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○ unanswered ① partial ● complete

Management approach

Details of L'Oréal's societal corporate commitments are provided in "The L'Oréal Spirit" featuring on the first page of the Group's Code of Business Ethics, available at www.loreal.com.

In the 'As a Company' section, the Group describes its commitments as regards compliance with laws and the fight against corruption. Its commitments vis à vis the communities in which it operates are set out in the section 'As a Responsible Corporate Citizen'.

Anti-corruption measures

L'Oréal is a signatory of the United Nations Compact since 2003, supports the fight against corruption abides by the United Nations Anti-Corruption Convention of October 31st 2003, and undertakes to respect all applicable laws, including anti-corruption laws.

This commitment is supported at the highest level of the Company by L'Oréal's Chairman and Chief Executive Officer, who renews L'Oréal's commitment to the United Nations Compact every year.

L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission.

L'Oréal's Code of Business Ethics publicly states a zero-tolerance policy on corruption. It applies to all employees and covers themes such as bribery and 'facilitation payments', conflicts of interests, gifts and entertainment. This document has been translated into 35 languages, and each employee receives a copy.

The anti-corruption policy contained in the Code of Business Ethics applies to all employees officers and directors, and Group Executive and Management Committee members and its subsidiaries worldwide.

Other policies such as 'The Way We Buy', a practical and ethical guide on the relationships between suppliers and all employees involved in purchasing decisions, also addresses these issues. This document currently exists in 12 languages.

Country Managers are in charge of implementing L'Oréal's anti-corruption policy. The Chief Ethics Officer systematically meets each new Country Manager in order to raise their awareness of corruption issues.

The network of Ethical Correspondents - whose role is in particular to assist Country Managers in ensuring compliance with the Code of Business Ethics - is continuing to expand and offers employees in 58 countries a local contact. The Ethical Correspondents follow a specific training programme every year.

The Group's Legal Department and local legal advisers - internal and external - help the L'Oréal entities to keep abreast of developments in anti-corruption laws.

Employees have a dedicated intranet site which provides additional information on ethics. Employee awareness is raised in particular during an annual Ethics Day. In 2012, each Country Manager discussed ethics with his /her employees. Around 22,000 employees took part in the dialogue and over 2,600 questions were asked worldwide.

L'Oréal's commitment is supported by Human Resources procedures. Thus, a 'Obtains results with integrity' competence is now included in the annual appraisal system for all our employees.

Dialogue with stakeholders

L'Oréal attaches great importance to dialogue with stakeholders in its activities. This dialogue provides an opportunity to present L'Oréal's conclusions and strategy regarding Social and Environmental Responsibility, and to confront them to the expectations of other stakeholders, for purposes of constant improvement.

The importance and approach to the issues relating to the company's social responsibility vary from country to country, thus L'Oréal has implemented forums with its stakeholders all over the world, in order to promote dialogue at local level regarding both local and global issues.

Thus since 2011, forums have been organized in Brazil, China, the USA, the UK, India and South Africa. During that period, 527 organizations have been contacted and 163 have taken part in forums. For example the forum organized in Johannesburg in November 2012 brought together 29 local and international organizations, and dealt with issues concerning the environment, access to education for the most deprived communities, broader social concerns, social business and animal welfare.

In the wake of these forums, local initiatives were encouraged and implemented, in particular by the organization of workshops in which NGOs were invited to participate as experts or advisers in areas such as the responsible sourcing of raw materials and waste management.

Each forum with external participants is run parallel with an internal forum, during which both the global CSR strategy and local initiatives are presented to employees in order to raise their awareness and encourage discussion.

Local communities

S01

PERCENTAGE OF OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS

Raw materials and communities

L'Oréal runs programmes relating to the conditions under which raw materials are sourced and the impact of this on communities. For example, since 2007, the Group has implemented the 'sustainable sourcing of Argan' programme in Morocco.

↳ More information regarding the Argan programme may be found in the article 'World Summit, biodiversity in the spotlight' page 13 of the 2012 Sustainable Development Report

With assistance from an NGO (whose one of the first tasks consisted of coordinating a committee of local stakeholders to approve action plans), the Group carried out a precise assessment of the economic and social impact of activities linked to the production of its raw materials on local communities (raised incomes, access to healthcare, literacy levels, etc.).

