L'ORÉAL

REGISTRATION DOCUMENT
2015

ANNUAL FINANCIAL REPORT

Content

Detailed chapter contents can be found at the beginning of each chapter.

* *This information forms an integral part of the Annual Financial report as provided in the Article L. 451-1-2 of the French Monetary and Financial Code.*

L'ORÉAL

REGISTRATION *DOCUMENT*

2015

ANNUAL FINANCIAL REPORT
CORPORATE AND SOCIAL RESPONSABILITY

This Registration Document summarizes the activities and the results of the Group in 2015.
It is part of an integrated communications approach and aims at presenting the well-balanced model of L'Oréal, its strategic orientations and its relationships with its stakeholders, particularly in the context of the Sharing Beauty With All program.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In application of Article 212-13 of the General Regulation of the *Autorité des Marchés Financiers* (AMF), this Registration Document was filed with the AMF on March 15th, 2016.

This Registration Document may be used in connection with a financial transactionif it is accompanied by an information memorandum approved by the AMF. Thedocument has been prepared by the issuer and its signatories incur liabilityin this regard.

"We have stepped up our metamorphosis to the New L'Oréal: more universal, more digital and more sustainable"

JEAN-PAUL AGON / CHAIRMAN AND CHIEF EXECUTIVE OFFICER

How would you describe L'Oréal's performance in 2015?

Despite a slowdown in worldwide growth, the group delivered a solid performance. Sales growth was strong, supported by a positive currency effect. Three out of four divisions outperformed their market. And we delivered good quality results.

Could you give us a few more details?

L'Oréal Luxe, Active Cosmetics and the Professional Products Division achieved sustained growth, further improving their worldwide positions in their respective markets. As for the Consumer Products Division, its growth picked up in the second half of 2015, enabling it to post an improvement on its 2014 performance. Importantly, we have taken all necessary steps to put the Division back on a market share gain track in 2016, by renewing the image of its brands, by seizing every opportunity in the fastest-growing consumer segments, such as make-up and natural haircare, by raising the pace of innovation and by stepping up digital investments.

In terms of regions, we continued to expand on all continents. Growth was solid in Western Europe. In North America our performance increased quarter after quarter. Growth trends in the New Markets were contrasted, ranging from difficulties in Brazil to very strong growth in countries like Turkey and India. •••

the dividend proposed to the Annual General Meeting. Once again, these results demonstrate the quality and robustness of our business model.

Last year you spoke about a more universal, more digital and more sustainable L'Oréal. How much progress has been made on these strategic transformations?

In our sector, Beauty – and indeed in other industries – everything is changing at lightning speed: consumers, communications, distribution and competition. So we have stepped up our metamorphosis: the New L'Oréal is more universal, more digital and more sustainable.

These are profound transformations that require huge efforts from our teams, but this is quite simply essential to enable us to adapt and strengthen our leadership over the coming years. In fact, this is one of L'Oréal's greatest strengths: we never stop challenging and reinventing ourselves. At the same time, we remain true to our fundamentals: a clear mission statement, Beauty for all; a distinctive strategy, Universalisation; a commitment to Research and Innovation; a diversified portfolio of brands; a unique corporate culture; and humanistic values.

What does a "more universal L'Oréal" mean?

It means offering innovations perfectly adapted to local aspirations and needs. All over the world there is a powerful appetite for beauty. At the same time, people want products that are suitable for their skin and hair type, products that fulfil their desires, and match their culture and beauty routines. Thanks to our regional Research and Marketing hubs, now at full speed, our brands can be both aspirational worldwide, and totally relevant at local level. We will continue on the same path in 2016, with the opening of a new Research Centre in South Africa.

And in digital, what progress have you made?

We made swift and substantial progress in 2015. Our online sales totalled 1.3 billion euros, an increase of +38%. E-commerce is now equivalent to the group's number five country. And in China e-commerce already accounts for more than 20% of our Consumer Products Division sales. And a quarter of our media spending now goes to digital communications.

Our digital presence reinforces our competitive edge and extends our leadership. It opens up thrilling new horizons for our industry in direct and personalised consumer relationships. Just look at the success of NYX Professional Makeup, our new digital native make-up brand, and how brands like REDKEN, LA ROCHE-POSAY and KIEHL'S have amplified their momentum through digital initiatives. It is up to us to surf as far and as fast as possible on the online and connection waves.

And have you also stepped up your transformation into a more sustainable L'Oréal?

Yes, our social and environmental responsibility programme, *Sharing Beauty With* All, is making good progress. You can find the details in our Progress Report, but here is just one example: our target of cutting greenhouse gas emissions by 60%. In 2015, the reduction was already 56% compared with 2005, while over the same period our production increased by 26%. So we are demonstrating what we have always believed: commitment to protecting the environment and economic performance can go hand in hand. We have also set ourselves another goal for 2020: to be *carbon balanced*, that is to offset our greenhouse gas emissions. We want to make our contribution to mitigating global warming by developing an innovative low-carbon business model.

And all our teams are fully focused on making these challenges their own. Furthermore, I decided that the Sustainable Development Department should report directly to me, because our commitment is transversal and strategic for all parts of the business, brands and countries.

L'Oréal is a pure player, and has been number one in its market for many years. Will you be able to keep on expanding in the future?

Of course we will. First, because beauty is a dynamic market, which will continue to expand, driven by demographic, economic and social trends. Just look how the make-up category has skyrocketed over the last few years. In 2015, it grew almost twice as fast as the market. Clearly this is partly linked to the powerful upsurge in digital communications, selfies and social networks, prompting everyone to be visible and therefore to show themselves in their best light.

And future growth also lies in our own potential. In 2015, we celebrated 30 years of leadership. But we are a leader that still has huge potential. Our global market share is only 12.5%. In other words, we still have more than 87% of the market to aim for. I am sure that by offering products that are the best suited, the safest and the most effective, we will continue to attract more and more consumers. That is our goal.

So you are confident about 2016?

Definitely. As ever, our objective is to outperform the market and continue to deliver solid growth and profits. And all the cards are in our hands. For the reasons I have just mentioned, but also because we are confident in our balanced business model, which creates value, and in our ability to grow our market shares.

One thing more: we feel proud and privileged to be part of a wonderful industry, helping people to feel good and self-confident. In short, to make life more beautiful!

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Presentation of the Group

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1.1. MISSION AND STRATEGY

Our Mission,
Beauty for All

Offering all women
and men worldwide

the best of cosmetics innovation
in terms of quality, efficacy and safety
to satisfy

all their desires and all their beauty needs
in their infinite diversity.

Our Strategy,
Universalisation

L'Oréal has chosen
a unique strategy: *Universalisation.*

It means globalisation that **captures,**
understands and respects differences.
Differences in desires, needs and traditions.

To offer **tailor-made beauty, and meet the aspirations**
of consumers in every part of the world.

L'Oréal is driven by this **vision of the world.**

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1.2. HISTORY

	2015	Acquisition of Niely Cosmeticos
Strategic Transaction agreed between L'Oréal and Nestlé Acquisition of Magic Holdings in China and NYX in the United States	2014	
	2013	The Sharing Beauty With All programme is unveiled
Acquisition of Urban Decay in the United States	2012	
	2011	Acquisition of Clarisonic
Acquisition of Essie Cosmetics in the United States	2010	
	2009	L'Oréal celebrates its centenary and sets itself the goal of winning one billion new customers
Acquisition of YSL Beauté	2008	
	2007	Creation of L'Oréal Corporate Foundation
Acquisition of The Body Shop	2006	
	2004	Takeover of the Gesparal holding company
L'Oréal becomes the majority shareholder of Shu Uemura in Japan	2003	
	2000	Acquisition of Matrix and Kiehl's since 1851 in the United States
Acquisition of Softsheen and Carson in the United States and in South Africa	1998 2000	
	1996	Acquisition of Maybelline in the United States
Acquisition of American agents Cosmair	1994	
	1993	Acquisition of Redken 5th Avenue in the United States
Acquisition of La Roche-Posay	1989	
	1981	Creation of Laboratoires dermatologiques Galderma
The first model of a reconstructed epidermis from L'Oréal Research	1979	
	1973	Acquisition of Gemey, an open door to the consumer make-up market
Acquisition of Biotherm	1970	
	1965	Acquisition of Laboratoires Garnier
Acquisition of Lancôme	1964	
	1963	L'Oréal enters the Paris stock market
Launch of Elnett hair lacquer	1957	
	1954	Cosmair is named as L'Oréal's agent in the United States
Ambre solaire, the first sun protection oil with filtering	1935	
	1929	Imédia, the first quick oxidation hair colour
Creation of *Société Française de Teintures Inoffensives pour Cheveux* by Eugène Schueller	1909	

1.3. BUSINESS ACTIVITIES AND STRATEGIC ORIENTATIONS

1.3.1. THE FOUNDATIONS OF A WINNING STRATEGY

1.3.1.1. Beauty: Our one and only business

For over a century, L'Oréal has continually devoted itself to the same business: beauty, in which it is the world's leading company. Beauty is the Group's *raison d'être*, because far from being futile and superficial, cosmetics are full of meaning. They give everyone self-confidence, enable them to blossom and open up to others and contribute to individual and collective well-being.

Boasting an international portfolio of 32 diverse and complementary brands, the Group is committed to responding to all beauty aspirations worldwide. Present in all distribution channels, L'Oréal generated sales of €25.26 billion in 2015 thanks to the efforts made by its 82,881 employees across the globe.

1.3.1.2. One mission: Beauty for all

Our mission: to offer women and men worldwide the best of cosmetics in terms of quality, efficacy and safety, to meet the infinite diversity of beauty needs and desires all over the world.

1.3.1.3. Counting on research, innovation and quality: inventing the future of beauty

With 3,871 researchers and a budget representing 3.1% of its sales, L'Oréal has the largest research and innovation team in the cosmetics industry. The Group continues to develop its innovation capabilities through its global research centres in France and increases its research budget very regularly. L'Oréal invests in all fields, from Advanced Research to formulation. The cosmetics market is a supply-led market fuelled by innovation, where consumers are always looking for novel products and improved performances. More than ever, success and growth is driven by "new, different, better" products, which proves the relevance of L'Oréal's business model based on research excellence and creative marketing.

By focusing on innovation, L'Oréal can always remain one step ahead.

1.3.1.4. The portfolio of cosmetics brands: offering the best of beauty in each distribution channel

The Group has the richest, most varied and most powerful brand portfolio in the cosmetics industry, enabling it to meet the beauty expectations of consumers all over the world. Its brands are constantly being reinvented so that they are always a perfect match with consumer demand.

New acquisitions also regularly provide valuable additions to this unique portfolio.

Some of these acquisitions are of global brands such as Urban Decay, the US make-up brand which makes a tremendous contribution to the L'Oréal Luxe portfolio; NYX Cosmetics, an affordable, make-up artist-inspired brand; and Decléor and Carita, which extend the growth potential of Professional Products to the field of professional skincare.

Other acquisitions are aimed at extending the Group's geographical footprint: in Colombia with the make-up brand Vogue, in Kenya with Interbeauty, in Brazil with Niely Cosméticos, and in China with Magic Holdings, a specialist in facial masks. These newly acquired companies are helping to accelerate the Group's penetration of their markets in a spectacular manner and drive organic growth going forward.

1.3.1.5. A single development strategy: Universalisation

L'Oréal relies on its single "Universalisation" strategy, meaning globalisation that respects differences. This strategy aims at offering beauty attuned to the specific expectations of consumers in every region of the world. Unlike standardisation, "Universalisation" is based on a keen ability to listen to consumers and a profound respect for their differences.

The Group's research and marketing teams pay heed to consumers across the globe. The laboratories on all continents study the specificities of consumers. The Group's innovation policy is based on accessibility and on the adaptation of products to the beauty rituals and lifestyles of all men and women in their infinite diversity.

To make Universalisation a really powerful strategy, the global market has been organised into eight homogeneous strategic regions, even more attentive to consumers and closer to their expectations. The Group's organisation is now resolutely multi-centric, with a strong "nerve centre" based in France. Each major region of the world now has its own centre of expertise which groups together research and marketing activities. Research therefore has 5 hubs across the globe, led by central teams and fuelled by the Group's core expertise and fundamental knowledge.

1.3.1.6. A priority focus on Human Resources and an unswerving corporate culture

L'Oréal has always been guided by humanist values that have led it to place the individual and talent at the heart of its organisation. These strategic intangible assets are one of the Group's main competitive advantages in the long term, alongside its brands, governance and research.

The Group's human and social project revolves around two priorities: the first is individual performance development of employees and future leaders and the second is social performance.

In this field, L'Oréal has launched the global *Share & Care* programme with the objective of guaranteeing security, protection and well-being for all of the Group's employees, wherever they may be based around the world.

Share & Care aims at attracting and fostering the loyalty of top-performing employees throughout the world, as has been the case in France for a number of years.

1.3.1.7. A strategy of constant, sustainable, shared growth

Supported by loyal shareholders, vigilant governance and stable management, L'Oréal has always targeted constant, sustainable growth.

Since its very beginnings, the Group has been committed to developing its presence in all regions of the world by applying the fundamental rules of a good corporate citizen in each:

- the products offered to consumers meet the highest quality standards;
- the Group's social commitments are the same in all its subsidiaries;
- all production centres comply with the same rules aimed at reducing their environmental footprint. Social audits are carried out of suppliers' factories and distribution centres;
- each subsidiary participates, as far as its resources allow, in the major corporate philanthropy programmes run by the L'Oréal Foundation such as *For Women In Science*, *Hairdressers against AIDS* and *Beauty for a Better Life*.

Above and beyond its solid long-term economic performances, the Company seeks to be exemplary and sets itself demanding standards in order to limit its footprint on the planet. In October 2013, L'Oréal launched its new commitment to sustainability by 2020: *Sharing Beauty With All*. This programme addresses all of the Group's impacts in the following four areas: innovating sustainably, producing sustainably, living sustainably and developing sustainably (details of the commitments are set out in chapter 3).

1.3.1.8. A group that constantly adapts

L'Oréal relies on strong strategic continuity. But continuity does not prevent renewal. L'Oréal evolves to adapt to changes in the world in order to consolidate its leadership and increase its chances of success going forward. The challenge is twofold: to pursue the strategy which has enabled L'Oréal to be successful over the last century and at the same time to invent the new L'Oréal of the 21st century, perfectly matched and attuned to a profoundly changing world.

1.3.2. AN ORGANISATION THAT SERVES THE GROUP'S DEVELOPMENT

1.3.2.1. L'Oréal S.A.

L'Oréal S.A. is a French company with its registered office in France, which carries out a commercial business specific to that country. In parallel, L'Oréal S.A. acts as a holding company and has a role firstly of strategic coordination and secondly of scientific, industrial and marketing coordination for the L'Oréal Group on a global basis. The subsidiaries develop the Group's business activities in the country or region in which they are located. In this respect, they manufacture – or have manufactured – and commercialise the products that they decide to sell on their market.

Almost all of the subsidiaries are owned by L'Oréal S.A., which has a holding or control percentage equal or close to 100%.

The detailed list of these subsidiaries is set out in the notes to the consolidated and parent company financial statements.

1.3.2.2. Cosmetics Divisions

The Cosmetics Divisions represented over 96% of consolidated sales in 2015. They are organised into four operating Divisions present in every zone and in every country, each of which corresponds to a specific marketing channel. Against this backdrop, each Division fully integrates all the opportunities arising from increased digitalisation.

- The Professional Products Division: Offering the best of professional beauty

In all its historical businesses (haircare, hair colours, styling and shaping), the Division has built a unique brand portfolio including luxury hair care (Kérastase, Shu Uemura Art of Hair), mainstream premium brands (L'Oréal Professionnel, Redken), an affordable professional brand (Matrix), and a handful of specialist brands (Decléor and Carita, Pureology).

To further strengthen its brand leadership, develop markets, and accelerate the conquest of new professional hair salons, the strategy is organised:

  - by region: accelerating growth in the New Markets [1] (promotion of the profession through education, development of a customised offering of both products and services, development of complementary distribution channels), revitalising growth in mature countries by making the hair salon experience more engaging (s*alon e-motion* concept, exclusive new professional services, development of expert fashion assistance provided by hairdressers);
  - by category: enlarging its professional expertise to two new segments (nail care and colour, Decléor and Carita skincare): these new activities, which are highly complementary to the hairdressing profession, will enable the Division to enhance its influence over the professional beauty business as a whole, in hair salons and beauty institutes.

- The Consumer Products Division: Innovative cosmetics affordable for all

The Consumer Products Division has built its development around the deployment of its three main global brands (L'Oréal Paris, Garnier, Maybelline), supported by several specialist or regional brands (Magic, Essie, Dark and Lovely, Nice & Lovely, Vogue and LaSCAD brands: Dop, Narta, Mixa, etc.).

With the aim of accelerating its growth, the Consumer Products Division rolls out its strategy:

  - by region: defending and expanding its already strong positions in Western Europe, pursuing the winning momentum in North America, speeding up growth in the New Markets;
  - by category: accentuating its development and leadership in skin care, hair care, make-up and hair colours, to achieve the necessary critical mass in every location where the Division is present, and developing the categories that will drive growth going forward (men's cosmetics, deodorants).

(1) See page 11.

- L'Oréal Luxe: Creating exceptional experiences

L'Oréal Luxe operates in a large number of countries a unique portfolio of 17 prestigious brands, including iconic mainstream brands, aspirational designer brands and alternative or specialist brands. L'Oréal Luxe's strategy revolves around a vision organised:

  - by region: accelerating growth in the New Markets and in Travel Retail – the leading growth drivers for L'Oréal Luxe, consolidating leadership in Western Europe, bolstering positions in the United States, and developing new growth areas (Russia, Middle East);
  - by category: developing skin care with three multi-category brands and four specialist brands, developing make-up particularly with the global deployment of the specialist Urban Decay brand and perfumes, by winning major positions in women's perfumes and consolidating its leadership in men's fragrances.

- The Active Cosmetics Division: Helping everyone in their quest for healthy and beautiful skin

Thanks to its portfolio of highly complementary brands strongly anchored in science and enjoying close links with healthcare professionals all over the world, the Active Cosmetics Division is a leader in dermocosmetics.

The Division is ideally placed to respond to growing consumer demand for advice, efficacy and safety with its global brands Vichy, La Roche-Posay, and SkinCeuticals.

The Division implements its strategy by adapting its business model to the realities and opportunities of healthcare channels in each of the major regions:

  - pharmacies and chemists in Western Europe;
  - drugstores in North America and in the New Markets;
  - personalised advice to consumers on all markets.

