «Total number of UICN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk».

FOR FURTHER INFORMATION ON BIODIVERSITY CONSERVATION, PLEASE SEE SECTION 6.3.5 «SUSTAINABLE USE OF RESOURCES» ON PAGE 219 OF THE 2013 REGISTRATION DOCUMENT

# Emissions

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its $CO_2$ (Scope 1 and Scope 2) emissions in absolute terms between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, vowing to reduce its CO2 emissions by 60% by 2020 from a 2005 baseline.

## EN 15 Direct greenhouse gas (GHG) emissions (scope1)

L'Oréal's direct GHG emissions arise from the gas and fuel oil consumption of all the Group's production and distribution sites.

Considerable progress has been made on this front, and carbon emissions in 2013 were 43.1% lower than in 2005. The change in scope considered follows the rules of the GHG Protocol, the international carbon accounting method.

The calculations are based on specific data:

- for each energy source (natural gas, fuel oil, steam, electricity), L'Oréal multiplies energy consumption by the appropriate emission factor;
- for gas and fuel oil, L'Oréal applies the emission factors recommended by the GHG Protocol.

| | |
|---|---|
| Direct emissions | 67,330 t eq $CO_2$ ✓ |

| *$TCO_2$* | | *2011* | *2012* | *2013* | *Evolution* |
|---|---|---|---|---|---|
| Plants | Scope 1 | 59,896 | 55,863 | 54,422 ✓ | - 2,6 % |
| Distribution Centers | Scope 1 | 11,551 | 11,067 | 12,908 ✓ | + 16,6 % |
| Plants + Distribution Centers | Scope 1 | 71,447 | 66,920 | 67,330 ✓ | + 0,6 % |

Four sites use wood to produce heat. Biogenic emissions of $CO_2$ in 2013 were 4,112 metric tons of $CO_2$ equivalent.

## EN 16 Energy indirect greenhouse gas (GHG) emissions (scope 2)

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its $CO_2$ emissions (Scope 1 and Scope 2) in absolute terms between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, vowing to reduce its $CO_2$ emissions by 60% by 2020 from a 2005 baseline.

L'Oréal's indirect GHG emissions arise from the steam and energy consumption of all the Group's production and distribution sites.

L'Oréal applies the Greenhouse Gas (GHG) Protocol. Calculations are based on specific data:

- for each energy source (natural gas, fuel oil, steam, electricity), L'Oréal multiplies energy consumption by the appropriate emission factor;
- for electricity, the Group uses the emission factor of the local supplier, if available. Otherwise, the Group applies the latest factor supplied by the International Energy Agency;
- for steam, the Group uses the emission factor given by the suppliers.

| | |
|---|---|
| Indirect emissions | 68,070 t eq $CO_2$ ✓ |

| *$TCO_2$* | | *2011* | *2012* | *2013* | *Évolution* |
|---|---|---|---|---|---|
| Plants | Scope 2 | 76,830 | 62,979 | 56,121 ✓ | - 10,9 % |
| Distribution Centers | Scope 2 | 18,442 | 15,561 | 11,949 ✓ | - 23,2 % |
| Plants + Distribution Centers | Scope 2 | 95,272 | 78,540 | 68,070 ✓ | - 13,3 % |

# EN 17 Other indirect greenhouse gas (GHG) emissions (scope 3)

## RESTORATION OF BIODIVERSITY ON SITES

For several years, the Group has produced a Greenhouse Gas (GHG) Balance for all its activities. This Carbon Balance is drawn up according to the internationally accepted rules of the GHG Protocol.

In 2013, the Group updated its carbon footprint calculation for 2012 activity.

The study shows, as the figures below illustrate, that the highest impact in terms of GHG emissions occurs during the phase of consumer use, which involves the use of hot water. This represents 54% of the Scope 3 total. Total $CO_2$e emissions under the various headings of Scope 3 amount to 7,070 thousand metric tons of $CO_2$e and break down as follows:

**Upstream**

1. Products and services purchased: 1,778 kt
2. Capital goods: 98 kt
3. Activities involving consumption of fuel or energy (not included in Scope 1 and Scope 2 emissions): 28 kt
4. Upstream transport and distribution: 96 kt
5. Waste generated by sites: 37 kt
6. Business travel: 280 kt (*)
7. Employee commuting: 75 kt
8. Upstream assets leased: 0 kt

Other upstream consumption: 0 kt

**Downstream**

9. Downstream transport and distribution: 449 kt
10. Treatment of products sold: 0 kt
11. Use of products sold: 3,791 kt
12. End-of-life treatment of products sold: 276 kt
13. Downstream assets leased: 0 kt
14. Franchises: 36 kt
15. Investments: 101 kt

Other consumption: 25 kt (Chimex, which calculates its own GHG Balance)

*(*) For 2013, the «business travel» category was estimated at 293 kt*

Estimates of $CO_2$ amounts are arrived at using emission factors incorporating all the greenhouse gases.