To complement this type of local initiative, L'Oréal carries out regular assessments of the raw materials in its portfolio, which include an examination of issues around the impact on communities of sourcing activities (a particularly important concern in the case of renewable raw materials). In 2011, the traceability and commodity chains of 80% of raw materials that were particularly sensitive in terms of equity or access to natural resources were closely studied, using the Group's impact reference framework, the 'Raw Material Sustainability Assessment Tool' to examine the activities of the Group's suppliers.

Using the results obtained from this, as well as the lessons learnt from its initial experiences in situ, L'Oréal will continue to run responsible sourcing programmes, optimizing its social, economic and environmental impact on the communities present in the locations in which the raw materials originate (eg. shea - 2012 Solidarity Sourcing project, details below).

Solidarity purchasing

L'Oréal purchases goods and services - raw materials, packaging, promotional material, point of sale advertising, real estate, travel, computer equipment, processing elements, etc. - the world over. With its 'L'Oréal Buy and Care' programme, the Group has focused for several years on making its purchasing responsible, on creating sustainable relations with its suppliers based upon respect for the environment, social development and economic progress.

L'Oréal has decided to go further. In view of the importance of companies' purchasing power as a vector of economic development and social change, L'Oréal has decided to make its purchasing an original means of promoting social inclusion. Thus in mid-2010, the Group created a worldwide programme of purchasing with solidarity in mind: "Solidarity Sourcing". This project has been designed to help members of economically-vulnerable communities to achieve long-term access to work and income.

Several initiatives had already been developed within the Group, in particular the Community Trade programmes devised by The Body Shop. With Solidarity Sourcing, the L'Oréal Group wishes to 'generalize' this philosophy, opening up its overall purchasing process to new categories of suppliers, who create employment in at-risk communities. The aim is to work with these suppliers to build commercial partnerships that are equitable and sustainable, creating economic and social value.

Five supplier communities are covered by the programme: companies working to include disabled people, companies working for social integration, very small companies who find it complicated to access the individuals responsible for placing orders, companies owned by minorities, and producers practising fair trade.

2012 results of the Solidarity Sourcing programme

2012 was a crucial year, with the provision of training to purchasers all over the world, the production of practical guides to the roles of all concerned, the deployment of measurement and steering tools, and the capitalization of the projects initiated.

The feedback thus obtained has led the Group to use - for the time being - quantitative indicators on the value of purchases and the number of beneficiaries, who are the 'raison d'être' of Solidarity Sourcing. It was for this reason that L'Oréal stopped running the programme on the basis of the number of initiatives. In the interests of clarity, moreover, a distinction is made between the scope of the Solidarity Sourcing programme and that of The Body Shop's Community Fair Trade project.

Thus in 2012, the Solidarity Sourcing project (excluding The Body Shop purchases) accounted for 30 million euros in purchases, with consequent access to employment for 15,000 people. Many initiatives were identified in 2012, but in view of the time needed for their realization - particularly given the emphasis on longevity for the initiatives selected - the results are not always visible in the record of achievements for the year. Partnerships for solidarity purchases have now been established in all five target supplier communities. At present, there is a marked preponderance (in terms of both value and number of beneficiaries) of strategic fair trade projects in Africa for the sourcing of natural raw materials.

In 2012, internal auditors from the Department of Administration and Finance started their inspection of certain projects, including initiatives in China and Switzerland. The results of the audits enable to take improvements into account both to the project itself and to the general process.

Finally, suppliers are also incorporated in the process and encouraged to apply this programme to their own suppliers. In this way, some at least of their activities may be subcontracted in the form of solidarity purchasing, so that the impact of the programme is further extended. Thus the 'cascading' effect may enable the whole of the Group's supply chain to be impacted. At the suppliers' world conference, held on the 14th June 2012 in Paris, L'Oréal brought together its 100 strategic suppliers in order to mobilize them to deploy similar policies in their own organizations.

Responsible sourcing in renewable raw materials is also recognized as a powerful force for social inclusion by the L'Oréal Group.

Argan oil: since 2011 in Morocco, 6 women's cooperatives have been supported by the L'Oréal Group through purchases of argan oil, and nearly 300 women have seen improvements in their working conditions, remuneration or access to healthcare and education.

Shea: this element is used in the composition of nearly 1,200 of L'Oréal's skin care, cleansing and make-up products. It currently features in the top 10 plant-based raw materials and the volumes purchased are steadily increasing. For this emblematic raw material, L'Oréal decided to organize sustainable sourcing with local communities.