The Selective Divisions (L'Oréal Luxe, Active Cosmetics, Professional Products, The Body Shop) were created in 2013 in order to accelerate the Group's development in all these distribution channels by harnessing its expertise in each of its selective sales networks.

Travel retail is a fast-growing channel that conveys an image. Already the leader in travel retail, the Group decided to create the Travel Retail Worldwide Division, including multi-division activities. This Division's ambition is to continue to develop travel retail supported by a "global shopper" strategy based on a bespoke approach tailored according to language, culture and beauty rituals, enabling the Group to respond to the aspirations of this new generation of travellers.

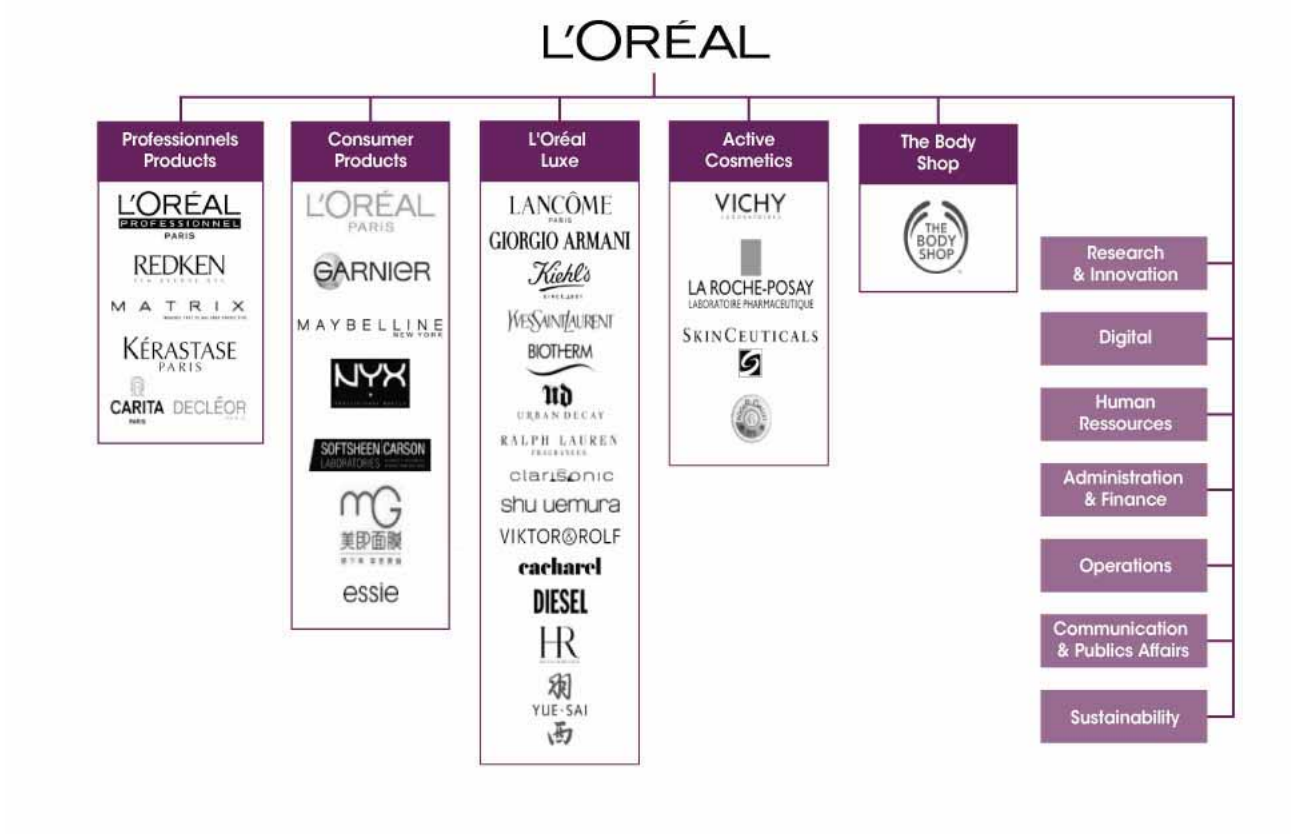
The Body Shop

Founded in 1976 in Great Britain by Dame Anita Roddick, The Body Shop Branch represented nearly 4% of consolidated sales in 2015. The mission of this strongly committed brand is to have a positive impact on the lives of men and women of all origins. A growing number of consumers across the globe are on the look-out for products that combine efficacy with a natural inspiration, and this is proposed by brands with an ethics-based business model. The Body Shop's deployment strategy combines:

- pioneering, innovative products based on the highest quality natural ingredients;
- a strong voice in its communications;
- a personalised purchasing experience in stores or online.

On the New Markets where the brand has a particular resonance, its range of naturally inspired products represents a tremendous opportunity for development in markets in tune with its vision of beauty, its sensorial products and its values.

SIMPLIFIED GROUP ORGANISATION CHART



Almost all subsidiaries are directly held by L'Oréal SA with a holding or control percentage equal or close to 100%. The detailed list of these subsidiaries is set out in the notes to the consolidated and parent company financial statements.

1.3.2.3. Support Divisions

Several specialist Divisions provide their expertise and support to the Operational Divisions and to the other business activities:

- the Research and Innovation Division is responsible for fundamental and applied research;
- the Digital Division seeks to accelerate the Group's digital transformation by helping the brands to create enriched spaces for expression and helping the teams to build more interactive, personalised and closer relationships with consumers, while taking advantage of the business development opportunities offered by Digital as a distribution channel;
- the Operations Division is in charge of co-ordinating production and the supply chain;
- the Human Resources Division is in charge of recruitment, training and talent development policies and of co-ordinating social policy;
- the Administration and Finance Division is in charge of the Group's financial policy, management and consolidation, information systems and legal and tax co-ordination, as well as financial reporting, investor and shareholder relations and strategic planning;
- the Communication and Public Affairs Division is in charge of co-ordinating corporate communication and co-ordinating communication by the Divisions and brands;
- the Sustainability Division is in charge of the Group's Sustainable Development policy through its *Sharing Beauty With All* programme.

1.3.2.4. Geographic zones

The Group's international development has naturally meant that L'Oréal has had to adapt its organisation to the need to co-ordinate the establishment and development of its brands on every continent.

Various geographical zones have been created, each with operational responsibility for the subsidiaries based in the countries of its region:

- Western Europe Zone;
- Americas Zone;
- Asia, Pacific Zone;
- Eastern Europe Zone;
- Africa, Middle East Zone.

1.3.2.5. Executive Committee

MEMBERS OF L'ORÉAL'S EXECUTIVE COMMITTEE

First name/Last name	Position
Jean-Paul Agon	Chairman and Chief Executive Officer
Laurent Attal	Executive Vice-President Research & Innovation
Nicolas Hieronimus	President Selective Divisions
Barbara Lavernos	Executive Vice-President Operations
Brigitte Liberman	President Active Cosmetics Division
Isabelle Marey-Semper	Executive Vice-President Communications, Public Affairs and Sustainable Development
Marc Menesguen	President Consumer Products Division
Christian Mulliez	Executive Vice-President Chief Financial Officer
Alexis Perakis-Valat	Executive Vice-President Asia-Pacific Zone
Alexandre Popoff	Executive Vice-President Eastern Europe Zone
Lubomira Rochet	Chief Digital Officer
Frédéric Rozé	Executive Vice-President Americas Zone
Geoff Skingsley	Executive Vice-President Africa, Middle East Zone
Jérôme Tixier	Executive Vice-President Human Resources and Advisor to the Chairman
An Verhulst-Santos	President Professional Products Division
Jochen Zaumseil	Executive Vice-President Western Europe Zone

As from the second quarter of 2016, Nathalie Roos will replace An Verhulst-Santos at the helm of the Professional Products Division.

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1.4. INTERNATIONALIZATION AND THE COSMETICS MARKET

1.4.1. A HISTORICAL PRESENCE IN DEVELOPED MARKETS

L'Oréal is present in 140 countries on all five continents. Founded in France in 1909, the Group developed rapidly in Western Europe. In 2015, this historical market for the Group accounted for over 33% of its cosmetics sales.

In the first half of the 20th century, L'Oréal gained a foothold in North America. Initially, the Group entrusted distribution companies with commercializing its products, these companies being united in 1953 around an exclusive agent, Cosmair. Following Cosmair's takeover in 1994, the Group developed in North America with the status of a subsidiary. The acquisition of brands such as Maybelline (1996), Matrix and Kiehl's (2000), or more recently Urban Decay (2012) and NYX Cosmetics (2014) have firmly anchored the Group in North America. In 2015, its sales on that continent increased by 3.5% like-for-like and represented 27.4% of world cosmetic sales.

1.4.2. RAPID DEVELOPMENT OUTSIDE WESTERN EUROPE AND NORTH AMERICA

Beginning in the 1970s, the Latin America Zone developed with a multi-divisional organisation that the Group has adopted in the other major regions of the world.

Present in Japan for nearly 50 years, L'Oréal has expanded its presence in the country by choosing the brands to be given priority for this extremely specific market: Kérastase in hair salons, Lancôme in Luxury products and Maybelline and L'Oréal Paris in mass-market products.

The 1990s witnessed the opening up of New Markets with the fall of the Berlin Wall, giving the brands access to markets in Eastern European countries.

L'Oréal was among the first foreign groups to obtain an authorisation from the Indian government in 1994 to create a wholly-owned subsidiary with its registered office in Mumbai.

In 1997, the Group created a large multi-divisional zone in Asia and opened new subsidiaries, particularly in China where L'Oréal holds all of the capital of its entity.

The Africa, Middle East Zone, where the Group lacked a strong presence, is a new frontier for development in the New Markets, with attractive growth potential.

The mid 2000s were a turning point, with a sharp acceleration in growth of the New Markets leading to a shift in the economic world's centre of gravity.

In all, the percentage of cosmetics sales generated by the Group in the New Markets was 15.5% in 1995, 27.1% in 2006 and 39.5% in 2015. Sales in New Markets as a proportion of the Group's total sales increased by nearly 60% between 2005 and 2015 and this trend is expected to continue.

The Group has a well-balanced geographical footprint across most of the world's main markets.

In autumn 2013, the Group unveiled its *Sharing Beauty With All* programme and detailed its commitments for 2020 in terms of reducing its environmental impact while confirming its growth ambitions (these commitments are presented in more detail in chapter 3).

1.4.3. HUGE DEVELOPMENT POTENTIAL

Besides the major New Market countries, L'Oréal has notably identified the following countries as "growth markets": Poland, Ukraine, Turkey, Argentina, Colombia, Indonesia, Thailand, Philippines, Egypt, Saudi Arabia, Pakistan and South Africa.

In some of these countries, the consumption of cosmetics products per inhabitant is 10 to 20 times lower than in mature countries. Every year across the globe, several tens of millions of people gain access to income levels that make them part of the "middle classes", enabling them to afford modern cosmetics products.

The marketing teams are attuned to these new consumers, particularly in large countries, and the laboratories on all continents study the specific characteristics of those consumers. The Group's innovation policy is based on the accessibility and adaptation of products to the beauty habits and rituals of all men and women in their infinite diversity. These form the basis for the universalisation of beauty.

NORTH AMERICA

27.4% OF GROUP COSMETIC SALES:
+3.5% Sales growth in 2015 (1)
+3.8% Market growth in 2015 (2)

€6,654.4 M
SALES

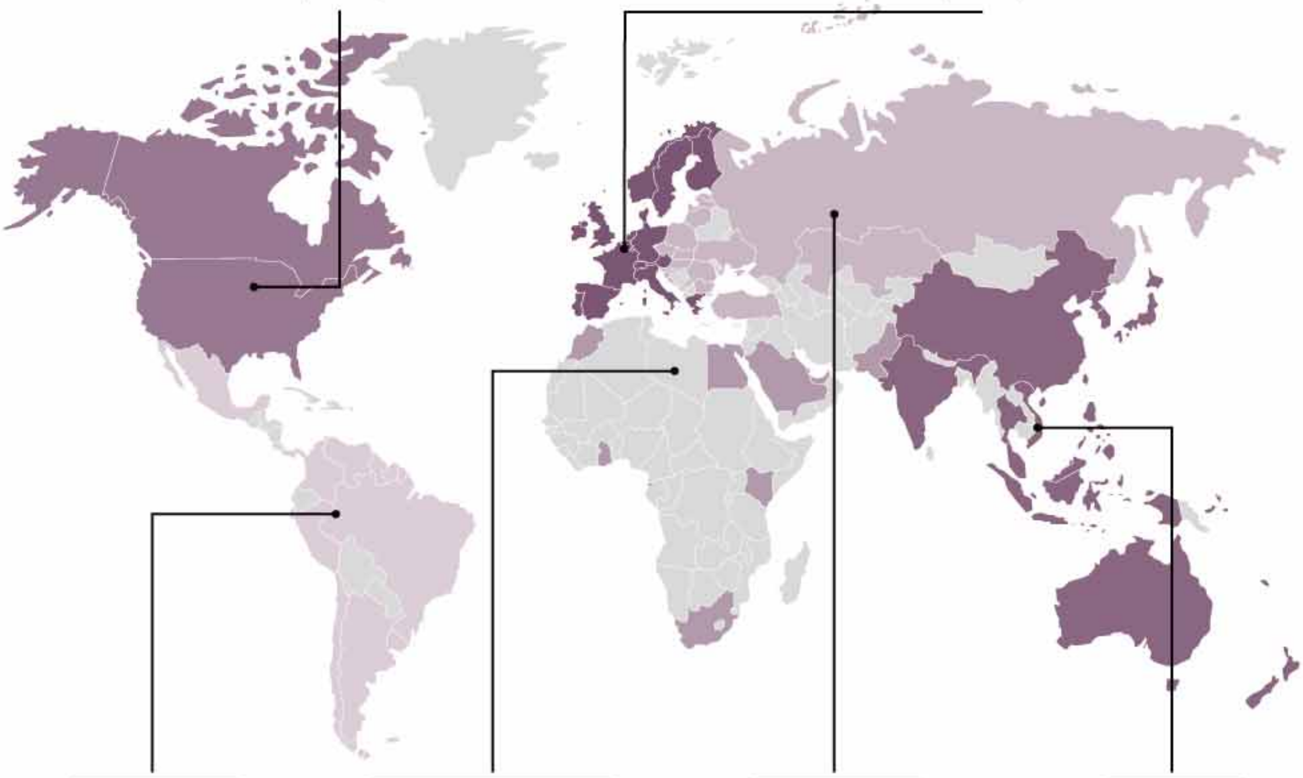
18.9% (3)
OPERATING PROFIT
(% of sales)

WESTERN EUROPE

33.1% OF GROUP COSMETIC SALES:
+ 2.3% Sales growth in 2015 (1)
+ 1.3% Market growth in 2015 (2)

€8,042.7 M
SALES

22.7% (3)
OPERATING PROFIT
(% of sales)



LATIN AMERICA

7.7% OF GROUP COSMETIC SALES:
+ 4.6% Sales growth in 2015 (1)
+ 7.1% Market growth in 2015 (2)

€1,871.3 M
SALES

AFRICA, MIDDLE EAST

3.0% OF GROUP COSMETIC SALES:
+ 12.1% Sales growth in 2015 (1)
+ 4.8% Market growth in 2015 (2)

€727.9 M
SALES

EASTERN EUROPE

6.3 % OF GROUP COSMETIC SALES:
+ 9.8 % Sales growth in 2015 (1)
+ 5.2 % Market growth in 2015 (2)

€1,530.4 M
SALES

ASIA, PACIFIC

22.5 % OF GROUP COSMETIC SALES:
+ 4.7 % Sales growth in 2015 (1)
+ 4.3 % Market growth in 2015 (2)

€5,463.5 M
SALES

NEW MARKETS

39.5% OF GROUP COSMETIC SALES:
+ 6.0% Sales growth in 2015 (1)
+ 4.9% Market growth in 2015 (2)

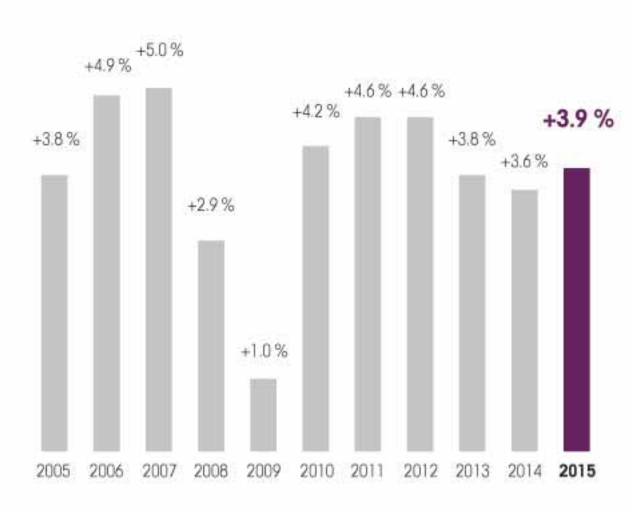
€9,593.0 M
SALES

19.7% (3)
OPERATING PROFIT
(% of sales)

(1) Like-for-like.
(2) Source: L'Oréal estimates of the worldwide cosmetics market based on net manufacturing prices excluding soap, toothpaste, razors and blades. Excluding currency fluctuations.
(3) Operating profit before "non-allocated" items.

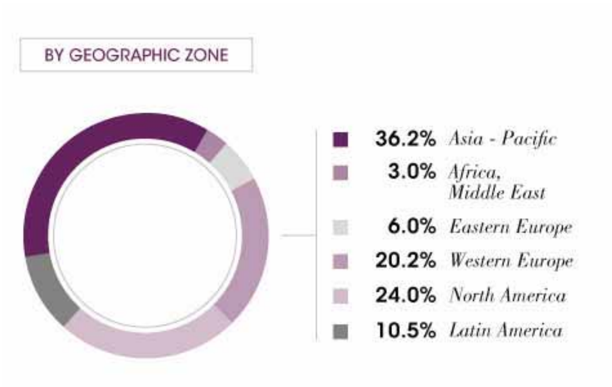
WORLDWIDE COSMETICS MARKET FROM 2005 TO 2015 [1]

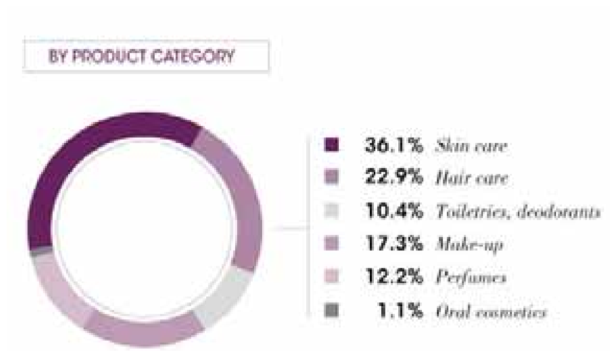
(Annual growth rate as %)



The worldwide cosmetics market is worth approximately €203 billion, and grew by an estimated +3.9% [1] in 2015. It is a particularly robust market which is steadily expanding while proving very resilient in times of economic challenges. The cosmetics consumer always looks for quality and novelty value, and puts a premium on leading-edge technology, trends and new ideas. The cosmetics market remains a supply-led market driven by innovation, where consumers are always on the look-out for quality, performance and perceived results.

