

Methodological note

This document reports the methodology used by L'Oréal for the 2015's indicators reporting. It describes for every area, the scope of consolidation, the indicators and the method used for data collection. This note concerns the Chapter 3 of the 2015 L'Oréal's Group Registration Document, as well as the 2015 Sharing Beauty With All Progress report.

Social data

Scope of consolidation

The workforce indicated, and the breakdowns in this respect, correspond to the total workforce for the cosmetic Divisions and The Body Shop¹. If an indicator relates to a scope different from that of Cosmetic Divisions and The Body Shop, the scope of consolidation is indicated in a note.

Indicators

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

Data collecting

Four methods are used to collect data for the defined scope:

- most of the data are collected using the dedicated "Country Reporting" intranet system, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: workforce, training, absenteeism, labour relations, the Share & Care program, remuneration, diversity, recruitment and profit sharing;
- at the beginning of each year, the local Human Resources Directors provide the required data for the previous year;
- when the data are compiled, each country must validate a charter committing to the accuracy of all the data provided;
- other data are collected by each Department concerned (Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach;
- if information is not consolidated for the entire Cosmetics scope, it is recognised that it can be

extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative;

- lastly, the specific data relating to "executives" and other specific populations (expatriates, key positions, etc.) are gathered from the "CAROL" online career monitoring system, deployed in all Cosmetic divisions subsidiaries.

The number of employees trained is calculated on the basis of all types of training format and length. The number of employees trained who received less than 1 hour's training is not significant.

A process of continuous improvement of these systems is in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

1. Certain recent acquisitions (Niely, Emporio Body Store and Coloright), whose information system is not yet integrated into the Group's system, are not included in the reporting. They represent 2.4% of the Group's employees. The aim is to include them in reporting for 2016.

Environmental Data

Scope of consolidation

The environmental indicators set out relate to the Cosmetics and The Body Shop sites: factories and distribution centres.

The environmental indicators of the factories and distribution centres sold or closed during the financial year are reported in full up to the date of their exit from the scope. The factories or distribution centres that join the Group have a maximum period of 2 years to connect to the environmental reporting systems: for the 2015 financial year, 94% of the factories and distribution centres participated in the reporting system, while data pertaining to 4 sites, recently integrated into the Group, are not yet included in the published data: Magic Holdings Nanshua (China), Magic Holdings Pingshan (China), Decl  r (France), Niely (Brazil). Our indicators do not take into account the impacts of non-recurring work concerning water and energy consumption and waste generation. Similarly, in the special case where a subcontractor is located geographically on the sites, its impacts are not taken into account.

Indicators

The indicators chosen are those used in the management of the Company's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Greenhouse gas: the methodology used for the CO₂ estimates follows the GHG Protocol's rules. With the desire for comparability, the data on CO₂ emissions for the 2005 baseline provided have been updated in light of these rules (recalculated on the basis of a constant scope). The calculation of the 2005 baseline is based on the 2003 emission factors of local electricity suppliers – when they are available. When the emission factors are not available, IEA (International Energy Agency) and EGRID² emission factors, available in 2006, corresponding to IEA factors for 2003 and EPA³ (EGRID) factors for 2000, are used. For the estimates for the following years, the emission factor used is that provided by the supplier, or failing this, the IEA emission factors (the 2013 IEA edition for 2015 emissions).

Waste: L'Or  al includes in transportable waste everything that comes out of a plant or a distribution center 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.). In order to improve the system of waste performance monitoring and exhaustively

record the waste generated by the use of reusable packaging, a new system of recording reusable packaging at source was put in place in 2014. L'Or  al thus records the weight of its reusable packaging at source in transportable waste, with each of the sites being responsible for maximizing the rotation rates. Recording of the weight of reusable packaging at source is a measure intended to encourage rotation of this reusable packaging and contributes, through its reuse, to increasing the useful life of the packaging.

Specific attention is paid to the waste indicators in order to improve the classification in categories and subcategories and to make better categorizations for complex waste. They are also subject to increased monitoring (reusable packaging used in rotation, categorization of wood waste, plastics, etc.).

Data collection

The following method is used to collect data for the defined scope.

- The data are collected using the dedicated intranet-based site reporting system, available in all countries in which there is a L'Or  al subsidiary. This system covers several topics: quality, process performance and EHS data.
- The required data are reported every month by the local managers.
- When the data are compiled, each site or zone must validate the accuracy of all the data provided.
- A process of continuous improvement of these systems has been put in place. The systems are reviewed each year by the Statutory Auditors and modified taking into account their recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

2. Emissions & Generation Resource Integrated Database.
3. Environmental Protection Agency.

Societal data

Scope of consolidation

The scope covers, depending on the indicators, L'Oréal S.A (L'Oréal parent company), France or the Group. The specific scope is specified for each indicator.

Indicators

The indicators chosen are those within the scope of the Grenelle II regulations, with the aim of data comparability.

Data collection

The other data are collected from the Corporate Departments concerned (Communications Department, Sustainable Development Department, Human Resources Department, Purchasing Department, Worldwide Safety Evaluation and the Director of Risk Management and Compliance).

Concerning the indicator on the "Percentage of new or updated products with an improved environmental profile thanks to a new formula with a reduced environmental footprint": the improvement is assessed on the basis of the biodegradability and eco-toxicity criteria of the new formula or the updated formula compared to the average rating of the product family concerned, for an equivalent use. It only concerns products with a new or updated formula.

Concerning the indicator on the "Percentage of new or updated products with an improved social profile thanks to a positive social impact": the indicator corresponds to the percentage of new or updated products including raw materials obtained under the Solidarity Sourcing programme. The number of Solidarity Sourcing raw materials is not compared to any baseline.

Pillar Innovating sustainably

Scope of consolidation

- The calculation is made on the basis of a scope limited to the data available in the ISIS tool, which currently covers 85% of the volumes produced by the Group.
- Calculation of the indicators is based on all new or updated products (sales models only), i.e. products manufactured in 2015 (which did not exist in 2014) in the L'Oréal Group's plants.
- The products considered in 2015 cover all categories of formulas (including makeup and perfumes)
- The calculation of the indicators is made on the basis of the number of new or updated products, either in terms of formula or in terms of packaging
- The new or updated products do not include "extensions of range".

Indicators

Concerning the indicator on the "Percentage of products analyzed with an improved social or environmental profile (as a %)": a new or updated product is included in the indicator if its profile has been improved by at least one of the criteria measured by the other indicators (sustainable sourcing or green chemistry, improvement of the environmental impact of the formula, improvement of the packaging, presence of raw materials obtained under the Solidarity Sourcing programme).