This programme was organized in Burkina Faso, which has one of western Africa's highest concentrations of shea trees and some of the most vulnerable citizens in the world, in particular women in rural locations. It was designed with three objectives: bringing fair income directly to the women gathering the crop; creating value in the local area, by means of training; and having a positive impact on the environment by protecting shea trees.

This has been the flagship project of the 'Solidarity Sourcing' programme run by L'Oréal, and it was developed with two complementary suppliers: the Swedish company Aarhus Karlshamn (AAK), world leader for shea, and the French company Olvea, specializing in the production and processing of plant oils and butters. With the second of these companies, the programme also includes a conversion unit in situ, near Bobo-Dioulasso. In 2012, 55% of L'Oréal's shea needs were met by this supply chain, which is 100% solidarity-based, and 13,000 women working in producer organizations benefited from the programme.

↳ More information regarding Solidarity Sourcing may be found in the article dedicated to the programme on page 36 of the 2012 Sustainable Development Report.

The Body Shop's Community Fair Trade programme

2012 marked 25 years of the Body Shop's pioneering Community Fair Trade programme. In this anniversary year the brand worked directly with 25 suppliers and their approximately 25,000 workers to source high quality, traceable, ingredients gifts and accessories from around the world. The programme positively impacts more than 300,000 people in the suppliers' extended community providing basic life-changing benefits such as clean drinking water, schools, educational materials, medical facilities and a fair income.

The Community Fair Trade Programme is governed by the principles laid out in the Community Fair Trade Charter (available at <http://thebodyshop.com/content/pdf/cft-charter.pdf>). These principles define how suppliers are selected, their commitments to The Body Shop and the benefits they receive in return. The programme is externally certified by the Institute for Market Ecology (IMO). Impact on the suppliers and their wider communities is assessed through annual supplier self-assessments, bi-annual on-site assessment visits and tri-annual audits by IMO which are supported by more in depth impact assessments as appropriate.

The Body Shop's commitment to Community Fair Trade has continued to grow; more than 90% of its products now contain Community Fair Trade ingredients, up from 85% in 2011. Since acquisition in 2006 by L'Oréal The Body Shop has worked closely with other L'Oreal brands, in 2012 introducing them to its Community Fair Trade soya bean oil and babassu oil suppliers in addition to the Community Fair Trade Aloe Vera, Olive, Sesame and Sugar already used in their products.

The Body Shop, a founder member of the Ethical Trading Initiative

The Body Shop is proud to be a founding member of the Ethical Trading Initiative (ETI). The ETI is an alliance of companies, non-governmental organisations (NGO's) and trade unions who work in partnership to improve the working lives of poor and vulnerable people across the globe. For more information visit <http://www.ethicaltrade.org/>.

Through its membership of the ETI, The Body Shop has developed their Ethical Trade programme, which requires their global supply chain to commit to working within their Supplier Code of Conduct. By positively engaging with their suppliers through the programme, The Body Shop monitors factory working conditions and look for ways to make sustainable improvements. Using focused factory training, supplier conferences and on-the-ground experts to address specific issues, The Body Shop continues to be recognised by the ETI as one of its leading members.

The scope of The Body Shop Ethical Trade programme covers everything The Body Shop sells in its global stores. During 2012 this scope was expanded further to include the shop fixtures, including flooring and lighting; staff uniforms and all print and promotion material.

Ethical Trade is everyone's responsibility within The Body Shop and internal teams are regularly trained on the processes of the programme and the consequences their own purchasing practices can have on working conditions in the supply chain.

↳ More information regarding Ethical Trading may be found at <http://www.ethicaltrade.org/>

World annual day of solidarity across the world: CITIZEN DAY

Created in 2009 for L'Oréal's centenary year, Citizen Day is an annual event during which all L'Oréal employees worldwide have the chance to carry out voluntary work with associations on public-interest projects and initiatives benefitting the communities around them, while continuing to receive remuneration from the company. Citizen Day enables the L'Oréal Group to involve all its teams in its commitments as regards citizenship, confident that each individual will play their own part and that the collective action will have a corresponding impact. A very broad choice of social or environmental initiatives run in collaboration with hundreds of partner associations worldwide, or devised with the local authorities around Group sites, is offered to the teams. These include cleaning beaches, collecting waste, renovating schools, giving blood, visiting orphanages and retirement homes, meeting isolated and vulnerable people and many more. In 2011, 15,600 employees took part in this event, in 58 countries, with 2,684 in France alone. As it became an internal bonding event, helping to add meaning to the employees' activities, in 2012 more than 20,100 took part in over 60 countries. In France that year, nearly 300 initiatives involved 150 associations, and almost 4,000 employees were mobilized, almost twice the 2011 equivalent.