BREAKDOWN OF THE WORLD COSMETICS MARKET IN 2015 [1]





The selective market remains the most dynamic market with growth of +5.7%, powered by e-commerce and make-up. It accounted for over 30% of global growth in 2015.

The dermocosmetics market continues to enjoy robust organic growth (+5.3% in 2015), proving upbeat in both mature (+3.9%) and emerging markets.

Mass-market sales growth came in +4.0% higher driven by mature markets.

The professional market continues to report a small acceleration in growth, up +1.7%.

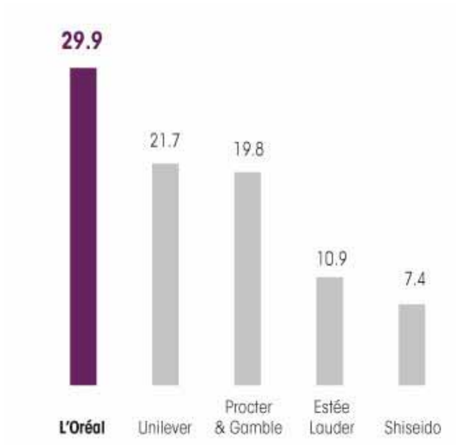
From a geographic viewpoint, the New Markets continue to spearhead growth in beauty, accounting for 70% of worldwide market growth. The pace of growth has slowed slightly, at +4.9%, due mainly to a more difficult situation in Brazil. Asia-Pacific, the world's biggest cosmetics market, remains robust, posting +4.3% growth on the back of an acceleration in South Asia markets which offset the slight slowdown in China.

Growth in mature markets picked up pace at +2.7%: the recovery was confirmed in the US, while Western Europe saw improved performances both north and south of the region buoyed by the selective market.

(1) *Source: L'Oréal estimates of the worldwide cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades. Excluding currency fluctuations.*

MAIN WORLDWIDE PLAYERS (1)

(2014 Sales in billions of US$)



(1) Source: Beauty's top 100, WWD, April 2015.

Competitive positions and market share held by the Group's Divisions and brands mentioned in this Document are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the result of estimates made by L'Oréal on the basis of available statistical data.

1.5. KEY FIGURES AND COMMENTS ON THE 2015 FINANCIAL YEAR*

In a year marked by a worldwide economic slowdown and increased international volatility, L'Oréal achieved strong growth in 2015, supported by a positive monetary effect, and outperformed the market in three of its four Divisions.

The Active Cosmetics Division has once again demonstrated its great momentum all over the world, and is strengthening its leadership in a dynamic dermocosmetics market. L'Oréal Luxe delivered another year of robust growth, driven by the strength of its brand portfolio and its cutting-edge innovations. The Professional Products Division is reaping the benefits of its initiatives to stimulate the professional beauty market, and continues to improve steadily. Finally, the Consumer Products Division did not outperform its market, but improved in the second half, thanks especially to the powerful acceleration in the make-up category.

Across the geographic zones, L'Oréal has further accentuated its leadership in Europe, and significantly strengthened its performance in North America through the course of the year. Trends in the New Markets were more contrasted, in a context that was challenging in some countries, such as Brazil and Russia.

E-commerce sales(1) reached €1.3 billion, reflecting very rapid growth, and accounted for more than 5% of Group sales.

The growth in sales, net earnings per share(2) and dividend, supported by the positive currency effect, once again illustrates the quality and robustness of the L'Oréal business model.

1.5.1 THE GROUP'S BUSINESS ACTIVITIES IN 2015*

1.5.1.1. Overview of the results for 2015

2015 sales: €25.26 billion (+12.1% based on reported figures, +3.9% like-for-like)
Operating profit: €4.388 billion, representing 17.4% of sales (+12.8%)
Net profit after non-controlling interests: €3.30 billion (-32.8%)
Net earnings per share: €6.18(2)
Dividend: €3.10(3) per share (+14.8%), increased by 10% to €3.41 for registered shares.

1.5.1.2. Consolidated net sales

Like-for-like, *i.e.* based on a comparable structure and constant exchange rates, the sales trend of the L'Oréal Group was +3.9%. The net impact of changes in consolidation amounted to +1.0%. Currency fluctuations had a positive impact of +7.2%. Growth at constant exchange rates was +4.9%. Based on reported figures, the Group's sales, at December 31st, 2015, amounted to €25.26 billion, an increase of +12.1%.

** This information forms an integral part of the Annual Financial report as provided in the Article L. 451-1-2 of the French Monetary and Financial Code.*
(1) Sales achieved on the brands' own websites + estimated sales achieved by thr brands corresponding to sales through retailers' websites (non-audited data); like-for-like growth.
(2) Diluted net earnings per share based on net profit excluding non-recurring items attributable to the Group from continuing operations.
(3) Proposed at the Annual General Meeting of April 20th, 2016.

SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

€ million	2013	2014	2015	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
By Operational Division					
Professional Products	2,973.8	3,032.4	3,399.7	3.4%	12.1%
Consumer Products	10,873.2	10,767.5	11,844.2	2.5%	10.0%
L'Oréal Luxe	5,865.2	6,197.9	7,230.0	6.1%	16.7%
Active Cosmetics	1,576.3	1,660.4	1,816.3	7.8%	9.4%
Cosmetics Total	**21,288.5**	**21,658.2**	**24,290.2**	**4.1%**	**12.2%**
By geographical zone					
Western Europe	7,467.6	7,697.7	8,042.7	2.3%	4.5%
North America	5,356.1	5,389.4	6,654.4	3.5%	23.5%
New Markets. of which:	8,464.7	8,571.1	9,593.0	6.0%	11.9%
◆ Asia. Pacific	4,382.2	4,563.6	5,463.5	4.7%	19.7%
◆ Latin America	1,886.2	1,853.7	1,871.3	4.6%	0.9%
◆ Eastern Europe (1)	1,691.3	1,585.4	1,530.4	9.8%	-3.5%
◆ Africa, Middle-East (1)	505.1	568.4	727.9	12.1%	28.1%
Cosmetics Total	**21,288.5**	**21,658.2**	**24,290.2**	**4.1%**	**12.2%**
◆ The Body Shop	835.8	873.8	967.2	-0.9%	10.7%
GROUP TOTAL	**22,124.2**	**22,532.0**	**25,257.4**	**3.9%**	**12.1%**

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

Professional products

The Professional Products Division recorded growth of +3.4% like-for-like and +12.1% based on reported figures. Growth is accelerating in North America and in Western Europe.

- Haircare is the largest contributor to growth, and is continuing to expand, driven by a string of successes: *Pro Fiber* and *Serioxyl* by L'Oréal Professionnel, *Chronologiste*, *Thérapiste* and *Fusio-Dose* by Kérastase, and *Frizz Dismiss* and *Extreme Length* by Redken. Sales of hair colour in all brands have increased, supported by solid core franchises actively promoted throughout the year. Professional skincare with Carita is expanding rapidly in Western Europe.
- All the geographic zones are growing. Many Latin American countries are accelerating strongly. Eastern Europe is once again posting double-digit growth. The United States, India and the United Kingdom are the top contributors to growth.

Consumer products

The Consumer Products Division posted growth of +2.5% like-for-like and +10.0% based on reported figures with an acceleration of its performance in the second semester.

- The Division has strengthened its leadership in its number one category, make-up, where every brand has posted fast growth. Maybelline, world number one in make-up, has regained strong momentum, particularly in the United States, thanks to a brisk pace of innovation and its successful digital strategy. L'Oréal Paris has rolled out its powerful new "*Makeup Designer Paris*" platform. NYX Professional Makeup is continuing to demonstrate its magnetism for young, connected make-up addicts wherever the brand is available, especially in the United States.

  Haircare sales increased, driven by the worldwide roll-out of the *Extraordinary Oil* range by L'Oréal Paris. *Ultra Doux* by Garnier has launched the new *Olive Mythique* range, and has expanded successfully into Germany and Spain.
- The Division has returned to a solid growth rate in North America. It is stable in Western Europe with good performances in the United Kingdom and Germany. In all the New Markets it is making progress, with double-digit growth in Eastern Europe and in Africa, Middle East. Finally, e-commerce is enjoying strong growth across all Zones.

L'Oréal Luxe

L'Oréal Luxe recorded growth of +6.1% like-for-like and +16.7% based on reported figures. Once again the Division outperformed the market, driven by the dynamism of make-up and fragrances, as well as by e-commerce.

- Yves Saint Laurent is having an excellent year thanks to the success of *Black Opium*, also launched in the United States, and major lip make-up innovations with *Pop Water* and *Volupté Tint-in-oil*. The dynamic growth of Giorgio Armani is continuing, with strong sales of its fragrances *Sì* and *Acqua di Giò Profumo*. The growth of Lancôme is sustained in Europe, driven by the success of the range *La vie est belle* that became number one in France and in Europe, *Miracle Cushion* foundation (*Prix d'Excellence Marie Claire*), mascaras and *Advanced Génifique* skincare. A significant achievement in skincare is Kiehl's chalking up another year of double-digit growth. Urban Decay is today sold in 35 countries, and is maintaining its momentum thanks to the *Naked* palettes and the brand's face make-up.

- L'Oréal Luxe is growing in all Zones and outperforming the market in Western Europe. North America ended the year well. Despite the volatile economic context in the New Markets, Latin America, Eastern Europe and Africa, Middle East have posted double-digit growth. The Asia, Pacific Zone is performing well, with a good outcome in China.

Active Cosmetics

The Division is once again demonstrating its great vitality, with sales growth of +7.8% like-for-like and +9.4% based on reported figures, outperforming a very dynamic market.

- Vichy returned to a solid growth rate in the fourth quarter and the launch of the *Ideal Body* range has enabled the brand to develop strongly in the body care category, while the innovative launch of *Neovadiol Substitutive Complex* in the second half is a success. For the sixth year running, *La Roche-Posay* has posted double-digit growth with outstanding figures for its franchises *Tolériane*, *Effaclar*, *Lipikar* and *Cicaplast*. SkinCeuticals is contributing strongly to the Division's expansion, and is continuing to grow in all Zones. Roger&Gallet is expanding in skincare.
- All Zones are contributing to growth. In the New Markets, the Asia, Pacific, Latin America and Africa, Middle East Zones have all recorded rapid growth. Western Europe accelerated in the second half.

Multi-division summary by geographic zone

Western Europe

In Western Europe, sales grew by +2.3% like-for-like and +4.5% based on reported figures. Thanks to L'Oréal Luxe, and the Active Cosmetics and Professional Products Divisions, the Group is outperforming the market, particularly in Southern Europe, and is recording strong growth in the United Kingdom and Germany. In this Zone, the luxury and dermocosmetics markets continue to enjoy good momentum. While the mass channel is still sluggish, the Garnier brand is winning market share in haircare and skincare.

North America

With growth of +3.5% like-for-like and +23.5% based on reported figures, North America's pace strengthened through the course of the year. At L'Oréal Luxe, Urban Decay, Kiehl's and Yves Saint Laurent all posted double-digit growth. The Professional Products Division is recovering, driven by the impetus of the Redken brand. The Consumer Products Division is fuelled by momentum in make-up, with the breakthrough made by NYX Professional Makeup and the acceleration of Maybelline.

New Markets

- Asia, Pacific: Sales grew by +4.7% like-for-like and +19.7% based on reported figures. Despite a difficult market in Hong Kong, growth at L'Oréal Luxe improved in the fourth quarter, driven by excellent performances in Japan. Yves Saint Laurent, Kiehl's, Giorgio Armani and Urban Decay have made strong contributions to the Division's success. The Consumer Products Division is benefiting from good performances in India, Australia and Thailand, and from L'Oréal Paris, particularly in China. Magic is in a transitional phase. The Active Cosmetics Division is posting strong growth, driven by La Roche-Posay.
- Latin America: Sales grew by +4.6% like-for-like and +0.9% based on reported figures, thanks to double-digit growth in the Active Cosmetics Division and at L'Oréal Luxe. The very good performances of SkinCeuticals, Vichy, La Roche-Posay, Lancôme and Kiehl's are especially worth noting. If Brazil is excluded, Latin America achieved double-digit like-for-like growth. The environment in Brazil is continuing to hold back the Zone's overall sales.
- Eastern Europe: The Zone posted figures of +9.8% like-for-like and -3.5% based on reported figures. The Consumer Products and Professional Products Divisions, and L'Oréal Luxe, all recorded double-digit growth, driven by Russia, Turkey and Ukraine. All Divisions are making significant market share gains, particularly the Consumer Products Division in all categories (haircare, hair colour, skincare and deodorants), and the Maybelline brand, boosted by the launch of *Lash Sensational* mascara, recorded the strongest growth increase of the Division.
- Africa, Middle East: Sales growth amounted to +12.1% like-for-like and +28.1% based on reported figures. Growth was particularly fast in Egypt, Pakistan and Saudi Arabia, where it topped 20%. South Africa remains solid. In a context of recent slowdown in several countries, the Garnier, L'Oréal Paris, Maybelline, Giorgio Armani, Yves Saint Laurent, Ralph Lauren, Kérastase, Vichy and La Roche-Posay brands recorded double-digit growth. All the Divisions are making progress, with market share gains in their respective channels.

The Body Shop

The Body Shop recorded -0.9% like-for-like and +10.7% based on reported figures, with good momentum in Africa, Middle East and in Europe, notably in the United Kingdom, its home market. The strategy of focusing on skincare is paying off in all markets, with a strong contribution from the new *Oils of Life* range. However, some Asian markets have been subject to a challenging environment, particularly Hong Kong, and sales in the year-end holidays were below expectation in North America.

1

1.5.1.3. Results

OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2013		2014		**2015**	
	€ millions	% 2013 sales	€ millions	% 2014 sales	**€ millions**	**% 2015 sales**
Sales	**22,124.2**	**100%**	**22,532.0**	**100%**	**25,257.4**	**100%**
Cost of sales	-6,379.4	28.8%	-6,500.7	28.9%	-7,277.4	28.8%
Gross profit	**15,744.8**	**71.2%**	**16,031.3**	**71.1%**	**17,980.0**	**71.2%**
Research and development expenses	-748.3	3.4%	-760.6	3.4%	-794.1	3.1%
Advertising and promotion expenses	-6,621.7	29.9%	-6,558.9	29.1%	-7,359.6	29.1%
Selling. general and administrative expenses	-4,614.4	20.9%	-4,821.1	21.4%	-5,438.6	21.5%
OPERATING PROFIT	**3,760.4**	**17.0%**	**3,890.7**	**17.3%**	**4,387.7**	**17.4%**

Gross profit, at €17,980 million, came out at 71.2% of sales, compared with 71.1% in 2014, that is an increase of 10 basis points.

Research and Development expenses, at 3.1% of sales, have decreased in relative value due to a favourable monetary effect. More than 2/3 of these expenses were made in the euro zone.

Advertising and promotion expenses remained stable compared to 2014, at 29.1% of sales.

Selling, general and administrative expenses, at 21.5% of sales, have come out at a slightly higher level, by 10 basis points compared with 2014.

Overall, the operating profit, at €4,388 million, has grown by 12.8% and amounts to 17.4% of sales.

OPERATING PROFIT BY OPERATIONAL DIVISION

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2013		2014		**2015**	
	€ millions	% 2013 sales	€ millions	% 2014 sales	**€ millions**	**% 2015 sales**
Professional Products	609	20.5%	609	20.1%	678	20.0%
Consumer Products	2,167	19.9%	2,186	20.3%	2,386	20.1%
L'Oréal Luxe	1,174	20.0%	1,269	20.5%	1,497	20.7%
Active Cosmetics	343	21.7%	376	22.7%	415	22.8%
Cosmetics Divisions total	**4,293**	**20.2%**	**4,440**	**20.5%**	**4,976**	**20.5%**
Non-allocated (1)	- 605	- 2.8%	- 615	- 2.8%	- 643	- 2.6%
The Body Shop	**72**	**8.6%**	**65**	**7.5%**	**55**	**5.7%**
GROUP TOTAL	**3,760**	**17.0%**	**3,890**	**17.3%**	**4,388**	**17.4%**

(1) Non-allocated = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of cosmetics sales.

The profitability of the Professional Products Division at 20.0% is down by 10 basis points, due mainly to the consolidation of Decléor and Carita, which led to a negative impact of 20 basis points for the Division. If acquisitions are excluded, profitability has increased by 10 basis points.The profitability of the Consumer Products Division at 20.1% is down by 20 basis points compared with 2014, due to the first consolidation of Niely in Brazil, as anticipated. The profitability of L'Oréal Luxe grew by 20 basis points in 2015. At Active Cosmetics, there was a further increase in profitability to reach 22.8%. The profitability of The Body Shop weakened in 2015, to 5.7%, in a year of major changes, due to disappointing sales in the 4th quarter and to the dilutive impact of the acquisition of the Australian franchisee.

PROFITABILITY BY GEOGRAPHIC ZONE

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2013		2014		**2015**	
Operating profit	€ millions	% 2013 sales	€ millions	% 2014 sales	**€ millions**	**% 2015 sales**
Western Europe	1,662	22.3%	1,746	22.7%	1,827	22.7%
New Markets	1,003	18.7%	1,010	18.7%	1,257	18.9%
Nouveaux Marchés	1,628	19.2%	1,684	19.6%	1,893	19.7%
COSMETICS ZONES TOTAL(1)	**4,293**	**20.2%**	**4,440**	**20.5%**	**4,976**	**20.5%**

(1) Before non-allocated.

Profitability in Western Europe remained stable at 22.7%. In North America, profitability improved by 20 basis points, to reach 18.9%. And in the New Markets, profitability increased again this year by 10 basis points, to reach 19.7%.

