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○ unanswered ① partial ● complete

Management approach

L'Oréal became a signatory of the United Nations Global Compact in 2003, and undertakes to respect and promote Human Rights. This includes, in particular the Fundamental Conventions of the International Labour Organization, even though not all these Conventions have been ratified by all the countries in which L'Oréal is present.

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

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

Country Managers are in charge of implementing the Human Rights policy in their countries. The Chief Ethics Officer systematically meets with each new Country Manager in order to raise their awareness on Human Rights issues.

L'Oréal sets out its Human Rights policy in documents such as "The L'Oréal Spirit" or the Code of Business Ethics, available on www.loreal.com.

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

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

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

Investment and procurement practices



PERCENTAGE AND TOTAL NUMBER OF SIGNIFICANT INVESTMENT AGREEMENTS AND CONTRACTS THAT INCLUDE CLAUSES INCORPORATING HUMAN RIGHTS CONCERNS, OR THAT HAVE UNDERGONE HUMAN RIGHTS SCREENING

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

100% of the master agreements signed with suppliers / subcontractors contain a social clause, setting out the above commitments to comply with the basic principles of the International Labour Organization and of local legislation.



PERCENTAGE OF SIGNIFICANT SUPPLIERS, CONTRACTORS, AND OTHER BUSINESS PARTNERS THAT HAVE UNDERGONE HUMAN RIGHTS SCREENING, AND ACTIONS TAKEN

L'Oréal works with thousands of suppliers worldwide to meet its needs as regards packaging, raw materials, sub-contracting, production facilities, promotional and advertising material, as well as 'indirect' products and services (unrelated to the production process).

Worldwide purchases directly related to the production process (packaging, raw materials and subcontracting) were worth 3.24 billion euros in 2012 (cosmetics activities, exclusive of TBS).

The Group's Purchasing policy is designed to develop balanced and durable relations with subcontractors and suppliers, with due consideration given to social and environmental issues.

In view of L'Oréal's emphasis on the active sourcing of suppliers sharing its values and commitments, in particular with regard to Human Rights, the approval of these suppliers constitutes a particularly important stage.

As far as industrial purchases are concerned, dedicated Purchasing Teams are tasked with identifying new suppliers and integrating them with regard to the Group's expectations and strategy, using the 'Welcome On Board' (WOB) approval process. This process allows to make sure of the real interest of the supplier and to provide him with for all the information, document and contacts that are necessary to understand L'Oréal's expectations and processes. It also allows the supplier to commit to the Group's values.

In order to enable social, ethical and environmental considerations to be integrated into its supply chain, L'Oréal launched in 2002 the L'Oréal Buy&Care Programme. This programme is endorsed by all the Group's purchasers.

Within the context of this programme, L'Oréal expects its suppliers and subcontractors to comply with the Group's General Terms and Conditions of Purchase. These entail compliance with the basic principles of the International Labour Organization and of local legislation, particularly with regard to minimum salaries, working hours and health & safety.

Each new supplier / subcontractor approved by the purchasing teams must agree to comply with these social clauses and to allow a social audit to be carried out at its production sites. This agreement by the supplier / subcontractor will be expressed in the form of a signed letter of ethical commitment.

The L'Oréal Buy&Care Programme contains a section providing for verification of corporate compliance enabling the Group to check that its suppliers are operating in accordance with the applicable laws, with Human Rights provisions and with employment law, and ensuring the safety of their teams and hygiene in the workplace.

Subcontractors, wherever they are based, and suppliers of raw materials, packaging, production facilities and point of sale advertising / promotional materials located in 'risk' countries undergo mandatory social audits. In order to establish a cartography of risk countries, L'Oréal uses the indices produced by Maplecroft™.

The social audits are carried out by independent external service-providers on behalf of L'Oréal.

Initial audits are financed by L'Oréal, while the costs of follow-up audits are on behalf of the suppliers.

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

- child labour;
- forced labour;
- health and safety;
- compliance with laws on trade unions;
- non-discrimination;
- disciplinary practices;
- harassment and hostile working environments;
- payment of salaries / compensation / benefits;
- working hours;
- relations with subcontractors.