Corruption

S02

PERCENTAGE AND TOTAL NUMBER OF BUSINESS UNITS ANALYZED FOR RISKS RELATED TO CORRUPTION

The risk of corruption is included in the Group-level risk assessment: a tool enables Country Managers to assess their possible local ethical risks (including on corruption) and to take the necessary corrective actions.

The Group's Internal Control system provides for control procedures for operational activities and in particular with regards to separation of tasks.

L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during internal assignments notably through individual interviews with regards to Ethics.

These interviews include questions specifically concerning corruption, and are conducted separately with the Country Manager and the Administration and Finance Manager. They give rise to an individual report reviewed and signed by these latter persons. Since 2009, 137 of these interviews have been carried out.

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 system existing in the target company, whether corruption risk prevention has been taken into account.

An annual reporting system makes it possible to monitor implementation of the ethics program. Each Country receives a report comparing its position with those of the other entities in terms of the implementation and monitoring of ethical issues, including the fight against corruption.



PERCENTAGE OF EMPLOYEES TRAINED IN ORGANIZATION'S ANTI-CORRUPTION POLICIES AND PROCEDURES

Training courses on Ethics cover bribery and 'facilitation payments', gifts and entertainment and conflicts of interests. At Corporate level, the Office of the Chief Ethics Officer led 21 training courses for 529 employees, representing 1,190 hours' training.

A module on ethics is included in the 'Discovery' induction programme for all new managers.

In 2012, 69% of the entities communicated locally on these topics and 60% included these subjects in their local training programmes.

Finally, 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 and English. The Code of Business Ethics is available on the www.loreal.com website.



ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION

Within the framework of L'Oréal's 'Open Talk policy' employees are encouraged to express any concerns they have, and a dedicated website provides a secure mechanism for asking questions or raising concerns directly with the Chief Ethics Officer. Any concerns raised in good faith are examined in detail and appropriate measures taken, where applicable.

The Chief Ethics Officer has a dedicated budget and team and has access to all the information and documents concerning the Group activities and can call upon all the Group's teams and resources to carry out his mission.

L'Oréal wants to share its anti-corruption commitment with its business partners, and compliance with the law is included in the Group's general terms of purchase.

L'Oréal reserves the right to put an end to any relationship with business partners who fail to comply with anti-corruption laws.

In 2012, the decision was made to refrain from working with 2 suppliers following allegations of attempted corruption of the external auditors tasked with carrying out social audits

Public policy

S05

PUBLIC POLICY POSITIONS AND PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND LOBBYING

As a leader in the cosmetics industry, L'Oréal considers that it has a duty to be proactive and to take part in discussions around the formulation of local regulations in the countries in which it operates. It is for this reason that the Group is active within the organization Cosmetics Europe (formerly Colipa), its 'go-to' trade association that is almost systematically sought as a representative vis à vis stakeholders, and also within various professional associations such as the PCPC (Personal Care Products Council), the US cosmetics industry association, Japan Cosmetics Industry Association (JCIA), CAFFCI-China Association of Fragrance Flavour and Cosmetic Industries, ISTMA - Indian Soap and Toiletries Mfrs Association, PERKOSMI (Persatuan Kosmetika Indonesia), Korea Cosmetic Association, The Cosmetic & Perfumery Association of Hong Kong, Taipei Cosmetic Industry Association and Vietnam Oil, Aromatherpay & Cosmetics Association in Asia, and CASIC and CONARS (in the field of self-regulation and responsible advertising) in South America.

In each geographical area, it is L'Oréal's relevant director of public affairs that handles these contacts, accompanied in work groups by scientific experts and specialists in regulations, for the subjects concerned.

L'Oréal is bound by the laws governing all companies and operates with an irreproachable attitude. L'Oréal expects its subsidiaries to comply with the regulations of the countries in which the company operates. An active member of the trade associations in the countries in which its industry is represented, L'Oréal takes part in ongoing discussions with the national and regional authorities in charge of the specific regulation of the products in its industrial sector in order to anticipate or deal with any risks that may arise from changes in regulations.

As an example of this, L'Oréal's experts regularly take part - via Cosmetics Europe - in revisions of the European Ecolabel on shampoos and other rinsed products. L'Oréal is also an important participant in drawing up and developing the Shampoo reference documents, which constitute a methodological guide for the Life Cycle Analysis of a shampoo product, within the context of the French draft law Grenelle 2, designed to promote environmental information on consumer products. As a member of EUROOPEN, L'Oréal is moreover very active with regard to issues around packaging and the environment.