Biogenic emissions of $CO_2$ in 2013 were 5,800 metric tons of $CO_2$ equivalent. This represents the emissions from a biomethanation plant using organic waste to generate energy (electricity and heat) at the plant in Belgium.

The baseline used is 2012, the year of the Group's last GHG Balance.

The method used is that of the GHG Protocol.

The emission factors used are taken from the Association Bilan Carbone (ABC) database.

Some brands, such as Garnier, raise consumer awareness of eco-friendly ways of reducing hot water consumption, or of sorting toiletry product waste

«HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX»
HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX

FOR MORE INFORMATION ON INITIATIVES TO REDUCE PRODUCT-RELATED EMISSIONS, PLEASE SEE THE PRODUCT RESPONSIBILITY SHEET, UNDER HEADING PR 3.

# EN 18 Greenhouse gas (GHG) emissions intensity

As with most of the Group's environmental indicators, L'Oréal measures GHG emissions intensity by dividing the quantity of $CO_2$ by the number of finished products produced by the Group's plants.

| *g $CO_2$ / PF* | *2009* | *2010* | *2011* | *2012* | *2013* |
|---|---|---|---|---|---|
| Scope 1 | 18.4 | 15.9 | 13.9 | 12.8 | 12 |
| Scope 2 | 24 | 18.9 | 18.5 | 15 | 12.2 |

GHG emissions intensity for Scope 3 is not monitored. The Group considers that figures for the amounts under Scope 3 are not accurate enough to monitor significant changes in a GHG emissions intensity indicator.

The emission factors used take in to account all the greenhouse gases.

# EN 19 *Reduction of greenhouse gas (GHG) emissions*

## DIRECT EMISSIONS FROM PLANTS AND DISTRIBUTION CENTERS (SEE QUANTIFIED INFORMATION UNDER EN 16)

Each plant and distribution center seeks voluntarily to reduce its GHG emission by means of various initiatives:

- optimizing heating at plants and distribution centers, reducing fossil fuel consumption,
- using heat pumps,
- recovering energy from effluents,
- recovering energy from compressors,
- optimizing electricity consumption, such as for compressed air production, installation of LED lighting in certain sites, variable frequency drive (VFD) motors to adapt motor speed to requirements,
- changing employee behavior,
- generating renewable energy (solar) on site,
- purchasing green energy, etc.

## INDIRECT EMISSIONS: GROUP SUPPLIERS

L'Oréal involves its suppliers in reducing their carbon footprint.

In practice, action plans are steered at global level but also locally:

- by a whole set of actions taken to limit the atmospheric emissions of its activities. For example, since 2003, L'Oréal has been a member of the CDP (2013 scores: performance A, transparency 93) and associated 173 suppliers with this project in 2013.

L'Oréal considers that the $CO_2$ emissions of its suppliers are part of its wider environmental footprint and that they must unite their efforts to succeed in reducing them.

A member of the Carbon Disclosure Project ("CDP") since 2003 and the CDP Supply Chain since 2007, L'Oréal continues to encourage its suppliers to measure and reduce their $CO_2$ emissions. In 2013, L'Oréal stepped up its strategy with regard to the CDP: it is no longer only the environmental experts who discuss these issues with suppliers, buyers trained in the CDP have now become ambassadors of this approach.

This method of functioning made it possible to address the CDP Supply Chain with suppliers at strategic meetings ("Business Reviews"), to launch 156 invitations in 2013 as compared with 55 in 2011 and mobilise teams to convince suppliers that measures aimed at reducing greenhouse gas emissions from now on play an inevitable part of a company's global performance. In order to assess suppliers'environmental performance, a Scorecard has been developed jointly with the CDP, summarising suppliers'answers to the CDP to make them accessible for purchasing teams.

In this way, in 2013, 152 suppliers (out of the 173 suppliers who were invited), responded positively to L'Oréal's invitation to also join the CDP. This number is higher than the average (2,868 participants for more than 5,650 suppliers invited) for members of the CDP. L'Oréal sends results with comments and opportunities for improvement to suppliers who have participated. The average of supplier results for 2013 has improved considerably: 64 C ratings as against 59 D ratings in 2012.

FOR MORE INFORMATION ON THE CDP, SEE: «HTTP://WWW.CDPROJECT.NET/» \H WWW.CDPROJECT.NET

- Through a series of actions taken to fight against deforestation, L'Oréal more particularly ensures responsible sourcing for commodities such as palm oil, soya and paper and cardboard, known to be major causes of deforestation. L'Oréal leverages on internationally recognised certifications to guarantee sustainable sourcing.

In 2013, 98% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of paper and cardboard packaging supplies were certified as sustainable according to the FSC or PEFC benchmark.

In 2013, 60% of soya oil purchases are certified as sustainable. The Group's actions will aim at solving the problems of availability of sources observed in 2013 in order to return to a level of 100% in 2014.

In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing by the Carbon Disclosure Project Forest.

## EN 20 Emissions of ozone-depleting substances (ODS)

ODS emissions from L'Oréal activities arise from cooling systems used during tank cooling phases or to provide air conditioning in premises. All such installations undergo regular maintenance. The selection of refrigerant fluids for cooling systems takes into account their potential for ozone depletion.

