

# SHARING BEAUTY WITH ALL

## L'ORÉAL'S SUSTAINABLE PALM INDEX *Including the fight against deforestation in the suppliers selection process*

Within the scope of its Zero Deforestation policy, L'Oréal commits to ultimately work with suppliers enforcing responsible practices along palm oil and palm kernel oil supply chains.

Promoting and supporting the most innovative and progressive suppliers, especially those who will overpass the challenges associated with the complexity of palm derivatives supply chains, requires adapted tools and metrics.

In 2016, L'Oréal upgraded its evaluation scorecard for suppliers of palm oil and palm kernel oil derivatives, by creating a *Sustainable Palm Index*.

The *Sustainable Palm Index* is progressively integrated into the suppliers' performance rating, to enable purchasing teams worldwide to align business decisions with supplier's commitments and practices.

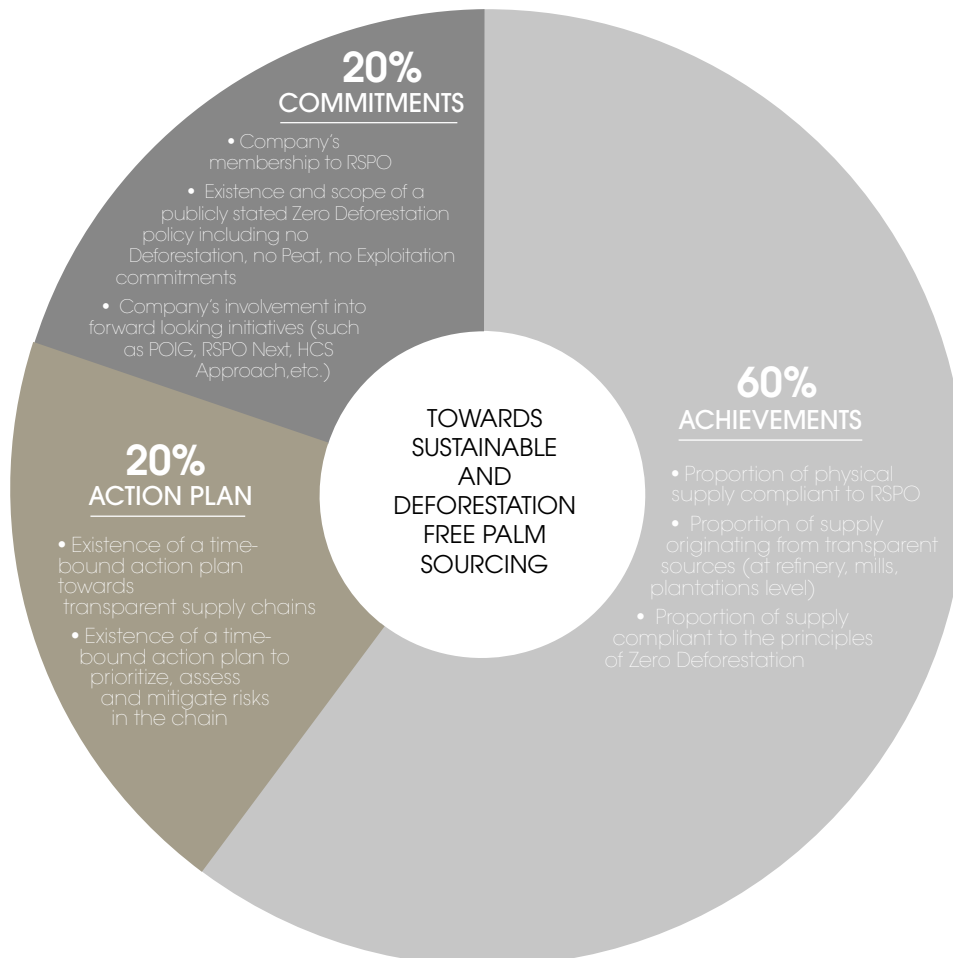
The matrix is the result of a close interaction with suppliers and has been developed as a pragmatic tool to drive change within the derivatives market.