Within the context of REACH, L'Oréal plays an active part in the process relating to substances that are manufactured or imported by the European legal entities concerned.

The European REACH regulation (Registration, Evaluation, Authorisation and restriction of Chemicals) came into force in June 2007 and is designed to reinforce the safety - in human and environmental terms - of chemical products, by requiring all user companies to provide evidence of the implementation of the appropriate risk management measures. In national and European associations, L'Oréal contributes to analysing and designing practical guides for compliance with these regulation.

Finally, in Europe, L'Oréal is submitted to the 7th amendment to the European Cosmetics Directive on the testing of ingredients on animals. An action plan within L'Oréal has been drawn up to develop methods of conception and assessment regarding the safety of raw materials. This plan was implemented on an accelerated basis.

S06

TOTAL VALUE OF FINANCIAL AND IN-KIND CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS, AND RELATED INSTITUTIONS BY COUNTRY

L'Oréal does not make any contributions to any political parties, politicians or related institutions.

Anti-Competitive Behavior

S07

TOTAL NUMBER OF LEGAL ACTIONS FOR ANTICOMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES AND THEIR OUTCOMES

S08

MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NONCOMPLIANCE WITH LAWS AND REGULATIONS

RESPONSE TO S07 AND S08

In the course of its normal activities, the Group is involved in legal action, and undergoes tax, customs and administrative inspections. It is also the subject of proceedings initiated by national competition regulators, in particular in European countries.

↳ More information regarding the provisions may be found in note 22 'Provisions for liabilities and charges', in the notes to the consolidated accounts on page 139 of the Reference Document.

In order to address this risk, the Group's Legal Department introduced a training course on competition law for the employees concerned. In 2011, it also produced a guide to the ethical and legal aspects of the conditions under which fair competition is carried out, called 'Everyday competition'.

A provision is made in the social accounts and consolidated whenever the Group creates an obligation vis à vis third parties and faces a probable outflow of resources, the cost of which can be reliably estimated.

The Group considers that there are not currently any exceptional circumstances or governmental, judicial or arbitration proceedings liable to affect, or having recently affected, to a significant extent and with a serious level of probability the financial position, assets or activities of the Company or L'Oréal Group.

€ millions	12/31/2012	12/31/2011	12/31/2010
Non-current provisions for liabilities and charges	181.7	226.1	181.3
Other non-current provisions ⁽¹⁾	181.7	226.1	181.3
Current provisions for liabilities and charges	552.3	500.7	536.9
Provisions for restructuring	129.4	93.6	90.6
Provisions for product returns	226.3	219.2	209.4
Other current provisions ^{(1) (2)}	196.6	187.9	236.9
TOTAL	734.0	726.8	718.2

⁽¹⁾This item includes provisions for tax risks and litigation, industrial, environmental and commercial risks relating to operations (breach of contract), personnel-related costs and risks relating to investigations carried out by competition authorities.

⁽²⁾National competition authorities from several European countries have launched investigations focusing on the cosmetics industry. Statements of objections were sent to the Group's subsidiaries in Belgium, Germany, Italy, the Netherlands, Spain and Switzerland.

In 2011, the investigations initiated and/or financial penalties levied on our subsidiaries in the Netherlands and Switzerland were withdrawn. Spain still has a provision it set aside following notification of a fine which it is challenging on appeal.

In Italy, the fine was paid to avoid any late-payment interest. The decision handed down on appeal in March 2012 reduced the fine by 25%. However, the proceedings are still in progress before Italy's highest Administrative Court.

Proceedings initiated in Germany in 2007 and 2008, respectively, are still in progress.

On January 26th, 2012 in France, the Paris Court of Appeal, to which the case had been referred following a decision by the Court of Cassation (France's highest civil court), upheld the decision handed down by the French Competition Council on March 13th, 2006 following its investigation of 13 suppliers and 3 distributors in the luxury perfumes and cosmetics industries between 1997 and 1999. The Appeal Court's decision has been appealed before the Court of Cassation. The financial penalties handed down against L'Oréal have already been provisioned and paid.

Other requests for information have also been sent and investigations launched in Europe, although no statement of objections had been received at December 31st, 2012.

The provision was increased accordingly, and represented €45.0 million at December 31st, 2012 compared with €35.1 million at December 31st, 2011.