The volumes of refrigerant gas emissions to air relate to the refrigeration units necessary to the production process and air conditioning units. These volumes are monitored at each site but are not as yet consolidated at Group level.

Over the course of 2013, the Group commissioned a consultant to estimate ODS emissions, by means of a survey conducted at 12 sites. The conclusions of the study did'nt allow to provide an accurate estimate of the volume of Group emissions (the extrapolation gives a result of less than 11,500 metric tons $CO_2e$, or 9.15 metric tons CFC-11 equivalent). At the same time (in 2013), the Group introduced reporting of ODS emissions for each site as from 2014. The reporting system is now in operation and will provide accurate information on ODS emissions.

*Source of emission factors used: AR4 IPCC, 2007, updated April 10, 2013.*

## EN 21 NOx, SOx, and other significant air emissions

L'Oréal has worked hard for many years to improve its energy efficiency, resulting in a reduction of its air emissions.

In particular, wherever possible, the Group uses gas in preference to fuel oil, which is responsible for $SO_2$ emissions, and uses the lowest sulfur fuel oil available.

$SO_2$ emissions have fallen from 7.1 metric tons in 2010, 6.5 metric tons in 2011 and 6.1 metric tons in 2012 to 3.7 metric tons in 2013 ✔.

NOx, SOx and other significant air emissions are estimated using the following methodologies:

NOx: the amount is estimated by applying an emission factor to each category of fuel used

SOx: the amount is estimated in the light of the percentage sulfur content of the fuel oil used

VOC: the amount is estimated using an in-house tool that calculates emissions for each substance containing VOCs for each operation carried out on the production site.

For the scope of Emissions, L'Oréal applies the GHG Protocol factors.

Estimated amounts for 2013:

| | |
|---|---|
| NOx | 69 t |
| $SO_2$ | 3,688 kg ✔ |
| POP | 0 |
| COV | 139 t ✔ |
| HAP | 0 |
| Smoke and fugitive emissions | 0 |
| Particulates, cosmetic powder | negligible |

FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE SECTION 6.3.2 «POLLUTION AND WASTE MANAGEMENT» ON PAGE 214 OF THE 2013 REGISTRATION DOCUMENT

# Effluents and waste

## EN 22 *Total water discharge by quality and destination*

All effluents are monitored in compliance with legal and contractual provisions before being discharged off site.

100% of discharges to the environment are treated in situ on L'Oréal sites. This relates to three plants (Pune, Libramont and Cosmelor).

At approximately 50% of its sites, L'Oréal carries out pretreatment appropriate to the various types of effluent prior to discharge to publicly owned treatment works.

At these sites, L'Oréal operates advanced treatment facilities using physical, chemical and biological processes appropriate to the specific nature of the effluents.

Group distribution centers and administrative sites discharge only the usual sanitary wastewater.

In most instances, L'Oréal's wastewater flow represents less than 5% of the volume of municipal wastewater. The discharges from every L'Oréal production site around the world are recorded on an internal mapping system. The mapping describes the effluent management systems in place on each site, the characteristics of municipal treatment works and specific features of the rivers into which the site or municipality discharges the treated water.

Chemical Oxygen Demand (COD) is the most commonly used indicator for effluent treatment requirements. The Group's total COD generation prior to in-house treatment fell by 2.9% in 2013 to 16,644 metric tons ✓.

With an average of 0.9 g COD per finished product, ✓ the quality of effluents discharged from Group sites showed an improvement of 25% over the comparable figure for 2012.

**Discharge of industrial effluents:**

- to publicly owned treatment works with or without pretreatment on site: 1,580,910 $m^3$
- to the environment after treatment on site (Belgium, Japan, India): 200,820 $m^3$
- Total: 1,781,730 $m^3$

All industrial effluents are homogenized in buffer tanks prior to discharge to on-site treatment and/or municipal treatment.

The treatment methods (in the event of release to the environment) or pretreatment methods (in the event of a WPCP on site) described below relate solely to Group production sites:

- Physiochemical treatment: 245,736 $m^3$
- Physiochemical and biological treatment: 644,563 $m^3$
- Biological treatment: 197,217 $m^3$
- Homogenization, without pretreatment on site (discharge to the municipal plant for treatment): 731,609 $m^3$
- Water reused for other organizations: None
- Volume discharged off site: 1,781,730 $m^3$

DCO : 17.4 kg COD per metric ton of bulk product, before treatment ✓

5 day BOD: 1,871 metric tons of 5 day BOD/year.

FOR FURTHER INFORMATION ON THE MANAGEMENT OF DISCHARGES, PLEASE SEE THE SECTION ENTITLED «SUSTAINABLE USE OF RESOURCES», PAGE 216 OF THE 2013 REGISTRATION DOCUMENT.