NET PROFIT FROM CONTINUING OPERATIONS

Figures for 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

€ millions	2013	2014	**2015**
Operating profit	**3,760.4**	**3,890.7**	**4,387.7**
Finance Costs excluding dividends received	-31.4	-24.1	-13.8
Sanofi dividends	327.5	331.0	336.9
Pre-tax profit excluding non-recurring items	**4,056.5**	**4,197.7**	**4,710.8**
Income tax excluding non-recurring items	-1,018.0	-1,069.5	-1,219.7
Non-controlling interests	-3.2	+0.1	-1.3
Net profit from equity affiliates excluding non-recurring items	-3.0	-3.0	-
Net profit excluding non-recurring items attributable to owners of the Company(1)	**3,032.4**	**3,125.3**	**3,489.8**
EPS (2) (euros)	**4,99**	**5.34**	**6.18**
Diluted average number of shares	**608,001,407**	**585,238,674**	**564,891,388**

(1) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational income and expenses, non-recurring and significant regarding the consolidated performance. See note 11.4 of the Consolidated Financial Statements (chapter 4)

(2) Diluted net earnings per share excluding non-recurring items after non-controlling interests from continuing operations.

Finance expenses amounted to €14 million.

Sanofi dividends amounted to €337 million.

Income tax excluding non-recurring items amounted to €1,220 million. This represents a tax rate of 25.9%, slightly higher than that of 2014 which came out at 25.5%.

Net profit excluding non-recurring items after non-controlling interests amounted to €3,490 million, up by 11.7%.

Net Earnings per Share, at €6.18, is up by 15.7% compared to Net Earnings per Share of 2014.

Non-recurring items after non-controlling interests amounted to €192 million in 2015, due mainly to the accounting impact of the deconsolidation of the Venezuelan subsidiary and to the French tax of 3% on the dividends distributed.

Net profit came out at €3,297 million.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY: €3,297.4

€ millions	2013	2014	**2015**	Evolution 2014/2015
Net profit excluding non-recurring items after non-controlling interests	3,032.4	3,125.3	3,489.8	
Non-recurring items net of tax attributable to owners of the company	-154.1	-357.7	-192.4	
Net profit from non-continuing operations attributable to owners of the company	+79.9	+2,142.7	-	
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,958.2**	**4,910.2**	**3,297.4**	**-32.8%**

In 2014, after the capital gain on the disposal of Galderma, €2.1 billion, net profit came out at €4,910 million.

Cash flow Statement, Balance sheet and Net Financial Situation

Gross cash flow amounted to €4,399 million, an increase of +15.5%.

The working capital requirement increased in 2015 to €196 million. This increase is mainly due to the fine paid to the French competition authority for an amount of €189 million.

Investments amounted to €1,172 million, representing 4.6% of sales, slightly higher than in 2014, when it represented 4.5% of sales.

The net cash came out, at December 31st, 2015, at €618 million, compared with a net debt of €671 million at December 31st, 2014.

The balance sheet remains particularly solid with shareholders' equity amounting to some €24 billion.

Proposed dividend at the Annual General Meeting of April 20th, 2016

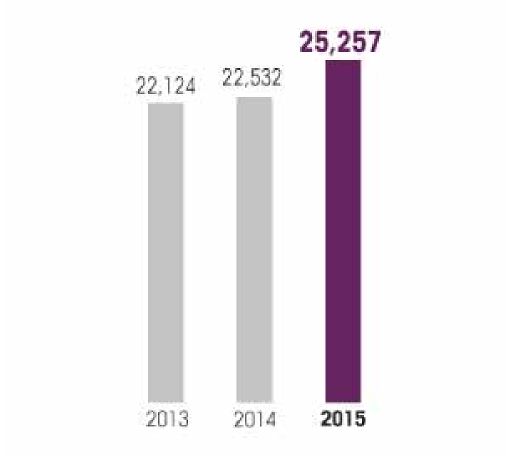
The Board of Directors has decided to propose that the Shareholders' Annual General Meeting of April 20th, 2016 should approve a dividend of €3.10 per share, an increase of 14.8% compared with the dividend paid in 2015. The dividend will be paid on May 3rd, 2016 (ex-dividend date April 29th, 2016 at 0:00 a.m., Paris time).

1.5.2. FINANCIAL HIGHLIGHTS

1.5.2.1. 2015: Growing of sales and profits from continuing operations

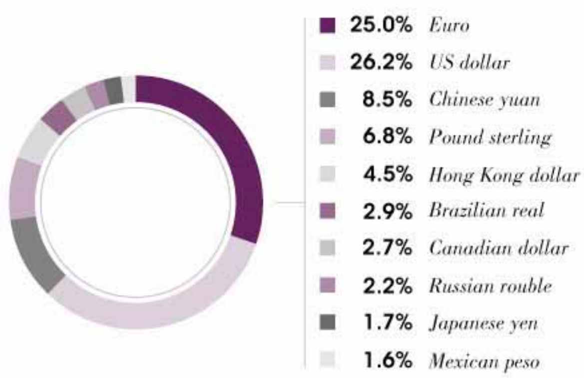
CONSOLIDATED SALES

(€ million)

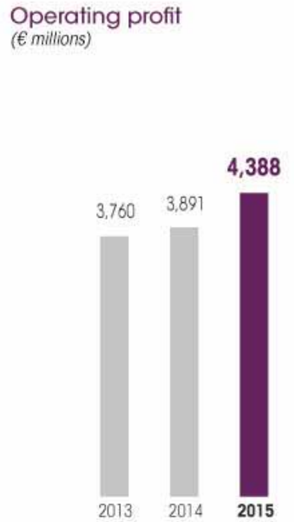


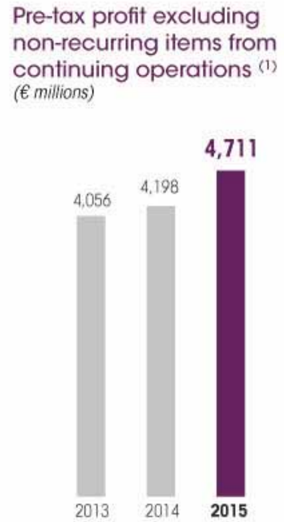
2015 CONSOLIDATED SALES BY CURRENCY (1)

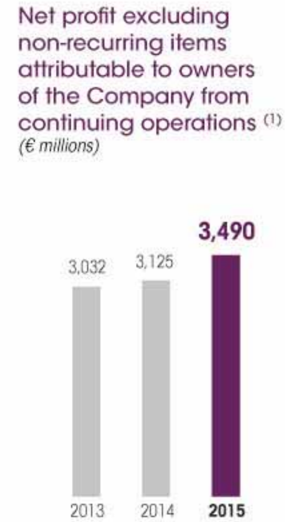
(as %)



(1) Breakdown of consolidated sales in the main currencies in 2015, i.e. 82.1% of consolidated sales.

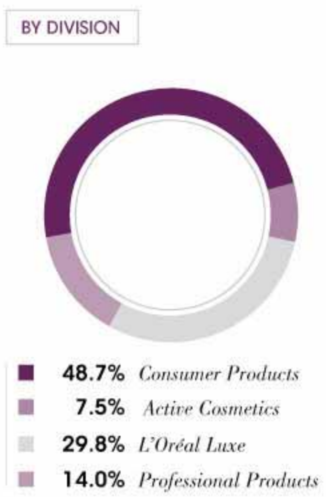


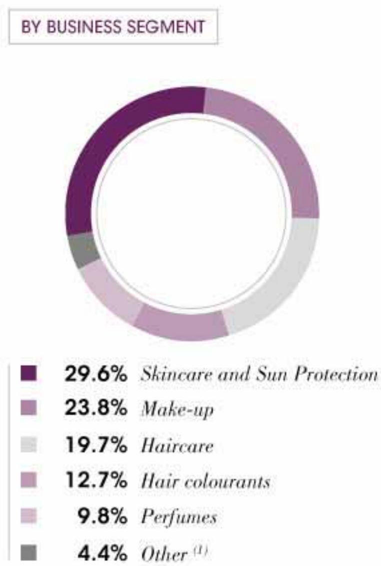


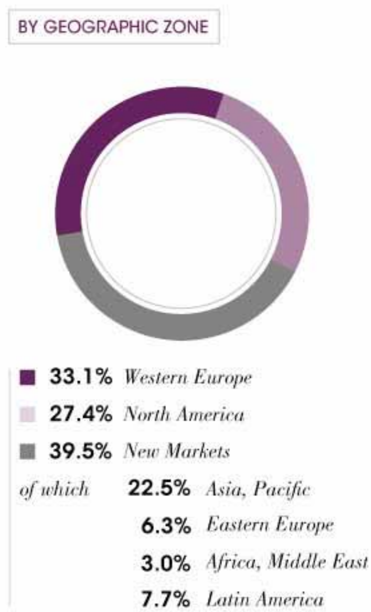


(1) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational incomes and expenses, non-recurring and significant regarding the consolidated performance. See note 11.4 of the Consolidated Financial Statements in Chapter 4.

2015 CONSOLIDATED SALES OF THE COSMETICS DIVISIONS



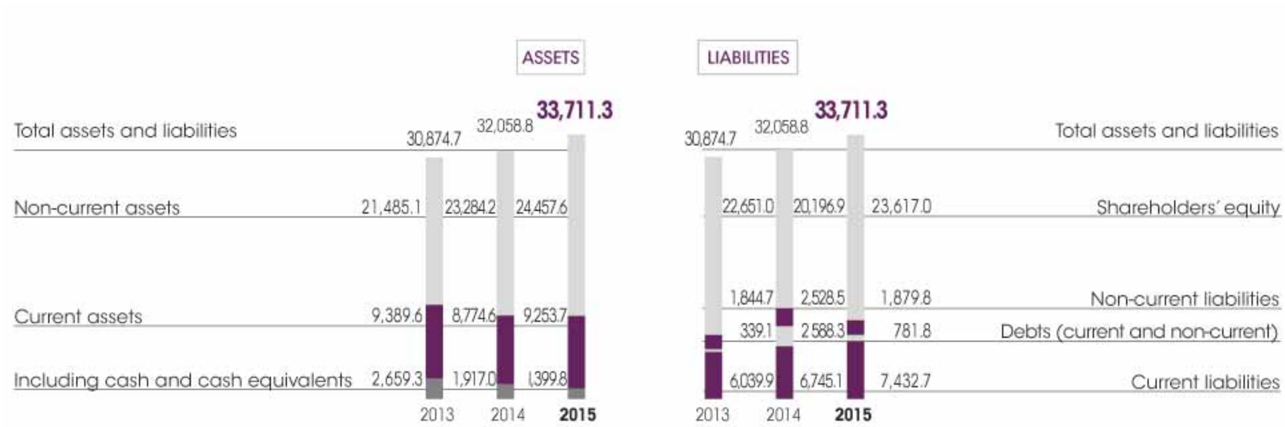




(1) "Other" includes hygiene products and sales made by American professional distributors with non-Groups brands.

A SOLID BALANCE SHEET(1)

(€M)



(1) The balance sheets at December 31st, 2013 and December 31st, 2014 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21.

NET DEBT

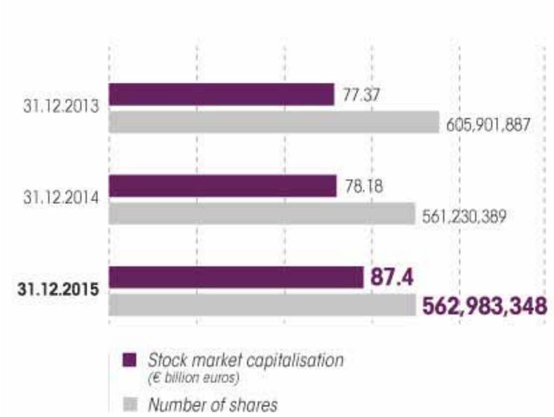
	12.31.2013	12.31.2014	**12.31.2015**
Net cash flow (1)/net financial debt (€ millions)	2,320.0 (2)	-671.3	618.0 (2)
Net gearing	n/a	3.3%	n/a

(1) Net cash flow = cash and cash equivalents - current and non-current debt.
(2) At December 31st, 2013 and 2015 net cash surplus was €2,320.0 million and €618.0 million respectively.

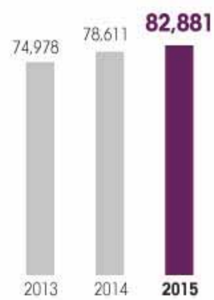
SHORT-TERM RATINGS

A1+	Standard & Poor's	SEPTEMBER 2015
PRIME 1	Moody's	MAY 2015
F1+	Fitch Ratings	SEPTEMBER 2015

STOCK MARKET CAPITALISATION



WORKFORCE AT DECEMBER 31ST 2015



1.5.2.2. 2015 consolidated results

Sales and operating profit

CONSOLIDATED SALES

€ millions	2013	2014	2015	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Cosmetics	21,288.5	21,658.2	24,290.2	4.1%	12.2%
The Body Shop	835.8	873.8	967.2	-0.9%	10.7%
GROUP TOTAL	**22,124.2**	**22,532.0**	**25,257.4**	**3.9%**	**12.1%**

OPERATING PROFIT

€ millions	2013	2014	2015	2015 Weight	Evolution based on reported sales	% of sales
Cosmetics	3,688	3,825	4,333	98.7%	13.3%	17.8%
The Body Shop	72	65	55	1.3%	-16.1%	5.7%
GROUP TOTAL	**3,760**	**3,890**	**4,388**	**100%**	**12.8%**	**17.4%**

Sales and operating profit of the cosmetics Divisions

CONSOLIDATED SALES

€ millions	2013	2014	2015	2015 Weight	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Professional Products	2,973.8	3,032.4	3,399.7	14.0%	3.4%	12.1%
Consumer Products	10,873.2	10,767.5	11,844.2	48.8%	2.5%	10.0%
L'Oréal Luxe	5,865.2	6,197.9	7,230.0	29.7%	6.1%	16.7%
Active Cosmetics	1,576.3	1,660.4	1,816.3	7.5%	7.8%	9.4%
TOTAL COSMETICS SALES	**21,288.5**	**21,658.2**	**24,290.2**	**100%**	**4.1%**	**12.2%**

OPERATING PROFIT

	2013 € millions	2013 % 2013 sales	2014 € millions	2014 % 2014 sales	**2015 € millions**	**2015 % 2015 sales**
Professional Products	609	20.5%	609	20.1%	678	20.0%
Consumer Products	2,167	19.9%	2,186	20.3%	2,386	20.1%
L'Oréal Luxe	1,174	20.0%	1,269	20.5%	1,497	20.7%
Active Cosmetics	343	21.7%	376	22.7%	415	22.8%
TOTAL COSMETICS SALES	**4,293**	**20.2%**	**4,440**	**20.5%**	**4,976**	**20.5%**
Non-allocated (1)	-605	-2.8%	-615	-2.8%	-643	-2.6%
TOTAL COSMETICS SALES	**3,688**	**17.3%**	**3,825**	**17.7%**	**4,333**	**17.8%**

(1) Non-allocated items consist of the expenses of Functional Divisions and fundamental research, stock option and free grant of shares costs, which are not allocated to the Cosmetics Divisions. This item also includes non-core activities, such as insurance, reinsurance and banking.

Sales and operating profit of the cosmetics Divisions by geographic zone

CONSOLIDATED SALES

€ millions	2013	2014	2015	2014/2015 progression Like-for-like	Reported figures
Western Europe	7,467.6	7,697.7	8,042.7	2.3%	4.5%
North America	5,356.1	5,389.4	6,654.4	3.5%	23.5%
New Markets, of which:	8,464.7	8,571.1	9,593.0	6.0%	11.9%
◆ Asia, Pacific	4,382.2	4,563.6	5,463.5	4.7%	19.7%
◆ Latin America	1,886.2	1,853.7	1,871.3	4.6%	0.9%
◆ Eastern Europe (1)	1,691.3	1,585.4	1,530.4	9.8%	-3.5%
◆ Africa, Middle East (1)	505.1	568.4	727.9	12.1%	28.1%
TOTAL COSMETICS SALES	**21,288.5**	**21,658.2**	**24,290.2**	**4.1%**	**12.2%**

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

OPERATING PROFIT

	2013		2014		2015	
	€ millions	% 2013 sales	€ millions	% 2014 sales	**€ millions**	**% 2015 sales**
Western Europe	1,662	22.3%	1,746	22.7%	1,827	22.7%
North America	1,003	18.7%	1,010	18.7%	1,257	18.9%
New Markets	1,628	19.2%	1,684	19.6%	1,893	19.7%
TOTAL GEOGRAPHIC ZONES	**4,293**	**20.2%**	**4,440**	**20.5%**	**4,976**	**20.5%**
Non-allocated (1)	-605	-2.8%	-615	-2.8%	-643	-2.6%
TOTAL ZONES AFTER NON-ALLOCATED	**3,688**	**17.3%**	**3,825**	**17.7%**	**4,333**	**17.8%**

(1) Non-allocated items consist of the expenses of Functional Divisions and fundamental research, stock option and free grant of shares costs, which are not allocated to the Cosmetics Divisions. This item also includes non-core activities, such as insurance, reinsurance and banking.

Sales of the cosmetics Divisions by business segment

CONSOLIDATED SALES

€ millions	2013	2014	2015	2014/2015 progression Like-for-like	Reported figures
Skincare	6,303	6,489	7,190	2.0%	10.8%
Make-up	4,616	4,751	5,784	10.9%	21.8%
Haircare	4,422	4,449	4,782	2.4%	7.5%
Hair colourants	2,931	2,860	3,091	-0.1%	8.1%
Perfumes	2,029	2,123	2,376	6.2%	11.9%
Other (1)	987	986	1,067	-0.9%	8.2%
TOTAL COSMETICS SALES	**21,288**	**21,658**	**24,290**	**4.1%**	**12.2%**

(1) "Other" includes hygiene products, sales made by American professional distributors with non-Group brands.