Questions relating to environmental issues will also be mandatory in all social audits, as from January 2013.

L'Oréal's social audit is to a great extent based upon the globally-recognized SA 8000 standard, although a few exceptions are made, in particular regarding the minimum working age of children. The Group has decided to set the mandatory minimum age for all employees working for suppliers / subcontractors at 16 years, which is above the minimum age stipulated in the fundamental conventions of the International Labour Organization (ILO).

Since 2006 - when L'Oréal implemented a reporting system - the group has carried out social audits at over 3,700 supplier sites.

In 2012, 1,120 audits ✓ (as against 793 in 2011) were carried out, taking the total since 2006 to 4,400.

Geographical distribution of L'Oréal's social audits::

AREA	2009	2010	2011	2012
Europe	86	119	134	191
North America	5	2	9	49
Latin America	36	84	65	152
Africa / Middle-East	4	23	73	118
Asia - Pacific	305	339	512	610
TOTAL	436	567	793	1 120 ✓

RESULTS OF AUDITS	2011	2012
Access denied	4 %	4 %
Zero tolerance	1 %	1 %
Satisfactory or ongoing improvement	45 %	50 %
Immediate action required	49 %	45 %

DISTRIBUTION OF NON-COMPLIANCE BY AREA AUDITED	2011	2012
% of non-compliance relating to child labour	6	5
% of non-compliance relating to remuneration	23	22
% of non-compliance relating to working hours	25	23
% of non-compliance relating to working conditions, health and safety	41	40
% of non-compliance relating to other areas	5	9

As an example of the way in which the above data should be interpreted: 22% of incidents of non-compliance recorded in 2012 (from all social audits) related to the area of remuneration.

Any incidents of non-compliance give rise to remedial actions, follow-up audits, and in the most serious cases the discontinuation of commercial relations, or the non-approval of a new supplier.



TOTAL HOURS OF EMPLOYEE TRAINING ON POLICIES AND PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS THAT ARE RELEVANT TO OPERATIONS, INCLUDING THE PERCENTAGE OF EMPLOYEES TRAINED

Training sessions and communications on Ethics also cover Human Rights issues.

At Corporate level, the Office of the Chief Ethics Officer led 21 training sessions for 529 employees, representing 1,190 hours' training.

Furthermore, in 2012, 92% of the Group's Country entities included subjects related to Human Rights in their local training programmes, and 89% communicated on these topics.

Training covering responsible purchasing, The L'Oréal Buy&Care Programme, and social audits is mandatory for any new purchaser.

Every year since 2009, L'Oréal organizes an Ethics Day in order to ensure on-going internal communication on this topic. In 2012, the theme was 'The Way We Work', and each Country Manager discussed ethics - including Human Rights - with their employees. Around 22,000 employees from 67 countries took part in the dialogue which involved over 2,600 questions being asked worldwide.

Non discrimination



TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

Diversity is an essential value for L'Oréal. All over the world it supports its employees and customers in the universalization of beauty. The diversity of L'Oréal's teams at all levels and in all respects enables more creativity and social cohesion, as well as a better understanding of customers, so that products that are developed meet the needs of everyone. L'Oréal rejects all discriminatory ideas and practices. The Group has made a fundamental cornerstone out of concerns for disability, socio-professional equality and socio-ethnic origins, and its collective commitments in these areas have to be expressed throughout the world by everyday actions in human resources, and also in marketing and solidarity purchasing.

A 'Pulse' survey was carried out in 2007 and then in 2011/12 by the Group's employees. The results of the 2012 study revealed that 77% of the employees, based in over 65 countries in all 5 geographical zones, understood and supported the L'Oréal Group's strong commitment to the appropriate management of diversities, integrated into its Human Resources policy, and to acting with respect for individuals.