# EN 23 Total weight of waste by type and disposal method

## WASTE REDUCTION AT SOURCE

L'Oréal has for many years pursued an ambitious waste management policy, extending beyond regulatory compliance and the prevention of human risks to the environment. The policy aims to reduce waste at source and promote reuse and recycling, including energy recovery, to avoid sending waste to landfill.

In accordance with European regulations, any object or substance leaving a L'Oréal site that is not a finished product is considered as transportable waste associated with the site's activity.

The Group has committed itself to ambitious targets, and in particular to a 50% reduction in its the volume of waste per finished product between 2005 and 2015. As recently as October 23, 2013, the Group made a still more ambitious commitment through its Sharing Beauty With All program, raising its target for waste reduction per finished product to 60% by 2020 from a 2005 baseline, and setting itself a target of zero industrial waste to landfill by 2020.

New initiatives have been taken throughout the Group to improve waste reduction at source and reduce the Group's overall environmental footprint: a Group waste reduction steering committee was established in 2012 and deployed over the course of 2013 to provide upstream support to plants and distribution centers in the following areas:

- Reducing losses during production, a significant source of potential reductions in transportable waste: a far-reaching campaign to reduce losses (of liquids, raw materials, packaging articles, finished products) at every stage in production has been rolled out throughout the Group, coordinated by the Group Quality Department.
- Optimizing raw materials delivery methods, working closely with suppliers, to encourage bulk delivery methods that generate less waste.
- Eco-design of transport packaging for packaging materials is a priority project, unfolding in several stages. The first stage involves issuing good practices setting out all the Group's existing packaging designs for the six main categories of packaging materials and highlighting existing best practices. The next step is to include waste reduction by weight in the design criteria for packaging, as an integral part of the primary packaging development process. The Group has also opted to prioritize the design of returnable packaging, while using a dedicated environmental assessment tool to systematically calculate the overall environmental impact of returnable scenarios.
- Waste reduction in the supply chain: in 2013, the Group deployed an action plan based primarily on optimizing delivery methods and exchanges between plants and distribution centers, and on improving the management of obsolete products; the plan is already producing tangible results in Europe.

In order to improve the system of waste performance monitoring and exhaustively recording the waste generated by the use of shuttle packaging, a new system of recording shuttle packing at source is to be put in place with the Group's suppliers in 2014. L'Oréal will thus record the weight of its shuttle packaging at source in transportable waste, with each of the sites being responsible for maximising the rotation rates. (2013 Registration Document page 216 and following).

Since 2005, production of transportable waste (grams per finished product, including returnable packaging and pallets, for plants and distribution centers) has been reduced by 20.6%.

In addition to monitoring waste reduction by weight, the Group also monitors improvements in end-of-life waste treatment by means of the recovery index (which includes reuse, recycling and incineration with energy recovery).

| *2013 Waste* | *Total* |
|---|---|
| Transportable waste with returnable packaging and pallets (in metric tons)<br>• returnable packaging<br>• returnable pallets | 141,664 ✓<br>35,585 ✓<br>16,276 ✓ |
| Hazardous waste generated in 2013 (all other types of solid or liquid waste, excluding sanitary wastewater) | 16,454 ✓ |
| *Total recovered (metric tons)* | **128,708** ✓ |
| Recovery index (%) | 90.9 ✓ |
| Waste per finished product (g/unit) | 25.3 ✓ |

## WASTE RECOVERY

90.9% ✓ of waste is reused, recycled or incinerated with energy recovery and 53% ✓ of L'Oréal industrial sites (plants and distribution centers) sent no waste to landfill in 2013.

Whenever waste treatment contracts are negotiated, industrial sites and the indirect purchasing division make every effort to increase the recovery rate whilst taking into account the distances over which the waste is to be transported.

| *2013 Recovery* | *Total* |
|---|---|
| Reuse (metric tons) | 41,352 ✓ |
| Recycling (metric tons) | 48,969 ✓ |
| of which composting (metric tons) | 6,181 ✓ |
| Recovery, including energy recovery (metric tons)<br>(Incineration with energy recovery) | 38,386 ✓ |
| Incineration (mass burn) (metric tons) | 7,676 ✓ |
| Deep well injection (metric tons) | 0 |
| Landfill (metric tons) | 5,291.5 ✓ |
| On-site storage (metric tons) | negligible |
| Other (metric tons) | 0 |

The recovery method is determined on the basis of information provided by the waste disposal contractor.

FOR FURTHER INFORMATION ON EMISSIONS, PLEASE SEE THE SECTION ENTITLED «POLLUTION AND WASTE MANAGEMENT» ON PAGE 214 OF THE 2013 REGISTRATION DOCUMENT.

## EN24 *Total number and volume of significant spills*

No spills occurred in 2013.

## EN25 *Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention annex I, II, III, and IV, and percentage of transported waste shipped internationally*

With the aim of reducing greenhouse gas emissions from transport, as well as transport costs, L'Oréal sites seek to minimize the distances involved in waste treatment. As was the case for optimization of waste recovery, criteria for the selection of waste disposal contractors were formally laid down in 2012 in two calls for bids launched by the Purchasing Department covering several industrial sites in France.