1.5.2.3. Consolidated sales by geographic zone and by business segment

Professional Products Division

SALES BY GEOGRAPHIC ZONE

					2014/2015 progression	
€ millions	2013	2014	**2015**	2015 Weight	Like-for-like	Reported figures
Western Europe	965.3	1,032.7	1,095.4	32.2%	1.8%	6.1%
North America	1,098.5	1,111.0	1,377.6	40.5%	4.1%	24.0%
New Markets	910.0	888.7	926.7	27.3%	4.1%	4.3%
TOTAL	**2,973.8**	**3,032.4**	**3,399.7**	**100%**	**3.4%**	**12.1%**

SALES BY BUSINESS SEGMENT

					2014/2015 progression	
€ millions	2013	2014	**2015**	2015 Weight	Like-for-like	Reported figures
Hair colourants	1,035.7	1,039.0	1,152.5	33.9%	3.9%	10.9%
Styling and textures	304.3	328.6	354.2	10.4%	0.1%	7.8%
Shampoos and haircare	1,633.9	1,664.8	1,892.9	55.7%	3.7%	13.7%
TOTAL	**2,973.8**	**3,032.4**	**3,399.7**	**100%**	**3.4%**	**12.1%**

Consumer Products Division

SALES BY GEOGRAPHIC ZONE

					2014/2015 progression	
€ millions	2013	2014	**2015**	2015 Weight	Like-for-like	Reported figures
Western Europe	3,846.1	3,857.0	3,936.2	33.2%	0.3%	2.1%
North America	2,534.7	2,477.0	3,071.2	26.0%	2.6%	24.0%
New Markets	4,492.4	4,433.5	4,836.8	40.8%	4.3%	9.1%
TOTAL	**10,873.2**	**10,767.5**	**11,844.2**	**100%**	**2.5%**	**10.0%**

SALES BY BUSINESS SEGMENT

					2014/2015 progression	
€ millions	2013	2014	**2015**	2015 Weight	Like-for-like	Reported figures
Hair colourants	1,895.3	1,821.2	1,938.5	16.4%	-2.3%	6.4%
Haircare and styling	2,712.9	2,723.0	2,885.0	24.4%	1.6%	5.9%
Make-up	3,215.5	3,204.7	3,839.7	32.4%	9.3%	19.8%
Skincare	2,534.7	2,489.1	2,657.0	22.4%	-1.4%	6.7%
Other	514.8	529.6	524.0	4.4%	0.9%	-1.0%
TOTAL	**10,873.2**	**10,767.5**	**11,844.2**	**100%**	**2.5%**	**10.0%**

1

L'Oréal Luxe

SALES BY GEOGRAPHIC ZONE

€ millions	2013	2014	2015	2015 Weight	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Western Europe	1,870.8	1,976.3	2,135.7	29.6%	5.4%	8.1%
North America	1,560.0	1,629.4	1,996.7	27.6%	4.3%	22.5%
New Markets	2,434.4	2,592.2	3,097.6	42.8%	7.8%	19.5%
TOTAL	**5,865.2**	**6,197.9**	**7,230.0**	**100%**	**6.1%**	**16.7%**

SALES BY BUSINESS SEGMENT

€ millions	2013	2014	2015	2015 Weight	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Skincare	2,647.6	2,754.3	3,122.3	43.2%	1.2%	13.4%
Perfumes	1,945.9	2,040.0	2,299.2	31.8%	6.3%	12.7%
Make-up	1,271.7	1,403.6	1,808.4	25.0%	15.5%	28.8%
TOTAL	**5,865.2**	**6,197.9**	**7,230.0**	**100%**	**6.1%**	**16.7%**

Active Cosmetics Division

SALES BY GEOGRAPHIC ZONE

€ millions	2013	2014	2015	2015 Weight	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Western Europe	785.4	831.7	875.4	48.2%	4.4%	5.3%
North America	162.9	172.0	209.0	11.5%	6.7%	21.5%
New Markets	628.1	656.7	731.9	40.3%	12.5%	11.5%
TOTAL	**1,576.3**	**1,660.4**	**1,816.3**	**100%**	**7.8%**	**9.4%**

SALES BY BUSINESS SEGMENT

€ millions	2013	2014	2015	2015 Weight	2014/2015 progression Like-for-like	2014/2015 progression Reported figures
Skincare	1,214.2	1,286.1	1,444.8	79.5%	10.2%	12.3%
Haircare	108.6	105.1	98.5	5.4%	-4.8%	-6.2%
Make-up	97.0	109.2	104.2	5.7%	-8.0%	-4.6%
Other	156.5	159.9	168.8	9.3%	7.6%	5.6%
TOTAL	**1,576.3**	**1,660.4**	**1,816.3**	**100%**	**7.8%**	**9.4%**

The Body Shop

RETAIL SALES (1)

					2014/2015 progression	
€ millions	2013	2014	**2015**	2015 Weight	Like-for-like	Reported figures
Western Europe	544.8	562.0	595.2	38.2%	2.8%	5.9%
North America	168.6	179.1	178.7	11.5%	-10.2%	-0.2%
New Markets	685.5	734.3	785.7	50.4%	1.9%	7.0%
TOTAL	**1,398.9**	**1,475.3**	**1,559.6**	**100%**	**0.7%**	**5.7%**

(1) Total sales to consumers through all channels, including franchisees and e-commerce.

SALES

€ millions	2013	2014	**2015**	2014/2015 Evolution Like-for-like
Retail sales (1)	1,398.9	1,475.3	1,559.6	0.7%
Retail sales with a comparable store base (2)	1,306.6	1,319.8	1,402.7	0.1%
CONSOLIDATED SALES	**835.8**	**873.8**	**967.2**	**-0.9%**

(1) Total sales to consumers through all channels, including franchisees and e-commerce.
(2) Total consumer sales made by stores and e-commerce websites that were continuously present between January 1st and December 31st, 2015 and the same stores and websites present in 2014 and 2013, and for the same periods for 2014 and 2013, including franchisees.

NUMBER OF STORES

	At 12.31.2014	**At 12.31.2015**	Change in 2015
Company owned stores	1,120	1,134	+14
Franchisees	1,999	1,968	-31
TOTAL NUMBER OF STORES	**3,119**	**3,102**	**-17**

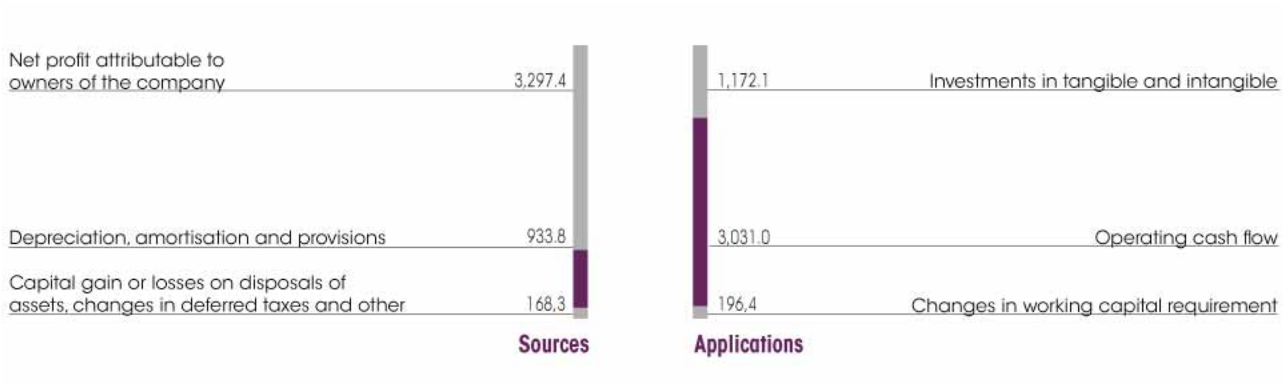
1.5.2.4. Simplified consolidated income statements

The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

€ millions	12.31.2013	12.31.2014	**12.31.2015**	% 2015 sales
Sales	**22,124.2**	**22,532.0**	**25,257.4**	**100.0%**
Gross profit	**15,744.8**	**16,031.3**	**17,980.0**	**71.2%**
Research and development	-748.3	-760.6	-794.1	3.1%
Advertising and promotion	-6,621.7	-6,558.9	-7,359.6	29.1%
Selling, general and administrative expenses	-4,614.4	-4,821.1	-5,438.6	21.5%
Operating profit	**3,760.4**	**3,890.7**	**4,387.7**	**17.4%**
Operational profit	**3,631.8**	**3,583.5**	**4,194.3**	
Finance costs excluding dividends received	-31.4	-24.1	-13.8	
Sanofi dividends	327.5	331.0	336.9	
Income tax	-1,043.6	-1,111.0	-1,222.9	
Non-controlling interests	-3.2	-1.6	-1.1	
Net profit attributable to owners of the company	**2,958.2**	**4,910.2**	**3,297.4**	**13.0%**
Non-recurring items (expense +/income -)	-154.1	-348.7	-192.4	
Net profit excluding non-recurring items after non-controlling interests*	**3,032.4**	**3,125.3**	**3,489.8**	**13.8%**
Diluted earnings per share attributable to owners of the company (euros)	4.87	8.39	5.84	
Diluted earnings per share attributable to owners of the company excluding non-recurring items (euros)	4.99	5.34	6.18	

* *Net profit excluding non-recurring items excludes asset depreciations, restructuring costs, tax effects and minority interests of continuing activities.*

1.5.2.5. Sources and applications of funds *(€ millions)*



Gross cash flow: 4,399.5

1.5.2.6. Financial ratios

	2013	2014	**2015**
(% of sales) Operating profit/Sales	17.0%	17.3%	17.4%
(% of shareholders' equity)Net profit excluding non-recurring items after non-controlling interests/Opening shareholders' equity	14.5%	13.8%	17.3%
(% of shareholders' equity)Net gearing (1)	n/a	3,3%	n/a
Gross cash flow/Investments	3.7x	3.8x	3.8x

(1) Net gearing: Current and non-current debt – Cash and cash equivalents / Shareholders' equity after non-controlling interests

1.5.2.7. L'Oréal 2009-2015

The announcement on February 11^{th}, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1^{st}, 2014. All figures for earlier periods have been restated accordingly.

€ millions	2009	2010	2011 (1)	2012 (1)	2013 (8)	2014 (8)	**2015**
Results							
Consolidated sales	17,473	19,496	20,343	21,638	22,124	22,532	25,257
Operating profit	2,578	3,057	3,293	3,558	3,760	3,891	4,388
As a percentage of consolidated sales	14.8%	15,7%	16.2%	16.4%	17.0%	17.3%	17.4%
Profit before tax excluding non-recurring items	2,749	3,305	3,563	3,874	4,056	4,198	4,711
Net profit excluding non-recurring items after non-controlling interest (2)	1,997	2,371	2,583	2,861	3,032	3,125	3,490
Net profit attributable to owners of the company	1,792	2,240	2,438	2,868	2,958	4,910	3,297
Total dividend	899	1,082	1,212	1,397	1,523	1,507	1,756
Balance sheet							
Non-current assets	17,350	17,048	19,141	20,903	21,485	23,284	24,458
Current assets excl. cash and cash equivalents	4,768	5,446	6,070	6,096	6,730	6,858	7,854
Cash and cash equivalents	1,173	1,550	1,652	2,235	2,659	1,917	1,400
Equity (3)	13,598	14,866	17,627	20,925	22,651	20,197	23,617
Net current and non-current debt (4)	1,958	41	- 504	- 1,948	- 2,320	671	-618
Gross cash flow	2,758	3,171	3,226	3,507	3,758	3,808	4,399
Per share data (euros)							
Diluted earnings per share attributable to owners of the company excluding non-recurring items (2)	3.42	4.01	4.32	4.73	4.99 (5)	5.34	6.18
Dividend	1.50	1.80	2.00	2.30	2.50	2.70	3.10 (6)
Share price at December 31^{st} (7)	78.00	83.08	80.70	104.90	127.70	139.30	155.30
Highest share price during the year (7)	79.32	88.00	91.24	106.40	137.85	140.40	181.30
Lowest share price during the year (7)	46.00	70.90	68.83	79.22	103.65	114.55	133.40
Diluted weighted average number of shares outstanding (7)	583,797,566	591,392,449	597,633,103	605,305,458	608,001,407	585,238,674	564,891, 388

(1) The 2011 and 2012 balance sheets have been restated to allow for the change in accounting method relating to revised IAS 19.
(2) For 2012, 2013, 2014 and 2015 it is the net profit from continuing operations.
(3) Plus non-controlling interests.
(4) The net cash surplus is €504 million in 2011, €1,948 million in 2012, €2,320 million in 2013 and €618 million in 2015.
(5 Net profit to owners of the company per share, excluding non-recurring items, published on December 31^{st}, 2013 was €5.13.
(6) Dividend proposed to the Annual General Meeting of April 20^{th}, 2016.
(7) The L'Oréal share has been listed in euros on the Paris Stockexchange since January 4^{th}, 1999, where it was first listed in 1963. The share capital is €112,596,669.60 at December 31^{st}, 2015; the par value of one share is €0.2.
(8) The balance sheets at December 31st, 2013 and December 31^{st}, 2014 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21.

1.5.3. SIGNIFICANT, RECENT EVENTS AND PROSPECTS

1.5.3.1. Significant events of 2015

- On February 3^{rd}, 2015, The Body Shop announced the acquisition of its Australian franchisee Adidem Pty Limited, which operates 91 stores in Australia.
- On March 6^{th}, 2015, L'Oréal and CFAO announced the signing of a protocol agreement covering the production and distribution of cosmetic products in Ivory Coast. This new partnership will enable L'Oréal to step up the presence and accelerate the expansion of its brands in Ivory Coast and French-speaking West Africa.
- On March 31^{st}, 2015, L'Oréal finalised the acquisition of Niely Cosméticos in Brazil, announced on September 8^{th}, 2014, for which the regulatory authorities' approval was obtained in January 2015.
- On April 16, L'Oréal unveiled the first results of its *Sharing Beauty With All* programme for Sustainable Development, including a 50% reduction of CO_2 emissions from the Group's production in absolute terms, from a 2005 baseline.
- At the Annual General Meeting on April 22^{nd}, 2015, at the Palais des Congrès in Paris, L'Oréal shareholders adopted all the resolutions by a very large majority, including the appointment of Mrs Sophie Bellon as a Director, the renewal of the tenure of Mr Charles-Henri Filippi as a Director and the decision to maintain simple voting rights. At its meeting at the end of the Annual General Meeting, the Board of Directors decided to cancel 2,905,000 shares acquired under the buyback programme approved by the Board on November 29^{th}, 2013.

- On June 3rd, 2015, L'Oréal announced the signing of a license agreement with Proenza Schouler for the creation and development of fine fragrances. A New York-based women's wear brand, Proenza Schouler was founded by designers Jack McCollough and Lazaro Hernandez in 2002, and is considered to be one of today's most exciting American fashion brands.
- On September 3rd, 2015, three months ahead of COP 21, L'Oréal announced its ambition to become a "carbon balanced" company by 2020, reinforcing its commitment to fighting climate change. Through its sustainable sourcing projects, the Group aims to generate carbon gains equivalent to the amount of greenhouse gas emissions resulting from its activities.
- On January 4th, 2016 L'Oréal USA announced the acquisition of Raylon Corporation, a full-service wholesale distributor of salon professional products. The acquisition expands the SalonCentric distribution network and extends coverage of American hair salons.

1.5.3.2. Significant events that have occurred since the beginning of 2016

No significant event has occurred between the beginning of the 2016 financial year and the meeting of the Board of Directors finalizing the consolidated financial statements ended December 31, 2015.

1.5.3.3. Prospects

In a volatile and uncertain economic environment, particularly in some emerging countries, the Group can rely on its balanced footprint across beauty categories, distribution channels and geographic zones.

L'Oréal is entering 2016 with the ambition to outperform the cosmetics market and achieve another year of sales and profit growth.

1.6. RESEARCH & INNOVATION: EXCELLENCE STEP-BY-STEP

1.6.1. RESEARCH: PART OF THE GROUP'S DNA

Over a century ago, a chemist called Eugène Schueller founded L'Oréal thanks to a major innovation: harmless hair dye. Research was therefore already written in the Group's genes and quickly became one of the keys to its success. To invent beauty and accommodate the aspirations of millions of men and women, L'Oréal continues to push back the boundaries of science. This commitment to innovation remains unwavering: to offer everyone, everywhere in the world, the best of cosmetics in terms of quality, efficacy and safety. The Group's CSR (Corporate Social Responsibility) focuses are a source of new innovation opportunities rather than a mere set of constraints.

To win over one billion new consumers, the Group constantly increases its investments, and had a budget of €794 million in 2015.

The Scientific Advisory Board continues its work

Created in 2013 to explore the future boundaries of beauty and chaired by Jacques Leclaire, Global Scientific Director, this year the Scientific Advisory Board looked at sustainable innovation.

After their recommendation in 2014 to undertake in-depth studies on ageing, the Board's experts expressed their deep-rooted belief that future cosmetics can significantly benefit from the sustainable resources that result from green chemistry (see also chapter 3, "Innovating responsibly"). This path, along which the Group's teams have already covered quite a distance, could result in even more exciting innovations in the short term. Over the longer term, the Board's experts have identified synthetic biology as a highly promising avenue for cosmetic treatment in the future.

1.6.2. A PERTINENT MULTI-HUB ORGANISATION

The international organisation implemented by the Group around six hubs is beginning to bear fruit. Thanks to their close proximity to consumers, these hubs innovate with genuine local relevance and nourish the flow of innovations.

In order to ensure a successful transition from a largely centralised system to a multi-hub organisation, the roles and responsibilities in each of the main functions have been clarified. The international dimension is reinforced through global management of the project portfolio.

RESEARCH FACILITIES AROUND THE WORLD

Local research and product adaptation

To better meet the expectations of consumers across the world, L'Oréal's research teams have a global presence through 18 cosmetics research centres and 16 evaluation centres. The research centres are grouped together in three global centres in France (Advanced Research, Hair *métiers* and Cosmetic *métiers*) and five regional hubs: in the United States, Japan, China, Brazil and India. These regional hubs identify the needs of consumers and their cosmetic practices. The richness of their scientific ecosystem promotes cooperation and partnerships for excellence. The data collected then enables the researchers to develop new products that are perfectly in phase with local expectations and aspirations. The innovations developed are shared in a co-ordinated manner to promote the fluidity of exchanges.

Research and Innovation budget	
2013	748
2014	761
2015	**794**

Research and Innovation employees	
2013	3,590
2014	3,782
2015	**3,871**

Number of patents	
2013	564
2014	501
2015	**497**

1.6.3. BALANCING ETHICS AND INNOVATION

To respond to the essential requirements of product safety, in the 1980s the research team began to develop alternative methods which did not use animal testing in order to assess the safety of its products and active principles. Major progress was made thanks to tissue engineering, with the reconstruction of the first human epidermis in 1979 and the first complete skin (epidermis and dermis) in 1996.

The Group has acquired extensive expertise in this field owing to four decades of international scientific co-operation. A total of 12 reconstructed skin and corneal tissue models have now been developed, while five alternatives to animal testing have been approved.

These models are fabulous tools for predicting product safety and efficacy and for reducing time-to-market. Thanks to these models, L'Oréal was able to stop testing finished products on animals in 1989 and to develop predictive evaluation strategies to meet European regulations prohibiting the offering for sale of products containing any ingredient that has been tested on animals after March 11th, 2013. This law has not had any impact on the Group's innovation efforts.