In 2005, L'Oréal decided to construct its diversity promotion policy around six priority focuses: nationality, socio-cultural background, ethnic origins, gender, disability, and age. As an example, the proportion of posts occupied by women has steadily increased year by year. In 2012 they accounted for 62% of executives recruited, 43% of members of the Management Committees and 46% of first expatriation missions

Furthermore, L'Oréal was awarded the Gender Equality European Standard (GEES). Twelve countries were awarded: Germany, France, Spain, Italy, Belgium, United Kingdom, Ireland and the Baltic States, Poland, Portugal, Czech Republic and L'Oréal S.A. (Corporate).

In October 2012 L'Oréal Mexico was awarded the 'Gender Equality Standard' by the World Bank.

As regards discrimination issues, the L'Oréal Group has made several commitments since 2004:

- In 2004 in France, L'Oréal signed the Diversity Charter. L'Oréal has to date signed seven charters in Europe (for France, Germany, Spain, Italy, Belgium, Sweden and Poland), including three charters co-founded in Italy, Sweden and Poland.
- On the 11th April 2008, L'Oréal - working alongside the association SOS Préma - launched the «Charte de la Parentalité en Entreprise» (Company Parenthood Charter), which has been signed by 310 companies and organizations.
- In 2011, in collaboration with the association RMC-BFM, L'Oréal launched the «Charte du Coeur» (Heart charter), mobilizing 83 companies around the need to install defibrillators in public areas and to train their employees and suppliers/clients to use them.
- Since 2005, the Group has had a Worldwide Diversity Department. A Diversity Department was set up for France in 2009, while a network of around thirty local coordinators operates in situ. A Human Resources Manager in charge of international diversity activities was appointed in 2011.

L'Oréal also provides training:

- In 2006, the group launched a 1.5-day training course on diversity for 8,000 managers throughout Europe.
- In late 2012, 12,443 employees took part in Diversity Workshops in 28 countries, for which full days were devoted exclusively to issues of Diversity in the company, open to all employees and new recruits. Diversity Workshops were also organized outside Europe, in particular in Latin America (Mexico).

Several activities have also been organized within the Group:

- In 2005, the first executive recruitment audit was carried out with the Observatoire des Discriminations (Discrimination Monitoring Unit).
- Since 2008, an equal opportunities audit covering the recruitment process has been carried out every year in collaboration with the Equality company.
- In 2008 and 2009, L'Oréal signed three agreements with union organizations:
 - > on professional equality between men and women;
 - > on the enabling of a work / life balance;
 - > on the employment of seniors.
- For the assessment of managers: diversity-related criteria are included in the 'Talent Development' section.

L'Oréal also asks its suppliers and sub-contractors to comply with the Group's General Terms and Conditions of Purchase, which clearly require compliance with the basic principles of conventions C100 and C111 of the International Labour Organization relating to equality.

The framework agreements signed with the main suppliers each contain a social clause laying down these same commitments (cf. HR1).

Each new supplier / subcontractor approved by the Purchasing teams must agree to comply with these social clauses and to allow a social audit to be carried out at its production sites. This agreement by the supplier / subcontractor will be expressed in the form of a signed letter of ethical commitment.

In addition to this all, the Group's social audits cover the issue of discrimination.

In 2012, 6 supplier audits revealed non-compliance with the discrimination chapter. Each instance arose from practices that could encourage discrimination at the recruitment stage. Out of the 6 suppliers concerned, 5 had implemented remedial measures when the follow-up audits were carried out. An action plan is currently being deployed.

↳ for more information regarding the fundamental conventions of the ILO, please consult 'Promotion of, and Compliance with, the stipulations of the fundamental conventions of the International Labour Organization' (paragraph 6.1.2.7, page 201 of the reference document).

Freedom of association and collective bargaining

HR5

OPERATIONS AND SIGNIFICANT SUPPLIERS IDENTIFIED IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE VIOLATED OR AT SIGNIFICANT RISK, AND ACTIONS TAKEN TO SUPPORT THESE RIGHTS

The quality of the corporate environment within L'Oréal is the product of an ongoing process of exchanges between management, employees and their representatives, respecting the union rights of each country, with a neutral attitude regarding the different union organizations.