Waste is exported only when there is no satisfactory local means of treatment or when a more efficient recovery treatment has been identified. This is the case for two European plants that export aerosols for treatment, representing 1.5% of hazardous waste transported.

| *2013 Waste transported* | *Total* |
|---|---|
| Total weight of hazardous waste transported (metric tons) | 16,454 ✓ |
| Total weight of hazardous waste imported (metric tons) | 0 |
| Total weight of hazardous waste exported (metric tons) | 257 |
| Total weight of hazardous waste transported in country and/or internationally between sites owned, rented or managed by the organization, by destination (metric tons) | 0 |
| ***Total weight of hazardous waste treated (metric tons)*** | **16,454** ✓ |

Effluents and waste

## EN 26 *Identity, size, protected status, and biodiversity value of water bodies, and related habitats significantly affected by the organization's discharges of water and runoff*

No Group production plants are located in a Ramsar site, and no water is discharged from plants to any water bodies and related habitat. Discharges from each site are mapped. The mapping is updated annually and shows, for each plant, effluent flow, on-site provision for treatment and pretreatment, the capacity (in population equivalent) of the municipal treatment works treating the effluent and the low-flow capacity of the river into which the municipality discharges the effluent after treatment.

L'Oréal uses this mapping to measure the impact of discharges from its plants on the local environment and to take corrective action to minimize that impact to a level outperforming regulatory requirements.

Plants that discharge effluent, after treatment, to the environment (Libramont, Cosmelor, Pune) are equipped with on-site analysis devices to ensure strict compliance with legal requirements on the quality of discharges.

All production plants that discharge effluent to a treatment works adhere to a self-monitoring program to ensure compliance with regulatory standards on discharges. All production plants are located in urban areas with populations of over 30,000. The average volume of discharges from a formulation site corresponds to the volume of wastewater generated by 1,000/1,500 residents (130 l/resident/day): i.e. the plant's discharges represent less than 5% of the volume of discharges by the urban community and thus have no significant impact on water bodies and related habitat.

On April 22, 2013, at the World Water Forum in Seville, L'Oréal won the Corporate Water Stewardship Award for its wastewater treatment plant project in Suzhou, China. The project is of considerable interest as the first in the cosmetics industry to rely on anaerobic biological treatment, a process that reduces residual sludge by half. The project also includes filtering gardens to turn the sludge into compost. Water treated by this method can ultimately be reused as process water, representing a reduction in water consumption of some 20,000 cubic meters, almost a third of the plant's consumption.

# Products and services

## EN 27 *Extent of impact mitigation or environmental impacts of products and services*

### REDUCING THE IMPACT OF FORMULAE

In Group Research, innovation processes follow the rules of eco-design – to which economy of materials is central - from the earliest phase of raw materials and formula design.

In accordance with the principles of green chemistry, the Group focuses on developing ingredients made from renewable plant raw materials, on minimizing the number of synthesis stages and on reducing solvent and energy consumption and waste generation. For each new raw material, indicators based on atom economy or E-factor calculations are used to assess the volume of waste produced by the synthesis process selected.

Since 1995, the year in which the Group set up its own in-house toxicology laboratory, L'Oréal has developed extensive expertise on the potential impacts on aquatic ecosystems of its cosmetic products.

For L'Oréal, it is of the utmost importance to foresee and minimize the potential impact of the ingredients it uses on natural habitats, and on aquatic ecosystems in particular. From the earliest stages in product design, the raw materials used in the formulation are rigorously selected.

The Group has developed a number of tools and approaches to assess the potential impact on biodiversity of the ingredients it uses:

- developing in its ecotoxicology laboratory innovative methods for early environmental evaluation of raw materials (e.g. automation of the safety test on microalgae);
- launching in 2004 an assessment of its entire raw materials portfolio for persistence, bioaccumulation and toxicity.

In 2013, L'Oréal also created an ecological performance index for a cosmetic formula: the water footprint (based on the environmental profile of its ingredients in terms of biodegradability and ecotoxicity).

Increasing the biodegradability and/or water footprint percentage of a formula is an essential vector of impact reduction.

As they continue to learn more about and improve the environmental profile of ingredients, a process begun in 1995, the Research teams are now also working on improving formula biodegradability and water footprint.

An array of eco-design tools has been developed and deployed in all Group laboratories.

On a day-to-day basis, formulators are encouraged to make use of raw materials with a favorable environmental profile. The use of raw materials that have no foreseeable adverse impact on the aquatic environment, are renewable in origin, sustainably sourced or respect the principles of green chemistry, is encouraged at the earliest stage in formulation.

In 2013, formulators routinely had access to calculations, from the design stage, of the environmental footprint of formulae for certain product categories (shampoos, shower gels, facial cleansers).

2013 also saw the launch of certain products formulated for a high level of biodegradability, such as Kerastase Cleansing Oil (96%), Garnier Fructis Men Mint Explosion shampoo (95%) or Biotherm Aquafitness shower gel.

The average biodegradability of shampoos in 2012 was 88% and that of shower gels 86%.