To protect its lead in skin engineering, L'Oréal evaluates cutting-edge technologies such as microfluidic systems and "organs-on-a-chip". It has signed a partnership with Californian start-up Organovo which specialises in three-dimensional bioprinting, a technique which allows it to build 3D human tissue layer-by-layer by generating multi-cellular building blocks (bio-ink).

Validation and predictive evaluation

In its unrelenting quest for progress in testing for safety without using animals, L'Oréal continues to participate in the validation of new alternative methods, such as to treat eye irritation and sensitivity in Europe and eye irritation and corrosion in Japan, and the pre-validation of alternative methods such as for treating skin irritation on a Chinese Episkin model in China.

Episkin continues to develop

The Group's ethical commitment led to the creation of Episkin, a subsidiary in Lyon which produces and sells validated skin models. This commitment took on an international dimension in response to legal and regulatory changes such as those in Brazil, India and China. For example, reconstructed skin of Asian origin manufactured locally will be marketed and sold by Shanghai Episkin Biotechnology Co.Ltd and users will be taught about the new technique in training sessions delivered by the Episkin Academy in China.

1.6.4. RESEARCH FURTHERS KNOWLEDGE

Key role of long UVAs in sun protection

Among the sun's rays to which our skin is exposed every day, long UVA rays account for almost 80% of total UVs and profoundly alter the dermis. They are more abundant and have a greater penetration range than other UVs and yet their biological impact has long been underestimated because of their lower energy as compared to UVB or short UVA rays. Today, we know the effects long UVAs have over time on premature aging of the skin and recent studies have emphasised their role in skin cancer and involvement in sun-induced immuno-suppression.

L'Oréal's researchers have meticulously identified the biological effects of long UVA rays, which put real stress on both the epidermis and dermis. In particular, the researchers based their work on "omics" studies to show the impact of long UVAs on the skin's deepest layers. Their work proves the importance of sun protection better addressing long UVAs and repairing damage through antioxidants.

The ravages of pollution

More than a decade ago, L'Oréal began scientific studies looking at the impact of the environment on the skin's health. Clinical studies run in Mexico and China have clearly shown the impacts of pollution on the skin, including increased sebum secretion and modified sebum composition, oxidation-induced skin disorders and ultimately skin hypersensitivity. Based on clinical research results, laboratories have revealed that this oxidation can cause severe skin problems, deepen wrinkles, and impair the skin barrier. Air pollution could be a potent catalyst for these effects and almost triple the oxidative stress caused by UVs.

In response, L'Oréal has devised a triple protection solution: "Purify, Repair and Protect". Group brands such as La Roche-Posay, Clarisonic, Shu Uemura, Yue-Sai, L'Oréal Paris and Maybelline offer an array of products to help consumers better protect their beauty from pollution.

Silanes make their entrance in cosmetics

Born of a glass industry technology transfer, sol-gel technology is a chemical process capable of transforming certain materials from a liquid to a solid, gel-like state. Thanks to the work of L'Oréal's chemical specialists on the family of silanes produced from sol-gels, this process proved an innovative solution to treat fine, damaged hair, by creating a supple yet resistant molecular network within the hair fibre to redensify and strengthen it. Combined with a cationic polymer, its long-lasting action is particularly effective on damaged hair. The Professional Products Division has successful introduced the technology to its range of products.

This research work and particularly its industrial applications in cosmetics were applauded during the XVIII edition of the International Sol-Gel Conference in Kyoto, which brings together the world's leading experts in this field of chemistry.

1.6.5. QUINOA CONTAINS A NEW INGREDIENT FOR GREEN CHEMISTRY

L'Oréal's researchers have discovered a new gentle exfoliating active principle in quinoa husk, which protects the quinoa grain. Quinoa husk not only contains saponins and polyphenols which make it very interesting for skin care, but, obtained through an eco-friendly process, it is a renewable resource and has a positive environmental profile which make it a new active principle in the Group's green chemistry. This has given rise to an original responsible procurement programme (*Solidarity Sourcing* - see section 1.7.3 herebelow) and to the development by chemists of a green chemistry-based extraction method which is both gentle and robust and can be applied on an industrial scale by Chimex, the Group's molecular industrial production centre.

1.6.6. CONNECTED BEAUTY

The digital revolution is starting to profoundly change how beauty products are consumed. This is why the multi-skilled teams of the Connected Beauty Incubator are stepping up their collaboration with centres of excellence in biology, biophysics or biotechnology so that they take on board the latest technological advances, the power of data and new consumption patterns. At the June 2015 World Congress of Dermatology in Vancouver, they used MC10 to show the relevance of stretchable electronics for beauty applications and unveiled the first results of their collaborative work culminating in the launch of My UV Patch, a sun protection solution.

1.7. OPERATIONS

1.7.1. EXPERTISE AND SERVICES ON HAND TO HELP OUR CUSTOMERS

The Operations Division allows all of the Group's brands to offer consumers across the globe the very latest cosmetic solutions, harnessing the most advanced, agile and effective technological expertise from design through to distribution.

To meet consumers' needs, the Operations Division rolls out its expertise in its three core areas of responsibility: quality (brand protection), safety (protection of Human Resources and assets) and Sustainable Development (environmental protection) within the context of the Group's *Sharing Beauty With All* programme.

1.7.2. THREE MAJOR FUNDAMENTAL RESPONSIBILITIES

The Operations Division manages three major fundamental responsibilities for L'Oréal throughout the world.

1.7.2.1. Protection of Human Resources and assets

The Operations Division guarantees the right for each L'Oréal Group employee to work in a safe environment.

The Group's duty is to guarantee the best conditions in terms of health and safety at work for all its employees. Exhaustive programmes have been implemented to reduce risks and ensure ongoing improvement.

A managerial safety culture, a safety system and audits to monitor procedures have been rolled out for several years on all the Group's sites, including administrative sites, research and innovation centres, factories and distribution centres. The culture defines high standards and involves staff at all levels.

Thanks to its powerful systems and ongoing improvement in its results, the Group is today one of the world's top performers in terms of safety.

1.7.2.2. Protection of quality

The excellence of its quality management across the value chain (from design and sourcing through to production and distribution) is world-famous and enables L'Oréal's brands to offer consumers high-quality products and superior performance. This demanding quality system mainly aims to guarantee product integrity with the same standard of quality all over the world, while complying with local regulations.

1.7.2.3. Environmental protection – *Sharing Beauty With All*

L'Oréal's Operations Division makes a vital contribution to the success of the Group's strategic programme and rolls out initiatives across the value chain, from design through to distribution.

- "Innovating sustainably": improving the environmental profile of new packaging;

- "Producing sustainably": reducing CO_2 emissions from production and transport, water consumption and waste generation;
- "Living sustainably": designing a Product Assessment Tool to determine the environmental and societal profile of all new products;
- "Developing sustainably": evaluating suppliers on their CSR performance, and rolling out the responsible procurement programme *Solidarity Sourcing*.

1.7.3. A MAJOR CONTRIBUTION ACROSS THE VALUE CHAIN

1.7.3.1. Design

Contributing to innovation

The Operations Division plays a major role in helping the brands to differentiate their products for consumers.

In terms of product innovation, the responsibility of the Operations Division is mainly exercised in the areas of packaging and development, design, and processes. In 2015, L'Oréal filed 90 patents for packaging and processes.

To accelerate the innovation process, a host of initiatives exist promoting exchanges and meetings between the Group and its suppliers. *Cherrypack*, a global in-house trade fair dedicated to innovation, was created to enable suppliers to present on an exclusive basis their latest innovations with regard to finished product packaging and Point-of-Sale (POS) advertising to all of the Group's brands and to research and innovation teams. Other multi-annual events include *Marketplace*, days dedicated to packaging innovations organised by Division, cosmetics category or geographic zone.

1.7.3.2. Sourcing

360° management of supplier performance

L'Oréal's success can also be accounted for by the Group's exacting standards in the choice of its suppliers and the longstanding relationships forged with those suppliers.

L'Oréal's strategic suppliers (1) are regularly assessed using a scorecard tracking five equally important areas of performance: innovation, quality, competitiveness, supply chain and Corporate Social Responsibility including sustainability. Each of these areas is broken down into a series of specific indicators which have been formally laid down in order to make it easier to rate them and give guidance.

Forging durable links with suppliers entails the development of local sourcing in fast-growing zones. Since 2010, the Group has implemented the wall-to-wall programme, whereby a packaging production facility operated by a supplier is set up within the Group's own factories. This partnership develops responsiveness and industrial flexibility, while reducing the transportation of packaging items and the generation of the related waste. It is aimed at plants with highly specialised technologies that produce very large volumes and have ongoing needs for external resources, such as the Rambouillet factory in France, the Settimo Torinese factory in Italy, the Istanbul facility in Turkey or the São Paulo factory in Brazil, which source their plastic bottles in this manner.

A strong commitment to social responsibility

The Operations Division plays a crucial role in the field of social responsibility and actively participates in the *Sharing Beauty With All* programme. L'Oréal encourages its suppliers to step up their Sustainable Development practices and rigorously monitors their commitments through a large number of social audits conducted throughout the world. A total of 7,080 social audits have been carried out since 2006, including 951 in 2015. The aim of these audits is to provide suppliers with support in improving their safety standards and their environmental and social performance (see chapter 3).

In launching *Solidarity Sourcing* in 2010, a highly original programme that is unique on the market, the Group took the initiative of using the Purchasing function as a driver of social inclusion. *Solidarity Sourcing* involves making certain purchases from local suppliers who make commitments in favour of minorities, disabled workers or workers from underprivileged backgrounds. It may also involve very small suppliers or fair trade players that L'Oréal calls on to contribute through its suppliers. In 2015, the *Solidarity Sourcing* programme provided access to employment for over 57,200 people in vulnerable situations all over the world, as compared to 27,000 people in 2014. L'Oréal wishes to expand this approach to include its suppliers' suppliers and this new initiative aimed at encouraging the Group's suppliers in turn to use the approach for their own suppliers was officially launched in 2012.

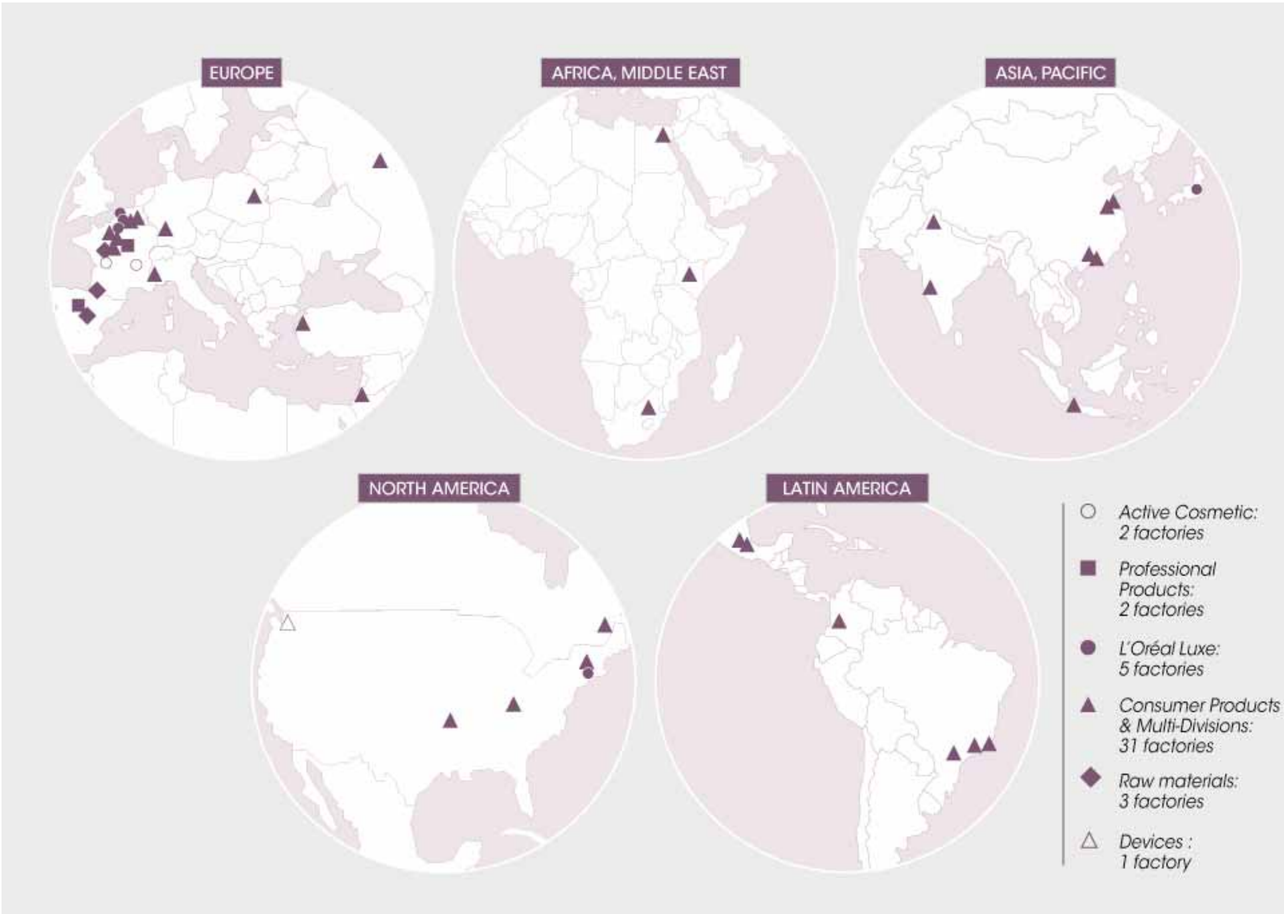
1.7.3.3. Production

Regionalised production

L'Oréal's 44 factories are located in order to supply all the countries in which the Group is present. The strategy is to produce locally in order to meet the needs of local and regional consumers. To support the drive to win over another one billion consumers, notably in the New Markets, the Group has, for example, production sites in Egypt, Kenya, China, Indonesia as well as India, which have resulted from the construction of new facilities or from the integration of acquired companies.

(1) *Strategic suppliers are suppliers who bring significant value added to the Group by contributing, through their weight, innovations, strategic alignment and geographical deployment, to L'Oréal's strategy on a durable basis.*

44 FACTORIES WORLDWIDE



Factory specialisation

Factories generally cover the production requirements of one Operational Division, are specialised in a given major industrial technology and are located close to the markets that they serve. The rotation of brands on the packaging lines is also assisted by the increased standardisation of industrial processes. This industrial model helps to improve output, quality and safety management performance year after year.

Cost and quality management

Quality has improved across the entire cycle, from design and production through to distribution. This resulted in a sharp drop in customer claims in 2015, which stood at 51 per one million products.

In 2015, the System of Operational Excellence continued to be rolled out in all factories. This continuous improvement process is based on the close involvement of employees in a number of areas such as safety, environmental impact, ergonomics and production quality and capacity at industrial sites, while at the same time reducing costs.

L'Oréal has set itself the goal of continually improving its economic performance. In 2015, it focused particularly on managing and reducing material losses and on reducing washing water used in the factories (this fell by 18% in the year). Besides economic gains, these cutbacks reinforce the factories' commitment to Sustainable Development in terms of reducing water consumption and waste generation.

Environmental protection at the heart of production

In the field of sustainable production, the Group's environmental policy looks to roll out best practices with regard to energy efficiency, efficient resource consumption and waste reduction, and the best possible waste treatment, as well as to implement breakthrough projects in an ongoing quest for operational efficiency combined with environmental performance. In 2015, the Operations Division once again showed its ability to decouple growth in production (up +26%) from the consumption of resources (CO_2 emissions down 56% and water consumption down 45% since 2005).

Through the *Commitments for 2020* made under the *Sharing Beauty With All* programme, the Group continues to pursue the approach initiated in 2009 aimed at reducing the environmental footprint of its factories and distribution centres. The pledge to slash its CO_2 emissions in absolute terms (both direct and indirect), water consumption and waste generation per finished product (FP) by 50% by 2015 from a 2005 baseline is now a pledge for a 60% reduction by 2020 (see chapter 3). Furthermore, the environmental impacts related to packaging and transportation are also taken into consideration.

In many of the Group's sites, initiatives are in place to choose the alternative energy sources that are best suited to the local ecosystem, such as geothermal energy in Vichy in France, photovoltaic panels in Mexico, biomethanation in Belgium, phytorestoration in Mourenx in France, a biomass facility in Burgos in Spain, and hydraulic power in Yichang, China.

Nine Operations Division sites were carbon neutral in 2015: 5 factories (Libramont in Belgium, Settimo Torinese in Italy, Burgos in Spain, Rambouillet in France and Yichang in China) and 4 distribution facilities (Cranbury and Brunswick in the United States, a facility in Mexico and another in Australia).

In 2015, L'Oréal obtained very high Carbon Disclosure Project (CDP) scores for performance (A) and information transparency (99) (*versus* A and 98, respectively, in 2014) and was recognised as a leading player in the fight against climate change. Chapter 3 provides more details of these scores.

1.7.3.4 Logistics

L'Oréal's supply chain covers all information flows and physical flows in the value chain, from the supplier to the point of sale. It ensures that the right product is delivered at the right time in accordance with the expectations of its distributor customers while controlling costs. In 2015, L'Oréal's supply chain achieved a record global service level in all channels, which now include a growing proportion of deep trade outside the traditional channels and points of sale, particularly in the New Markets, and e-commerce. The 2015 ranking published by Gartner, an independent company evaluation specialist, applauded L'Oréal for placing its supply chain at the heart of its business and increasing its proximity to its distributor customers: L'Oréal's supply chain was ranked among the Top 5 supply chains in Europe and moved up four places in the world ranking.

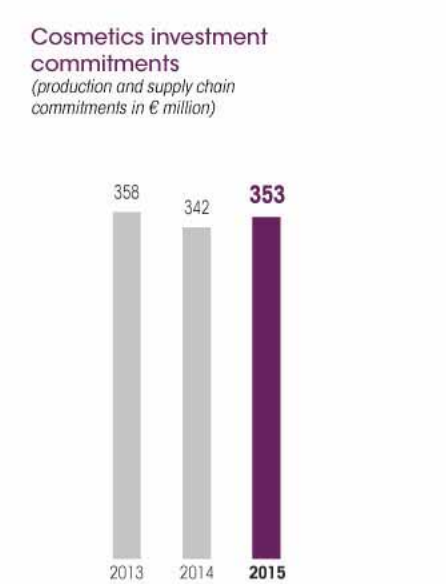
Over the past few years, the L'Oréal Group has invested significantly in upgrading its supply chain information systems in order to synchronise all stages of the supply chain and adjust production to fit market needs as closely as possible. Further, in order to improve the quality of its sales forecasts, a key issue for its commercial entities, the Operations Division launched an integrated information system which is being gradually rolled out worldwide. In 2015, it was rolled out to Brazil and to countries in Africa and the Middle East and now covers 60% of L'Oréal's 2015 sales.