It takes into account the supplier's achievements in terms of knowledge and transparency of their own supply chain, sustainable procurement practices and compliance with L'Oréal's Zero Deforestation policy, but recognizes also their commitments to progress.

Suppliers are requested to provide means of proof for each criterion. The information disclosed is verified by an independent party. The ranking allows differentiating 3 levels of compliance with L'Oréal's expectations.

Based on the aggregated scoring, action plans are set up with suppliers, going from business promotion and development of partnerships for the most advanced suppliers, to business reduction or ultimately disengagement unless immediate plan of progress is implemented.

This *Sustainable Palm Index* will be regularly updated, to take into account market improvement and to reflect the continuous efforts and progress done by suppliers.



The *Sustainable Palm Index* combines a set of 15 criteria weighted depending on the supplier's rank in the chain, namely: surfactants manufacturers (buying only derivatives), oleochemicals manufacturers (buying derivatives as well as palm and palm kernel oils) and integrated suppliers (from plantations, mills or refineries, to oleochemicals and surfactants). The complete version of the Index is available upon request. Refer to the following pages to access a simplified extract.

## COMMITMENTS TOWARDS SUSTAINABLE SOURCING

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CRITERIA	RATING METHODOLOGY	CONTRIBUTION TO THE SCORE
Are you a member of the RSPO?	yes = 2 no = 0	<b>20%</b>
Do you have a publicly-stated policy to ensure the time-bound sourcing of legal, responsible and deforestation-free palm-based raw materials?	no = 0 not public = 4 yes = 8	
<p>Can you confirm whether your policy includes the following commitments:</p> <ol style="list-style-type: none"> <li>1. Full compliance with the laws in the country where they operate;</li> <li>2. A comprehensive and formal free prior and informed consent from indigenous people and local communities, including respect for workers rights and with a special attention to Palm Oil Small Holders</li> <li>3. The conservation and restoration of High Conservation Value and High Carbon stocks Areas when expanding palm plantations;</li> <li>4. The renouncement to peat clearance for new plantations and the adoption of a responsible maintenance system of peatlands in existing plantation.</li> <li>5. None of the above</li> </ol>	<p>1.5 points per box ticked</p> <p>0 for 5</p>	
<p>Is your company engaged in or promoting publicly any of the following initiatives?</p> <ul style="list-style-type: none"> <li>- Palm Oil Innovation Group</li> <li>- High Carbon Stock Approach</li> <li>- IDH Traceability Working Group</li> <li>- RSPO Next</li> <li>- Other, please specify</li> </ul>	<p>2 points per box ticked for RSPO Next, POIG</p> <p>1 for the others</p>	

## ON-GOING ACTION PLAN FOR SUSTAINABLE SOURCING

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CRITERIA	RATING METHODOLOGY	CONTRIBUTION TO THE SCORE
<p>Do you have an on-going process or time-bound action plan to increase the transparency of your palm derivatives supply chain (sourcing areas, players, practices, etc.)?</p>	<p>none = 0 time-bound plan or unsatisfying process = 4 satisfying process = 8</p>	20%
<p>If yes, please specify if you have launched an internal traceability project and/or are supported by a third party organization</p>	-	
<p>Do you have an on-going process or time-bound action plan to mitigate risks in your palm derivatives supply chain (illegality, environmental, social)?</p> <ul style="list-style-type: none"> <li>- On-going process within a time-bound action plan</li> <li>- Time-bound action plan only</li> <li>- None of the above</li> </ul>	<p>None = 0 Action plan defined = 4 On going process implemented = 8</p>	
<p><b>If yes, please specify if any of these actions are implemented:</b></p> <ul style="list-style-type: none"> <li>- Screening of your suppliers taking into account sustainable sourcing criteria</li> <li>- Business promotion of suppliers that are engaged in sustainable sourcing and Zero Deforestation</li> <li>- Sourcing from or support of sustainable field projects</li> <li>- Commitment to supplier disengagement in case of evidences of unsustainable sourcing</li> <li>- Other, please specify</li> </ul>	<p>2.5 points per box ticked  1 for others</p>	
<p><i>(for integrated suppliers only)</i> Have you implemented a system to update external stakeholders on the following:</p> <ul style="list-style-type: none"> <li>- Supply chain map including name of direct and indirect suppliers per plant</li> <li>- Grievances reported and current status</li> <li>- Reports on suppliers assessments to verify compliance with your policy</li> <li>- Mapping and status of sustainable field project implementation</li> <li>- Other, please specify</li> </ul>	<p>2 points per box ticked</p>	