Laboratory tests and trials are undergoing a process of miniaturization to optimize the quantities of test material and substrate required. Testing a hair color product was, for decades, performed on either wigs of several hundred grams of hair, or locks of a few grams. To reduce the consumption of both hair and chemical products, the quantities of hair used were gradually reduced to mini-locks, then to samples in small test tubes and finally to the stage of hair powder. Today, only 10 milligrams of hair and just a few milligrams of chemical products are used for hair color, hair care and make-up tests (mascaras, for example).

## COMMITMENT TO COMBAT DEFORESTATION

Through a series of actions taken to fight against deforestation, L'Oréal more particularly ensures responsible sourcing for commodities such as palm oil, soya and paper and cardboard, known to be major causes of deforestation.

L'Oréal relies on internationally recognized certifications to guarantee sustainable sourcing.

In 2013, 98% of supplies of palm oil and palm oil and palm kernel derivatives are certified as sustainable according to RSPO criteria. In 2013, WWF ranked L'Oréal among the best in its sector for the third time. In 2013, aware of the limits of the current certification model in the fight against deforestation, L'Oréal challenged all its suppliers and carried out an exploratory mission in Indonesia in order to identify areas for improvement to be implemented with its partners.

In 2013, over 98% of paper and cardboard packaging supplies were certified as sustainable according to the FSC or PEFC benchmark.

In 2013, 60% of soya oil purchases are certified as sustainable. The Group's actions will aim at solving the problems of availability of sources observed in 2013 in order to return to a level of 100% in 2014.

In 2013, L'Oréal was recognised as one of the best companies in its category for its sustainable sourcing by the Carbon Disclosure Project Forest.

## PACKAGING ECO-DESIGN POLICY

Since 2007 L'Oréal has implemented a Packaging and Environment policy based on three pillars: Respect, Reduce and Replace. This policy is accompanied by a whole set of Ecodesign tools developed and deployed in all the Group's Packaging Design centres.

**Respect:** L'Oréal imposes the requirement that its paper and cardboard packaging come from responsibly managed forests. To date, over 98% of paper and cardboard packaging comes from certified forests.

Furthermore the only label claimed on packaging is that of the FSC (Forest Stewardship Council) of which L'Oréal is a member in France.

L'Oréal extends this approach to its supply chain, even further than packaging materials. L'Oréal encourages its printers to obtain FSC certification for their entire activity scope. To date, 94 % of paper and cardboards printers have obtained this certification.

A materials vigilance program, set up many years ago, has been reinforced with the organization of audits in order to identify and correct any deviation far upstream through clear and well-controlled action plans.

**Reduce:** weight and volume reduction in packaging, an integral part of design, is a major area for progress. Every year, actions taken in this area are recognized through indicators. Between 2008 and the beginning of 2013, 3,600 tonnes of packaging materials were saved due to actions reducing them at source. As concerns the volume of packaging, as there are no international regulations in this area, L'Oréal has developed an internal procedure which defines ratios to be complied with for the various levels of packaging constituting a finished product. In addition, L'Oréal has set up specific tools to assist it in carrying out Life Cycle Assessments (LCAs) and reducing the environmental impacts of transport packaging for packing items and finished products.

**Replace:** aware that non-renewable resources are not sustainable, L'Oréal looks for alternatives to the materials based on these resources. Among the catalogue of options being studied, one of the solutions that L'Oréal has implemented is the use of recycled materials to limit the use of virgin materials. A certain number of its brands include up to 100% recycled plastic in their bottles (Kiehl's, Garnier, L'Oréal Professionnel, Matrix…), or recycled glass in their jars (Vichy, Biotherm, Garnier). More than 3,100 tonnes of virgin materials were saved in this way in 2013.

**Examples of eco-design:**

The year's most significant eco-design achievement in terms of reduction rate was achieved by the «L'Homme» fragrance by Yves-Saint-Laurent. A design study of the cap resulted in a 38% weight reduction.

The Body Shop also achieved a 16% weight reduction on the tops of its 250ml shower gel and lotion bottles.

In the Consumer Products Division, Garnier pursued its eco-design approach adopted several years ago. The cardboard boxes for parts of its Colornat and Colorsensation ranges were redesigned and their grammage reduced, resulting in savings of 43 metric tons of cardboard in 2013.

The Kiehl's brand also saved several metric tons of packaging. PE bottles underwent a makeover in 2011, and more recently the weight of the 75ml PE pots was reduced by 5g, from 72g to 67g, a reduction of almost 7%.

On the recycled materials front, the Vichy, Sanoflore and Roger & Gallet brands, as well as a number of L'Oréal Luxury brands have gone over to glass pots and bottles containing 25% recycled input material.

Transport of packaging materials is also an environmental concern for the Group, which is committed to reducing waste, in particular transport packaging waste, at its plants and distribution centers by 50% by 2015. A global eco-design program for transport packaging of packaging and raw materials has been launched, and will play a part in helping the Group to achieve its waste reduction target.