Structures have been set up to represent staff in most of the European subsidiaries, Asian subsidiaries (China, Indonesia, South Korea, etc.), in Africa (Morocco, South Africa), in South America (Brazil, Argentina, etc.) and in North America (United States, Canada and Mexico), as well as in Australia and New Zealand.

In the limited number of cases where there is no organization representing personnel (for the most part in subsidiaries with lower staff levels), discussions take place directly with employees, with total respect for the principles of openness and trust that are applied uniformly throughout the Group.

Since 2003, L'Oréal has carried out a worldwide survey of the opinions of employees ('Pulse') with the assistance of the firm International Towers Watson, and the survey was repeated in 2011-12. The results are shared with staff members and representatives, and give rise to action plans implemented on a decentralized basis, reflecting the wishes expressed as closely as possible.

European Works Council

An agreement signed in 1996 between L'Oréal and the French and European trades unions (FECCIA and EMCEF) led to the creation of the European Works Council (EWC). The original agreement has been regularly updated, notably in 2009 with a new information and consultation procedure applicable to transnational projects giving rise to local-level consultation procedures. This process provides for the EWC to express its opinions. It is then implemented with the liaising Secretariat on a broader scale to cover members of the countries concerned, or indeed with the EWC as a whole, depending on the geographical and strategic dimensions of the project. This revision represented a significant step forward designed to reinforce social dialogue at L'Oréal ahead of changes in legislation.

The EWC contributes to discussions and meetings with its members regarding the current situation in the Group and possible future developments.

It is made up of 30 members, who receive regular training in economic and corporate matters.

To date this structure covers around 30,000 employees in 26 countries within the European Economic Area, including the 16 countries with over 145 employees each.

Collective agreements

L'Oréal's social policies allow a certain number of collective agreements to be signed each year within the subsidiaries. In 2012, 33 agreements were signed in France and 69 elsewhere in the world. In total the number of agreements in effect as at the 31st December 2012 was 298.

In countries where freedom of association and collective negotiating rights are restricted or non-existent, L'Oréal ensures that there are other channels of dialogue with employees, enabling them to express any concerns they may have.

Supplier relations

L'Oréal expects its suppliers and subcontractors to comply with the Group's General Terms and Conditions of Purchase. These entail compliance with conventions C100 and C111 of the International Labour Organization relating to freedom of association.

All framework agreements signed with the main suppliers contain a social clause, setting out the above commitments (cf. HR1).

Each new supplier / subcontractor approved by the Purchasing teams must agree to comply with these social clauses and to allow a social audit to be carried out at its production sites. This agreement by the supplier / subcontractor will be expressed in the form of a signed letter of ethical commitment.

In addition to this, all the Group's social audits cover the issue of freedom of association.

In 2012, when social audits were carried out by the Group's suppliers / subcontractors, 2% of the incidents of non-compliance recorded related to freedom of association. The most severe case involved a complete ban on employees reporting any form of grievances. L'Oréal did not include this supplier - which was having problems reaching Group standards in other areas - on its approved list.

Any incidents of non-compliance give rise to remedial actions, and in the most serious cases may result in the discontinuation of commercial relations, or the non-approval of a new supplier.

↳ for more information regarding the fundamental conventions of the ILO, please consult '6.1.2.7. Promotion of, and Compliance with, the stipulations of the fundamental conventions of the International Labour Organization' in the Registration Document 2012, page 201.

Child labor

HR6

OPERATIONS AND SIGNIFICANT SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR, AND MEASURES TAKEN TO CONTRIBUTE TO THE EFFECTIVE ABOLITION OF CHILD LABOR

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

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

In light of their young age, employees who are between 16 and 18 years old are subject to specific measures and in particular: no night work, no overtime, no work involving the use of hazardous substances or tools, no carrying of heavy loads, the implementation of a reinforced training programme, appointment of an internal 'tutor' and inclusion on a special register. In 2012, 434 employees aged 16 to 18 years old worked in the Group's entities.

L'Oréal expects its suppliers and subcontractors to comply with the Group's General Terms and Conditions of Purchase. These entail compliance with conventions C138 and C182 of the International Labour Organization relating to the prohibition of child labour.