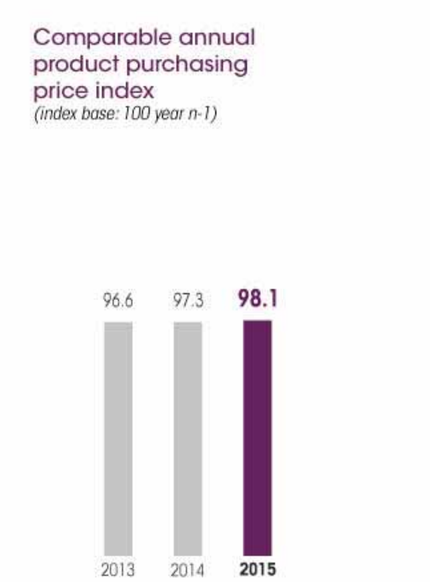
The geographical location of the distribution centres enables L'Oréal to be as close as possible to the 515,000 direct delivery points of the Group or its distributor customers. The modernisation of tools and practices in these distribution centres, for example as part of projects run in 2015 to automate preparative tools in the United States, Australia and Germany, and the permanent synchronisation between our distribution network and changing customer needs in each country and distribution channel, make it possible to adjust our physical distribution network on an ongoing basis in order to increase our agility.

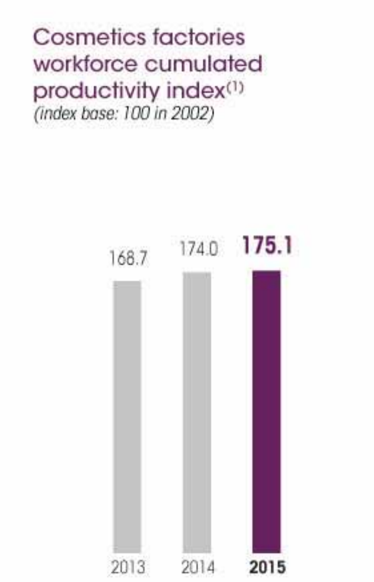
1.7.4. GLOBAL ECONOMIC PERFORMANCE AT THE SERVICE OF THE BRANDS AND THE COMMERCIAL ENTITIES

The Operations Division has major economic responsibility for the brands and markets and this has an impact on total product costs.

The Division's economic optimisation efforts involve tracking the total landed cost, *i.e.*, the final full cost of a product, which includes the cost of packaging and raw materials, the value added by the factories and all supply chain costs up to the final point of sale.

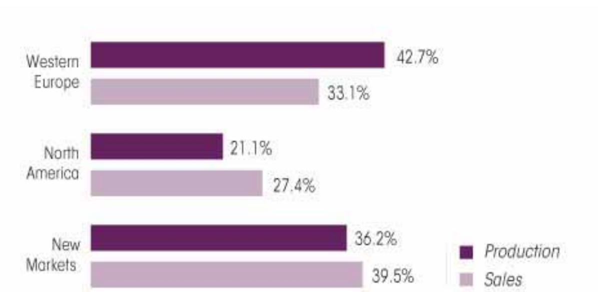






(1) Ratio calculated for cosmetics factories, excluding device factories. 2015 acquisitions are not included in the 2015 figure.

Cosmetics Divisions production and sales by geographic zone in 2015 (2): production close to the markets



(2) Excluding Niely.

1.8. INVESTMENT POLICY

L'Oréal's investment policy responds to long-term objectives.

L'Oréal is an industrial company which develops chiefly through two types of investment:

1. scientific investments and investments in equipment which are explained at length in several sections of this document (see in particular section 1.7. on page 34 and section 1.6. on page 31);
2. marketing investments which are made on an ongoing basis and are inherent to the Group's activities in the cosmetics industry. To capture new market share, in-depth research must be conducted all over the world, and advertising and promotional expenses need to be attuned to the familiarity of the brands and their competitive position. Lastly, investments in point-of sale (POS) advertising materials ensure optimal presence for our brands in points of sale.

For reasons relating to strategy and competition, L'Oréal cannot therefore provide any systematic information on future investments.

In 2015, the Group's investments totalled €1,172 million, or 4.6% of its sales, close its highest levels. This trend reflects the Group's constant efforts in terms of improving industrial efficiency and research performance and enhancing brand value.

Investment commitments in 2015 can be broken down as follows:

- production and the supply chain represent approximately 27% of total investments;
- marketing investments, including moulds, POS advertising materials and stores account for 44%;
- IT investments spread over all these categories represent 17% of total investments.
- Research and the head offices in different countries account for the remainder;

See notes 3.2.2, 7.2 and 13.2 of chapter 4, *Consolidated financial statements* for more details of these investments.

Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

1.9. RISK FACTORS*

The Group operates in a changing environment. Like any company, it is necessarily exposed to risks which, if they were to materialise, could have a negative impact on its business activities, its financial situation and its assets, particularly in terms of reputation and image.

This chapter presents the main risks to which the Group considers that it is exposed, namely risks specific to its business activities, followed by legal, industrial and environmental risks, and finally risks of an economic and financial nature.

L'Oréal has set up an Internal Control system to prevent and manage these risks more effectively. The Internal Control and risk management procedures are described in the chapter 2 as provided for by Article L. 225.37 of the French Commercial Code.

We cannot however guarantee a wholly risk-free environment. Furthermore, the Group could be adversely impacted by other risks of which it is not currently aware or which it does not consider material at the date of this Document.

The risks to which the Group considers it is exposed are described below.

1.9.1. BUSINESS RISKS

1.9.1.1. Image and reputation

The Company's reputation and its brand image may be compromised at any time in a globalised world where information is disseminated rapidly. No company is safe from an undesirable event, whether this involves the use or misuse of a product or reprehensible individual conduct. Circulation of detrimental information in the media, regardless of whether or not such information is founded, has been facilitated by the introduction of new technologies and the development of social networks, and could also affect the Company's reputation and brand image.

In order to reduce the risks relating to events of this kind, L'Oréal has set up a system which monitors English- and French-language websites on an ongoing basis. The subsidiaries deploy their own social media and web monitoring system under the aegis of their Director of Communications and report on monitoring to the Corporate Communications Department. L'Oréal has also set up a crisis management procedure which is tasked with preventing, managing and limiting the consequences of undesirable events on the Company across the globe. The Group crisis management officer reports directly to General Management. The deployment of the Code of Ethics throughout the Group aims at reinforcing the dissemination of rules of good conduct which form the basis of L'Oréal's integrity and ethics. These rules of good conduct seek to guide actions and behaviour, inspire choices and make sure that the Group's values are reflected in the everyday acts of each employee. L'Oréal has also implemented a Code of Good Practice for the use of social media by its employees.

1.9.1.2. Product quality and safety

Consumer safety is an absolute priority for L'Oréal: assessing safety is at the heart of any new product development process and a prerequisite before any new product can be launched on the market. The principles governing the Group's quality and safety policy are:

- satisfaction of customer needs;
- compliance with safety requirements and legislation;
- product quality and conformity across the supply chain.

The Worldwide Safety Evaluation organisation specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients which are used and the tolerance of the formulas before they are launched on the market.

The same safety standards are applied worldwide to ensure that consumers from across the globe have access to products of identical quality.

L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its cosmeto-vigilance network. This network compiles, validates and analyses any adverse effects related to use of a product based on rigorous, proven methodologies, allowing the appropriate corrective measures to be taken where necessary (see chapter 3, *Cosmeto-vigilance and impact on safety assessment*).

In terms of questions that civil society may ask regarding certain substances and their effects on health and the environment, three points summarise L'Oréal's position:

- vigilance with regard to any new scientific data;
- co-operation with the relevant authorities;
- precaution leading to the substitution of ingredients in the event of a proven risk or a strongly suspected risk.

* *This information forms an integral part of the Annual Financial report as provided in the Article L. 451-1-2 of the French Monetary and Financial Code.*

The Group has also put in place insurance policies protecting it against third party liability claims related to its products (see section 1.9.8.2 *Integrated worldwide programmes* below). The measures taken in favour of consumer health and safety are described in further detail in chapter 3.

1.9.1.3. Responsible communication

L'Oréal provides consumers with innovative products whose success is based on their quality and performance. The benefits of these products are highlighted in the Group's communications. Despite all due care taken to guarantee the accuracy and fairness of the claims made in these communications, there is always a possibility that they may be challenged by the authorities, organisations or consumers.

In order to reduce the risk of any such challenges being made, the International Product Communication Evaluation Department ensures the conformity of product communications before they are put on the market. The Group's Code of Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Marketing Communication Practice and the Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication to which the key global cosmetics industry players in Europe adhere.

1.9.1.4. Seasonal nature of business

In certain cases and for specific products, the timing of sales can be linked to climate conditions, such as for example sun care products. Products and brands sought after by consumers as gifts see particularly strong sales at year-end and during holiday periods. This is particularly the case for fragrances and The Body Shop products. A major disruption in any of these factors could affect L'Oréal's sales.

L'Oréal endeavours to mitigate these risks through the diversity and enrichment of its range of products and by organising product launches and special product promotional events throughout the entire year.

1.9.1.5. Geographic presence and economic and political environment

L'Oréal has subsidiaries in 69 countries, with 66.9% of its sales being generated outside Western Europe. Global growth in the cosmetics market has led L'Oréal to develop its activities in countries within the "New Markets" Zone, which represented over 39.5% of its cosmetics sales in 2015. The breakdown of sales and sales trends are set out in chapter 1 of this Document.

Besides the currency risks mentioned in note 10.1. in chapter 4, *Hedging of currency risk* and in the *Currency risk* section below, political or economic disturbances in countries where the Group generates a significant portion of its sales could have an impact on its business activities.

However, its broad global presence helps to maintain a balance in sales and enables results to be offset between countries and geographic zones. In periods of major economic slowdown or sovereign debt crises in certain countries, the Group's sales growth could however be affected.

1.9.1.6. Distribution network

To sell its products, L'Oréal uses independent distribution channels except for a limited number of stores which are owned by the Company. The combination or disappearance of distribution chains and changes in regulations with regard to selective distribution could impact the development of the Group's brands in the country or countries concerned.

The presence of the Group's brands in all types of distribution networks helps mitigate any potential negative impact.

1.9.1.7. Competition

Due to its size and brand positioning, L'Oréal is subject to constant pressure from local and international competitors across the globe.

Competition is healthy: it drives the Group's teams around the world to do their upmost to serve the interests of consumers and the Group's brands. Winning market share, improving operating profitability and thereby ensuring growth are a permanent challenge in a context where companies constantly strive to obtain the best positions for their products and launch the most attractive and effective product ranges offering an optimal price/quality ratio.

With a view to the roll-out of its "Universalisation" strategy, the Group has rethought its innovation model and is constantly increasing its investments in research. L'Oréal's research teams innovate to respond to the infinite diversity of beauty aspirations all over the world. Thanks to this ability to implement long-term research programmes, L'Oréal can maintain its lead over its competitors (see chapter 1.6. of this document, *Research & Innovation: Excellence step-by-step*).

1.9.1.8. Innovation and consumer expectations

The development of innovative products and their adaptation to market requirements is an ongoing priority for the Group. If it fails to anticipate or interpret changes in consumer expectations and new trends, especially with regard to digital solutions and connected tools, its sales could be affected.

The Consumer & Market Insights Department, part of the Innovation Division, is constantly monitoring changes in consumers' cosmetic expectations by product category and major regions of the world. Its work enables the Group's researchers to develop new products that are in step with market needs, as discussed in paragraph *Local research and product adaption* in section 1.6 of this Document.

The Digital Division is responsible for accelerating the Group's digital transformation by helping the brands create enriched spaces for expression and helping teams to establish more interactive, close-knit and bespoke relationships with consumers, while leveraging the opportunities for developing business through digital media as a distribution channel.

Consumers' expectations with regard to Sustainable Development are also at the heart of the *Sharing Beauty With All* programme unveiled in 2013 (see chapter 3).

1.9.1.9. External growth transactions

As part of its development strategy, L'Oréal has made, and may have occasion to make acquisitions or sign licence agreements.

However, implementation of this strategy depends on L'Oréal identifying development opportunities at an acceptable cost and under acceptable conditions.

The Group has put in place a monitoring process for such transactions, which includes:

- setting up multidisciplinary teams to prepare projects and due diligence work;
- a review by the Board of Directors' Strategy and Sustainable Development Committee and then by the Board of Directors, of acquisition or equity investment opportunities that represent significant amounts or fall outside the scope of the Group's usual business activities, and of the conditions for their implementation.

These operations may have a negative impact on the Group's results if the Group fails to successfully integrate the activities of the acquired companies and their personnel, products and technologies under the expected conditions, or if it fails to achieve the expected synergies or to successfully handle liabilities not anticipated when the transaction was completed and for which L'Oréal has little or no protection from the seller.

Board-approved acquisitions are regularly monitored by the Board of Directors which is informed of the conditions for integration and the progress made.

1.9.1.10. Risks related to Human Resources management

One of the keys to L'Oréal's success lies in the talent of its staff. If L'Oréal fails to identify, attract, retain and train competent employees who behave responsibly, the development of its activities and its results could be affected.

The Group therefore looks to create a motivating, engaging professional environment which also encourages employees to take on board the Group's values, including those put forward by the Code of Ethics. The launch of the international *Share & Care* programme, which meets the essential needs of each of the Group's employees (in terms of social protection, healthcare, parenthood and quality of life at work) helps the Group to be more competitive and plays out its belief that social and economic performance are not just closely related but mutually reinforcing. L'Oréal's Human Resources policy is described in chapter 2 and in chapter 3.

1.9.1.11. Safety and security

The Group's presence at more than 400 sites (excluding own stores and the point-of-sales outlets of our distributor customers) exposes it to risks with regard to events stemming for example from geopolitical tensions, malicious acts or natural disasters. The consequences of these risks may adversely affect the Group's assets, namely people and tangible and intangible assets.

In order to permanently protect these resources (or Group assets) against malicious acts, the Security Department helps in the preventive implementation of technical, HR and operational procedures to limit the residual risk of malicious damage and support the Group's international development in high-risk countries. It also provides employees travelling abroad for business with a monthly report on travel risks.

As regards the occurrence of natural disasters, since 2010 the Real Estate Department has deployed a global programme to assess site vulnerability to seismic risk in the most exposed areas. At the same time, the Information Systems Department ensures that seismic risk is taken into consideration in the IT continuity plans for the countries most at risk.

1.9.1.12. Information systems

The day-to-day management of activities such as purchasing, production and distribution, invoicing, reporting and consolidation, as well as internal data exchange and access, relies on the proper functioning of all technical infrastructure and IT applications.

As part of the ongoing development of information technologies and their applications, the Group's business activities, expertise and more generally its relations with all stakeholders in its social and economic environment depend on being able to function in a more virtual, digital environment.

The risk of a malfunction/ breakdown in these systems or misappropriation of confidential or personal data for exogenous or endogenous reasons (including intrusions, malicious acts, etc.) cannot be ruled out. To minimise the impact that this type of occurrence could have, the Information Systems Department has introduced strict rules with regard to data back-up and protection, access to confidential data and data security with regard to both computer hardware and software applications. In order to adapt to new communications technologies, L'Oréal has introduced an Information and Communication Technologies Charter. These measures are described in page 106 of Chapter 2.

To address the growing threat of cybercrime, L'Oréal takes continuous steps to strengthen the resources dedicated to information system security. This plan relies in particular on anti-intrusion equipment, an information system security audit programme, protecting sensitive equipment and providing global oversight for identifying irregularities (see also the Report of the Chairman on Internal Control). L'Oréal's approach is part of an ongoing improvement process and its safety focus is constantly adjusted in line with new cyber threats. For example, the Group is increasingly investing in systems for detecting and reacting to warnings and security incidents and in the periodic oversight of the effectiveness of such solutions.

1.9.1.13. Risk of an Internal Control failure

L'Oréal has set up an Internal Control system which, however effective it may be, can only provide reasonable and not absolute assurance that the Company's objectives can be achieved due to the inherent limitations of any control system. Accordingly, the Group cannot rule out the risk of an Internal Control failure that may expose it to an act of fraud in particular.

A process designed to raise the awareness of fraud risk has been rolled out to all the Management Committees of the Group's subsidiaries (setting out the main operational scenarios that could occur, the alert systems and the existing procedures and controls) and helps reduce the Group's exposure to this risk. The Group has also published a corruption prevention guide which rounds out the commitments and principles set out in L'Oréal's Code of Ethics, as described in chapter 3, *L'Oréal's Corporate social, environmental and societal information*.

1.9.2. LEGAL RISKS

1.9.2.1. Intellectual property: trademarks and models

L'Oréal is the owner of key intangible assets on behalf of the Group's companies to which it grants licences in exchange for the payment of royalties. L'Oréal thereby owns most of its brands, which are a strategic asset for the Group, particularly the major international brands described in the *Cosmetics Divisions* section. This does not include several brands for which L'Oréal has obtained a license and most of which are currently used by L'Oréal Luxe, primarily the Giorgio Armani, Yves Saint Laurent, Ralph Lauren, Cacharel, Viktor&Rolf and Diesel brands.

The trademark name, the products themselves and the models may be infringed or counterfeited by economic players wishing to illegally and illegitimately claim the benefits of their reputation.

Special care is given to the protection of the trademarks and models belonging to L'Oréal, and this responsibility is entrusted to a special unit of the Group's Legal Department, which has responsibility for registering trademarks in all countries. This unit also keeps a close watch on the market and takes the necessary actions against infringers and counterfeiters.

The L'Oréal Group is also an active member of organisations which have set themselves the goal of combating counterfeiting and promoting good commercial practices. In particular these include the French Manufacturers' association (*Union des Fabricants*), the International Chamber of Commerce and Business Europe.

Before any trademark and model is registered, searches are conducted to identify any prior rights that may exist.

In light of the large number of countries in which its products are sold and the multiple potential prior rights that may exist in each of these countries, we cannot rule out the possibility that third parties may claim prior rights to certain L'Oréal trademarks and models.

This potential risk has to be cited in order to provide a comprehensive risk account, even though the likelihood of it occurring is low due to the care taken when conducting prior rights searches.