## EN 28 *Percentage of products sold and their packaging materials that are reclaimed by category*

The percentage of packaging reclaimed is not an indicator monitored by the Group, in view of the great diversity of waste management scenarios in different countries, and also because L'Oréal is unable to monitor the individual behavior of its consumers.

L'Oréal pursues a proactive policy to promote recycling, however, and has set out its commitment in its Position paper «L'Oréal and Recycling»:

Design packaging to integrate seamlessly into existing recycling processes

Make maximum use of materials made from recycled packaging waste

As a responsible corporate citizen, the Group contributes to the Green Dot system that, in the countries in which it exists, embodies the Group's Extended Producer Responsibility.

In order to continue assuming its responsibility in countries where little or no waste management is practiced, the Group has conducted a survey of waste management in emerging nations, and particular in countries where the Group is keen to expand. The study highlights the environmental and social issues associated with waste management in countries such as Brazil, South Africa, Niger, India, Indonesia and China, and identifies local players (NGOs, cooperatives, research institutes, government agencies, etc.) that could prove useful collaborators in this area.

Certain brands - Garnier, Kiehl's or The Body Shop, for example - encourage their consumers to sort toiletry packaging waste so that recyclable components can be collected for sorting and recycling.

In 2010, Garnier signed up to a partnership with TerraCycle in the USA, to promote recycling to consumers and divert non-recyclable packaging from landfill.

Kiehl's also encourages its customers to sort their waste and offers loyalty points and free gifts in return for returning empty packaging to stores.

FOR FURTHER INFORMATION ABOUT BRAND RECYCLING PROGRAMS, PLEASE SEE:
• HTTP://WWW.KIEHLS.FR/SERVICES/SERVICE.ASPX?TOPCODE=ABOUTKIEHLS
• HTTP://WWW.GARNIER.FR/_FR/_FR/PROGRAMMES/ASTUCES/ASTUCESVERTES-LISTE-CATEGORIES.ASPX?TPCODE=GARNIER^GARNIER_ASTUCES_VERTES
• HTTP://WWW.THEBODYSHOP.FR/VALEURS/PROTECTPLANET.ASPX

In Harlem, on 14 June 2013, Garnier USA inaugurated the first urban garden in which all non-botanic materials were made from recycled cosmetics packaging. More than 700 kilos of waste were kept out of landfills and used to make material for vegetable-bed structures, benches, picnic tables and walkway surfaces. The result of this initiative, in partnership with TerraCycle, was a 1,500 $m^2$ community garden.

FOR FURTHER INFORMATION SEE 2013 SUSTAINABLE DEVELOPMENT REPORT, LIVING SUSTAINABLY, KEY EVENTS, PAGE 29.

The US plant in North Little Rock, Arkansas, has initiated a project that makes it possible both to reduce waste and arrange for the distribution of food to the most underprivileged. The plant has developed a partnership with the Arkansas Hunger Alliance and the Food Bank of Arkansas to create a distribution and delivery circuit for boxes to transport food. The cardboard boxes, made from recycled plant waste, were used to distribute 24,000 meals in 2013

FOR FURTHER INFORMATION SEE REGISTRATION DOCUMENT, CORPORATE SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY, PARAGRAPH 6.4.1, PAGE 221

# Compliance

## EN29 *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations*

In 2013, L'Oréal received an environmental fine of BRL257,722.39 (Brazilian real, equivalent to €85,000).

# Transports

## EN30 *Significant environmental impacts of transportinf products and other goods and materials for the organization's operations, and transporting members of the workforce*

Transport and greenhouse gas emissions (EN 17)

L'Oréal produced a Greenhouse Gas Balance in 2013 on the basis of 2012 data.

The impact of transport represents 13% ✔ of the Group's Scope 3 carbon footprint, equivalent to some 900 kt $CO_2e$ ✔ distributed as follows::

- transport of finished products, raw materials and components: ~ 545 kt $CO_2e$ ✔
- business travel by employees: ~ 280 kt $CO_2e$ ✔
- employee commuting: ~ 75 kt $CO_2e$ ✔

L'Oréal optimizes its global production on a regional basis, locating its operational teams as close as possible to the markets they serve. This enables each site to be more responsive and more effective in terms of logistics and transport.

Although the greenhouse gas emissions of the cosmetics industry are limited in relative terms, transport contributes to L'Oréal's global environmental footprint.

By 2020, the Group is committed to achieving a 20% reduction in $CO_2$ emissions from transport of finished products in g $CO_2$/FP/Km against a 2011 baseline.

Since 2006, L'Oréal has gradually introduced a transport policy that incorporates environmental factors, rolled out in several phases:

- initially, the tasks of Group transport managers were extended to include the principle of reducing $CO_2$ emissions from transport,
- the next step introduced a section on environmental performance into score cards for calls for transport bids,
- since 2009, in conjunction with ADEME, a system for calculating transport GHG emissions has been developed and gradually deployed to all Group sites,
- in 2011 and 2012, the system and its deployment were subject to external audit (three entities in the Latin America zone, CPD Europe and DGO consolidation).