## ACHIEVEMENTS IN TERMS OF SUSTAINABLE SOURCING

CRITERIA	RATING METHODOLOGY	CONTRIBUTION TO THE SCORE
<p>What share of your palm processing plants are RSPO certified to date?</p> <ul style="list-style-type: none"> <li>- Less than one third</li> <li>- Between one and two third</li> <li>- More than two third</li> <li>- None</li> <li>- Not applicable to my business</li> </ul>	<p>none = 0                      1-33% = 2                      34-66% = 4                      67-100% = 6</p>	60%
<p>What proportion of the palm derivatives volumes sold by your company to L'Oréal can be available under the RSPO Mass Balance or Segregated certification schemes to date?</p> <ul style="list-style-type: none"> <li>- Less than 25% of the volumes</li> <li>- Between 26% and 50% of the volumes</li> <li>- Between 51% and 75% of the volumes</li> <li>- More than 76% of the volumes</li> <li>- None</li> </ul>	<p>none = 0                      1-25% = 1.5                      26-50% = 3                      51-75% = 4.5                      76-100% = 6</p>	
<p>What proportion of the palm derivatives volumes sold by your company to L'Oréal can be considered as «transparent» up to the level of refineries to date?</p> <ul style="list-style-type: none"> <li>- Less than 25% of the volumes</li> <li>- Between 26% and 50% of the volumes</li> <li>- Between 51% and 75% of the volumes</li> <li>- More than 76% of the volumes</li> <li>- None</li> </ul>	<p>none or unknown = 0                      1-25% = 2                      26-50% = 4                      51-75% = 6                      76-100% = 8</p>	
<p>What proportion of the palm derivatives volumes sold by your company to L'Oréal can be considered as «transparent» up to the level of palm oil mills to date?</p> <ul style="list-style-type: none"> <li>- Less than 25% of the volumes</li> <li>- Between 26% and 50% of the volumes</li> <li>- Between 51% and 75% of the volumes</li> <li>- More than 76% of the volumes</li> <li>- None</li> </ul>	<p>none or unknown = 0                      1-25% = 3.5                      26-50% = 7                      51-75% = 10.5                      76-100% = 14</p>	
<p><i>(mandatory question only for integrated suppliers)</i>                      What proportion of the palm derivatives volumes sold by your company to L'Oréal can be considered as «transparent» up to the level of plantations to date?</p> <ul style="list-style-type: none"> <li>- Less than 25% of the volumes</li> <li>- Between 26% and 50% of the volumes</li> <li>- Between 51% and 75% of the volumes</li> <li>- More than 76% of the volumes</li> <li>- None or unknown</li> </ul>	<p>none or unknown = 0                      1-25% = 3.5                      26-50% = 7                      51-75% = 10.5                      76-100% = 14</p>	
<p>What proportion of the raw materials used to manufacture the palm derivatives volumes sold by your company to L'Oréal is currently provided by palm oil mills, refineries (or their parent companies) engaged in one or more of these initiatives: POIG, RSPO NEXT, HCS Approach, SPOM, own Zero Deforestation policy?</p> <ul style="list-style-type: none"> <li>- Less than 25% of the volumes</li> <li>- Between 26% and 50% of the volumes</li> <li>- Between 51% and 75% of the volumes</li> <li>- More than 76% of the volumes</li> <li>- None or unknown</li> </ul>	<p>Rating is obtained by doing the weighted sum of the respective proportions of raw materials.</p> <p>A 0.9 weighting factor is applied to the proportion of POIG and RSPO Next certified raw materials.</p> <p>A 0.1 weighting factor is applied to the proportion of SPOM, and HCSA compliant raw materials.</p>	