All framework agreements signed with the main suppliers contain a social clause, setting out the above commitments (cf. HR1).

Each new supplier / subcontractor approved by the Purchasing teams must agree to comply with these social clauses and to allow a social audit to be carried out at its production sites. This agreement by the supplier / subcontractor will be expressed in the form of a signed letter of ethical commitment.

In addition to this all the Group's social audits cover the issue of child labour.

In the 2012 supplier audits, 5 % of the incidents of non-compliance recorded related to child labour (contracts, employment status of employees aged 16-18, medical check-ups not carried out, etc.).

Auditors recorded children aged under 16 working on 10 POS/PROMO supplier sites in Asia. Most of these children were 15 years old, but there were also some aged 14 years.

L'Oréal has decided for the moment to end working relations with the sites concerned.

More details may be found in the 'Suppliers / Sub-contractors and child labour' policy:

<http://www.loreal.com/DD/loreal/Document20c8.pdf?file=http://loreal.dam.front.corp-en.cdn.brainsonic.com/resources/afile/1670-69e67-resource-ethics-charter-o-child-labor-at-our-affiliates-and-sub-contractors.html>

↳ for more information regarding the fundamental conventions of the ILO, please consult 'Promotion of, and Compliance with, the stipulations of the fundamental conventions of the International Labour Organization' (paragraph 6.1.2.7, page 201 of the reference document).

Forced and compulsory labor

HR7

OPERATIONS AND SIGNIFICANT SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR, AND MEASURES TO CONTRIBUTE TO THE ELIMINATION OF ALL FORMS OF FORCED OR COMPULSORY LABOR

Concerning the elimination of all forms of forced or compulsory labour, recourse to prison labour is possible either directly or via a supplier / subcontractor only when it is voluntary, carried out within the scope of a insertion programme, and paid at the market price.

L'Oréal expects its suppliers and subcontractors to comply with the Group's General Terms and Conditions of Purchase. These entail compliance with conventions C29 and C105 of the International Labour Organization relating to the abolition of forced labour.

All framework agreements signed with the main suppliers contain a social clause, setting out the above commitments (cf. HR1).

Each new supplier / subcontractor approved by the Purchasing teams must agree to comply with these social clauses and to allow a social audit to be carried out at its production sites. This agreement by the supplier / subcontractor will be expressed in the form of a signed letter of ethical commitment.

In addition to this all the Group's social audits cover the issue of forced labour.

In 2012, when social audits were carried out vis à vis the Group's suppliers / subcontractors, 3 % of the recorded incidents of non-compliance related to forced labour. Most of these incidents related to the retention of workers' identity documents or the depositing of a sum of money to obtain employment.

Any incidents of non-compliance give rise to remedial actions, and in the most serious cases may result in the discontinuation of commercial relations, or the non-approval of a new supplier.

Assessment

HR10

PERCENTAGE AND TOTAL NUMBER OF OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS AND/OR IMPACT ASSESSMENTS

Country Reporting Ethics, an annual reporting system on ethical issues, covers all the subjects addressed within the Code of Business Ethics. The information namely helps to assess the Group's performance in the application of Human Rights. In 2012, 100% of the Country entities completed this reporting.

An ethical risks assessment and analysis tool enables the Country Managers to assess their possible local ethical risks (including in the field of Human Rights), and to take the necessary corrective action.

The risks analysis with regard to suppliers and sub-contractors is carried out by the Purchasing Department, in particular by means of social audits.

In 2012, social audits on suppliers were carried out in 48 countries on every continent, with the majority in Asia (which accounted for 54.5% of audits). Since 2006, supplier audits have taken place in 72 countries.

Remediation

HR11

NUMBER OF GRIEVANCES RELATED TO HUMAN RIGHTS FILED, ADDRESSED AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS

L'Oréal's 'Open Talk' policy enables employees to raise concerns they may have with the Chief Ethics Officer, including those relating to Human Rights, namely via a secure website.

All concerns are examined in detail and appropriate measures are taken, where applicable, in the event of non-compliance with the Human Rights policy.