# Overall

## EN 31 *Total environmental protection expenditures and investments by type*

L'Oréal considers investment in environmental protection as naturally part of the efforts to be made by any socially responsible company. These costs are therefore incorporated into each operational project, not accounted for separately. It is therefore impossible to consolidate these costs at Group level.

Expenses are also managed by each site and generally not consolidated. Although almost all plants are ISO 14001 certified, for example, the Group has no information on the global cost of such certification.

L'Oréal does consolidate its waste treatment costs, however: in 2013, the cost of treatment was  13 million.

L'Oréal has taken out environmental liability insurance to cover environmental damage. In addition to providing insurance cover, the policy calls for preventive inspections at 10 sites a year.

The Group has many environment-related projects in hand. These may stem from legal or regulatory compliance or be designed to achieve the major environmental objectives the Group has set itself for 2015 and 2020.

Each site is responsible for its spending and investment in achieving these objectives.

There were also many achievements in 2013, including:

- construction of buildings to recognized standards (HQE, LEED, etc.)
- construction of a water treatment works at the plant in Egypt and commissioning of the Saint Luis de Potosi treatment works (Mexico)
- installation of LED lighting at several sites
- installation of a wood-burning boiler at the Rambouillet plant (France)
- modifications to production plant to reduce the amounts of hot water used for washing, resulting in reduced water and gas consumption (multi-year program)
- systems to recover energy from water-based effluents, resulting in reduced gas consumption and $CO_2$ emissions
- deployment of photovoltaic panels in the US

Expenses (non-consolidated) included:

- subscription for the sorting of end-of-life packaging
- operation of 23 internal water treatment works
- minor energy-saving measures such as installing variable-speed drives on certain pumps, thermal insulation of hot fluid networks, optimizing temperature management in working areas, etc.

# Supplier environmental assessment

## EN 32 *Percentage of new suppliers that were screened using environmental criteria*

### L'ORÉAL INVOLVES ITS SUPPLIERS IN REDUCING THEIR CARBON FOOTPRINT

L'Oréal requires its strategic suppliers to make a commitment to CDP Supply Chain, to measuring their carbon emissions and to setting targets and taking concrete measures to reduce their greenhouse gas emissions.

Since 2012, L'Oréal has reinforced its CDP strategy: environment experts are no longer the sole point of contact with suppliers; buyers have now been trained to become CDP ambassadors.

As a result, CDP Supply Chain is now a subject discussed with suppliers at strategic Business Review meetings, the number of invitations issued by the Group rose from 55 in 2011 to 156 in 2012, and teams are engaged in driving home the message that reducing greenhouse gas emissions is now a key aspect of overall corporate performance.

Building on this foundation, a further 173 invitations were issued in 2013 to selected suppliers around the world in the six purchasing areas (raw materials, packaging, capital expenditure, contract manufacturing, POS advertising/promotions, indirect purchasing).

Among them are strategic suppliers, suppliers operating in $CO_2$-generating industries, including major industrial groups but also SMEs.

As a means of assessing supplier environmental performance, a supplier profile was developed in conjunction with the CDP, summarizing supplier responses to the CDP in a format accessible to Purchasing teams.

In 2013, 152 ● of the 173 suppliers invited (compared to 133 out of 156 in 2012) responded positively to L'Oréal's invitation to join the CDP.

This figure is above the average (2,868 participants from 5,650 invitations) for CDP members. The high response rate, achieved thanks to the combined efforts of the Purchasing and Environment teams, has won L'Oréal CDP commendation for its leading practices in carbon disclosure.

L'Oréal provides participating suppliers with details of their results and any comments, including opportunities for improvement. Average supplier results for 2013 show a marked improvement: 64 C compared to 59 D in 2012.

As part of its ongoing collaboration with the CDP and with its suppliers aimed at reducing its environmental footprint, in 2013 L'Oréal took part in the CDP Supply Chain Water Pilot. 15 of the 17 suppliers invited by L'Oréal agreed to take part in this new program designed to measure and reduce Water Footprint ●.

### VERIFICATION AND ASSESSMENT

L'Oréal regularly assesses suppliers on the basis of key performance indicators. The five assessment criteria have remained unchanged for many years: social/societal and environmental responsibility, innovation, quality, logistics and competitiveness.

The aim is to establish sustainable and transparent relations with high-performance suppliers committed to a process of continuous improvement. Strategic supplier performance appears as an item on the agenda of specific annual Business Review meetings.

With effect from January 2014 (for 2013 results), supplier participation and performance in CDP Supply Chain will form an integral part of supplier assessment, effectively making the program mandatory.

This information is also included in notes on supplier commitments and the findings of social audits. As of January 2013, social audits now include questions on environmental issues, in particular compliance with regulations.

L'Oréal commissions independent external service providers to conduct social and EHS audits.

# Environmental grievance mechanisms

## EN34 *Number of grievances about environmental impacts field, adresses and resolved through formal grievance mechanisms*

No grievances were filed in 2013.