1.9.2.2. Industrial property: patents

Research and innovation are the historic pillars of L'Oréal's development. The dedication of L'Oréal's research teams has made it one of the leading industrial patent filers in its field for many years now.

In order to protect the Group against the risk of another company claiming one of its molecules, a production process or packaging, L'Oréal has set up the International Industrial Property Department, part of the Research and Innovation Division. This specific department is responsible for filing the Group's patents, exploiting them and defending them on a worldwide basis. However, one cannot exclude that third parties could contest the validity of certain patents held by the Group.

1.9.2.3. Regulatory changes

L'Oréal is subject to the laws which apply to all companies and it requires its subsidiaries to comply with the regulations of the countries in which it operates.

The European REACH regulations (Registration, Evaluation and Authorisation of Chemicals) that came into force in June 2007 are aimed at increasing human and environmental safety of chemicals by requiring all user companies to prove that they have implemented appropriate risk management measures. L'Oréal plays an active role in this process for the substances manufactured or imported by its European legal entities concerned. Within the framework of national and European associations, L'Oréal helps analyse and draft practical guides for the implementation of these regulations.

L'Oréal is also subject in Europe to the 7th amendment to the European Cosmetics Directive on animal testing of cosmetic ingredients. An action plan has been drawn up at L'Oréal in order to improve the design and methods used to assess the safety of raw materials. This plan is being implemented on an accelerated basis in order to prepare as effectively as possible for the application of these regulations. L'Oréal was able to stop testing finished products on animals in 1989 (14 years before it became a legal obligation in Europe) and develop predictive evaluation strategies to meet European regulations which prohibit the offering for sale of products containing any ingredient that has been tested on animals after March 11th, 2013 (see the *Balancing ethics and innovation* section in 1.6.3).

Certain countries are subject to export restrictions, embargoes, economic sanctions or other trade restrictions levied by the US, the European Union or other countries or organisations.

As an active member of professional associations in the countries in which its industry is represented, L'Oréal is involved in an ongoing dialogue with national or regional authorities in charge of specifically regulating products in its industrial sector in order to anticipate or manage any risks that may arise from changes in the regulatory landscape.

1.9.2.4. Other legal risks and litigation

In the ordinary course of its business, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. It is also the subject of proceedings initiated by national competition authorities, in particular in European countries (see note 12.2. of the *Consolidated financial statements* in chapter 4).

In order to better prevent these risks, the Group's Legal Department has introduced a training session on competition law for the employees concerned. Since 2011, it has also distributed "*The way we compete*", an ethical and legal guide on the conditions of fair competition.

A provision is set aside in the parent company and consolidated financial statements whenever the Group has an obligation towards a third party likely to involve an outflow of economic resources whose cost can be reliably estimated.

There are no other governmental procedures, legal or arbitration proceedings, including any proceedings or procedures of which the Company is aware, which are pending or threatened, that may have, or have had over the last 12 months, material effects on the financial situation or profitability of the Company and/or the Group.

1.9.3. INDUSTRIAL AND ENVIRONMENTAL RISKS

In order to improve the efficiency and productivity of its industrial processes, L'Oréal carries out most of its production in 44 factories, each specialising in a specific type of technology.

1.9.3.1. Production and supply chain

Products must be made available on the market on the scheduled dates to meet time-to-market and customer demands, in order to enable new product ranges to be referenced by distributors in a cosmetics market that requires companies to be increasingly responsive.

A major stoppage of activity at a factory or distribution centre could therefore have an adverse effect on the achievement of commercial objectives.

To prevent this risk, business continuity plans exist for each operational site. These aim at planning for the unavailability of part of the Group's supply chain as far as possible and resuming business activities as quickly as possible.

1.9.3.2. Supplier dependence

L'Oréal is dependent on its external suppliers for the delivery of materials (raw materials and packaging items) that are essential for the manufacture of finished products, which may therefore suffer a disruption as the result of a failure by an important supplier.

In order to prevent these risks, L'Oréal has prepared production continuity plans which aim to identify replacement solutions (*e.g.*, supplier back-up, availability of several moulds for articles for strategic products, etc.).

1.9.3.3. Environment and safety

The cosmetics industry has a limited environmental risk profile. However, as is the case for any production, distribution, research and general administration operations, L'Oréal is exposed to safety and environmental issues (for example related to the use of certain raw materials, the use of machines or electrical equipment in production or storage areas, handling operations liable to cause accidents involving bodily injury, waste water treatment, etc.). The main risk for the Group's industrial sites is the risk of fire due to the inflammable materials used in products (alcohol, propellant gases, powders, oxidants and solvents) and the storage of combustible products and chemicals.

The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of employees, customers and the communities in which L'Oréal carries out its activities. As a result of this policy, the risks inherent in our business activities are systematically identified and brought under control. Moreover, under its *Sharing Beauty With All* programme, the Group pursues its initiatives aimed at reducing its environmental footprint by setting itself ambitious, concrete targets (see chapter 3).

This rigorous EHS policy has been implemented throughout the Group for many years.

The Operations Division issues Internal Rules that set out the principles of L'Oréal's EHS policy. An EHS officer is appointed at each site. Training programmes are systematically organised. EHS performance indicators are collected monthly from all production sites, distribution centres and research centres. This data is collected quarterly for most of the administrative sites. Fire risk is dealt with in the framework of very strict fire prevention standards (National Fire Protection Association standards).

The L'Oréal Group operates 104 industrial sites, of which two are classified as "Seveso high threshold" and are therefore subject to strict regulations through the European Union Seveso Directive on the prevention of major accident hazards due to the storage of chemicals or inflammable products.

1.9.3.4. EHS risk map and audits

Within the scope of this EHS policy, prevention for the industrial sites is based on the Safety Hazard Assessment Procedure (SHAP), whereby employees on the ground assess risks under the responsibility of the Site Manager. This programme helps identify dangers both overall and for each workstation, and assesses the corresponding risks. Using the SHAP method, a risk map is drawn up for the sites, the level of risk is assessed and the necessary oversight measures are put in place. The approach is based on a dialogue between those in charge and contributes to a significant collective improvement in risk management. This approach is constantly evolving and is updated regularly in line with changes at sites and experience on the ground. EHS audits are conducted every three or four years in each factory and distribution centre. The risk map is reviewed within the scope of these audits. In 2015, an EHS risk audit was carried out at 12 factories and 16 distribution centres.

1.9.3.5. Constant concern for employee safety

Employee health and safety is one of L'Oréal's priorities and is an integral part of the EHS policy and the Group's human and social policy. It is rooted in the evaluation and prevention of professional risks in the Company as described in detail in chapter 3. Nevertheless, the risk of accidents at the workplace or occupational diseases cannot be entirely ruled out.

The Group implements the necessary means to ensure that it is in compliance with the applicable health and safety legislation and regulations in the various countries where it operates. Within the scope of the *Commitments for 2020* under the *Sharing Beauty With All* programme, L'Oréal employees will notably have access to healthcare coverage and social protection wherever they are in the world. L'Oréal wants its geographical expansion to go hand-in-hand with social protection for L'Oréal employees all over the world. L'Oréal's employees will benefit from healthcare coverage aligned with the best practices in the country in which they are based. Financial protection will also be provided for all L'Oréal employees should unforeseen life events such as permanent disability occur.

1.9.4. COUNTERPARTY RISK

The Group deals primarily with international banks and insurance companies which have been ranked investment grade by the three main specialised rating agencies.

When the Group makes financial investments, in the form of either bank deposits or marketable securities (see note 9.2., *Cash and cash equivalents* of the Consolidated financial statements in chapter 4), it gives priority to short-term transferable instruments from first-rate financial institutions.

The Group therefore considers that its exposure to counterparty risk is low (see note 10.5., *Counterparty risk* of the Consolidated financial statements in chapter 4).

1.9.5. CUSTOMER RISK

Customer risk may result from a failure to collect receivables due to cash problems encountered by customers or to customers no longer being in business.

However, this risk is limited by the Group's policy of taking out receivables insurance cover as far as this is permitted by local conditions. The risk associated with credit insurance is mentioned below in section 1.9.8.2.

Due to the large number and variety of distribution channels worldwide, the likelihood of a significant impact on the Group as a whole remains limited. The 10 largest distributor customers represent 19.4% of the Group's sales. The amount provisioned which is considered at risk of non-collection is set out in note 3.3.2., *Trade accounts receivable* of the Consolidated financial statements in chapter 4. This amount does not exceed 2% of gross accounts receivable.

1.9.6. LIQUIDITY RISK

The Group's Financial Services Department centralises all the subsidiaries' financing needs and also negotiations with financial institutions so as to have better command over borrowing conditions. Any transactions that may be carried out directly by subsidiaries are closely supervised.

The L'Oréal Group's liquidity risk is managed with the primary aim of ensuring continued financing and optimising the financial cost of debt.

To this effect, the Group has unused confirmed credit lines from several first-rate banks totalling €3,813 million, including 450 million in USD facilities (€413 million). In all, €350 million matures within 1 year and €3,463 million matures within 1 to 4 years (see note 9.1.9., *Confirmed credit lines* of the consolidated financial statements in chapter 4).

These credit lines are not subject to any conditionality clause based on financial criteria. The Group also regularly uses the financial markets through the use of short-term paper in France and commercial paper in the United States. None of these debts contains an early repayment clause linked to compliance with financial ratios (covenants) (see note 9.1.1., *Debt by type*, 9.1.2., *Debt by maturity date,* and note 10.6., *Liquidity risk* of the Consolidated financial statements in chapter 4).

When the Group makes financial investments, in the form of either bank deposits or marketable securities, it gives priority to short-term transferable instruments from first-rate financial institutions.

The L'Oréal Group benefits from the following short-term credit ratings:

- A-1+, awarded in September 2015 by Standard & Poor's;
- Prime 1, awarded in May 2015 by Moody's; and
- F1+, awarded in September 2015 by FitchRatings.

These ratings are unchanged compared to those assigned in 2014.

1.9.7. FINANCIAL AND MARKET RISKS

Financial risks include interest rate risks, currency risks, risks relating to the impairment of intangible assets, equity risks, risks with regard to assets covering employee benefit commitments (plan assets), risks relating to changes in tax regulations and core commodity risks.

1.9.7.1. Interest rate risk

For the requirements of its development and its capital expenditure policy, L'Oréal uses borrowings and short-term paper. The Group mainly refinances at floating rates, as mentioned in note 9.1.4., *Breakdown of fixed rate and floating rate debt* of the Consolidated financial statements in chapter 4. Other details with regard to debt and interest rates are also provided in notes 9.1.5., *Effective interest rates*, 9.1.6., *Average debt interest rates* and 9.1.7., *Fair value of borrowings and debts* of the Consolidated financial statements in chapter 4.

None of these debts contains an early repayment clause linked to compliance with financial ratios.

In order to limit the negative impact of interest rate fluctuations, the Group has a non-speculative interest rate management policy using derivatives as appropriate, as described in notes 10.3. *Hedging of interest rate risk* and 10.4. *Sensitivity to changes in interest rates* of the Consolidated financial statements in chapter 4.

1.9.7.2. Currency risk

Due to its international presence, L'Oréal is naturally exposed to currency fluctuations. Fluctuations between the main currencies may therefore have an impact on the Group's results when translating the foreign currency financial statements of subsidiaries into euros, and may therefore make it difficult to compare performances between two financial years. In addition, commercial flows resulting from purchases and sales of items and products arise between subsidiaries in different countries. Procurement by subsidiaries is mainly in the currency of the supplier's country.

In order to limit currency risk, the Group adopts a conservative approach whereby it hedges a significant portion of its annual requirements for the following year through forward purchases or sales contracts or through options at year-end. Requirements are established for the following year on the basis of the operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress. In order to obtain better visibility over the flows generated, currency risk management is centralised with the Treasury Department at head office (Corporate Finance Department), which uses a specific tool for centralising the subsidiaries' requirements by currency (FX report).

The system of foreign exchange risk hedging is presented to the Audit Committee. The hedging methodology and the values involved are described in note 10.1., *Hedging of currency risk* of the Consolidated financial statements in chapter 4.

Significant changes in the monetary environment could have an impact on the Group's results and shareholders' equity. The analysis of sensitivity to currency fluctuations and the impact on equity are set out in detail in note 11.3., *Other comprehensive income* of the Consolidated financial statements in chapter 4. Finally, the impact of foreign exchange gains and losses on the income statement is described in note 10.2., *Foreign exchange gains* of the Consolidated financial statements.

1.9.7.3. Risk relating to the impairment of intangible assets

As stated in the section on legal risks, L'Oréal's brands are a strategic asset for the Group.

As described in note 7., *Intangible assets* of the Consolidated financial statements in chapter 4, goodwill and brands with an indefinite useful life are not amortised but are tested for impairment at least once a year. Where the recoverable amount of a brand is lower than its net book value, an impairment loss is recognised. Similarly, any difference between the recoverable amount of each cash-generating unit and the net book value of the assets including goodwill would lead to an impairment loss in respect of the asset, recorded in the income statement. The amounts of impairment for the last three financial years are provided in note 4.1., *Other operational income and expenses* of the Consolidated financial statements in chapter 4.

The data and assumptions used in impairment tests carried out on cash-generating units that comprise material amounts of goodwill and non-amortisable brands are set out in note 7.3., *Impairment tests on intangible assets* of the Consolidated financial statements in chapter 4.

1.9.7.4. Equity risk

L'Oréal does not invest its cash in shares. Its main equity risk is the 9.05% stake it held in Sanofi as of December 31st, 2015, for an amount described in note 9.3., *Non-current financial assets* of the Consolidated financial statements in chapter 4.

If the Sanofi share price suffered a significant or prolonged decline in value below the initial share price, this would potentially lead L'Oréal to write down its asset through the income statement as explained in note 10.7., *Shareholding risk* of the Consolidated financial statements in chapter 4.

1.9.7.5. Risks with regard to assets financing employee benefit commitments (plan assets)

By nature, assets used to finance employee benefit commitments are exposed to fluctuations on the markets in which such assets are invested.

A sharp, prolonged downturn in the financial markets may have an impact on the value of the portfolios created (see note 5.4., *Post-employment benefits, termination benefits and other long-term employee benefits* of the Consolidated financial statements in chapter 4).

Pursuant to the provisions of the Group's Internal Charter on the Management of Plan Assets, the allocation by category of assets is subject to limits aimed in particular at reducing volatility and correlation risks between these different asset categories. A Supervisory Committee for the Group's pension and employee benefit schemes ensures that these principles are implemented and monitored, as described in the *Employee benefit and pension schemes* section in the *Social information* section in chapter 3. Moreover, the Group chooses insurers and custodians with robust ratings from the three main specialist rating agencies.

1.9.7.6. Risk relating to changes in tax regulations

The Group is exposed to risks arising from changes in tax regulations or from their interpretation. An increase in existing taxes, the introduction of new taxes, or double taxation concerning in particular corporate income tax, customs duties, import taxes, the repatriation of dividends or social levies, could have an adverse impact on the Company's results.

1.9.7.7. Core commodity risk

The production of cosmetics depends on the purchase of raw materials whose prices vary. These raw materials or components are used in the manufacture of products or in their packaging. The main core raw materials are polyethylene, polypropylene, aluminium and vegetable oils and their by-products. An exceptionally sharp increase in the price of these raw materials or energy prices on the world market could have a direct effect on the manufacturing cost of the cosmetics. However, it is estimated that the impact of this rise on gross margin would remain limited.

In order to anticipate the impact of these fluctuations and as a preventive measure, L'Oréal negotiates price indices with its main suppliers of raw materials and packaging items. The Group therefore does not use hedging.

Also in order to offset market volatility, L'Oréal rolls out ongoing efforts in terms of cost-cutting projects and actions to improve industrial productivity. Pooled responsibility for purchases has made it possible to reinforce these measures.

1.9.8. INSURANCE

1.9.8.1. The Group's overall insurance policy

The objective of the Group's policy on insurance is to protect the Group's assets and people from the occurrence of identified material risks that could adversely affect it. For that purpose, the Group has implemented global insurance programmes (in particular for the Property Damage & Interruption of Operations, Third Party Liability and Transport insurance policies) which make it possible to manage the insurance cover and provide for uniform insurance cover for all its subsidiaries throughout the world, except in countries where this type of arrangement is not permitted.

This policy is applied as follows:

- at parent company level, the Group has negotiated insurance programmes on a worldwide basis with first-rate insurance companies to cover its main risks on the basis of the cover available;
- at local level, subsidiaries have to put in place mandatory insurance cover in order to meet their local regulatory obligations.

The financial solvency of the insurers chosen is an important criterion in the Group's insurer selection process. Most of the insurance programmes subscribed by the Group involve co-insurance. Globally, the world's main insurance companies are involved in one or more of these Group programmes.

1.9.8.2. Integrated worldwide programmes

Third party liability

For several years, the Group has had in place a programme for all of its subsidiaries across the globe. This programme covers the financial consequences of the third party liability of Group entities. It includes various aspects of third party liability, and notably operating liability, third party liability related to products, and sudden and accidental environmental damage.

Claim activity under this programme has historically been low, which shows the extremely high quality requirements and safety standards applied by the Group in managing its operations and in designing and manufacturing its products.

The health and safety of consumers and employees is a constant, ever-present priority at all levels of Group operations.

Property damage and interruption of operations

The purpose of this policy is to protect the Group's assets against events such as fire, lightning, explosion, theft and natural disasters within the limits of the terms and conditions available on the insurance market.

The Group has set up a global programme to cover its property (chiefly fixed assets and inventories). This programme also includes a chapter on operating losses directly resulting from an insured property loss or damage.

As the capacity of the insurance market is limited for certain risks, this programme includes sublimits, particularly as regards natural disasters. Finally, it also provides for prevention inspections for the Group's sites conducted by specialist departments of the leading insurer.

Transport

The Group has set up an insurance programme to cover the transportation of all its products by road, sea and air. All subsidiaries benefit from the protection offered by this worldwide programme, which ensures optimum transport insurance for all flows of goods.

Customer credit risk

Group subsidiaries are encouraged to purchase credit insurance, assisted by head office and under the terms and conditions negotiated, in addition to their own credit management policy, provided that insurance cover compatible with their level of commercial activity is available under financially acceptable conditions.

Nevertheless, in a period of major economic slowdown, major insurance companies could scale back their commitments on the credit insurance market as they may decide to reduce their cover of amounts receivable in certain countries. The insurance policies put in place in these countries could be affected by this trend.

Self-insurance

Through its reinsurance subsidiary, the Group carries risk retention levels that are not material at consolidated level, and these are applicable over and above local deductible amounts. Two programmes are concerned: Transport and Property Damage and Interruption of Operations.

2

Corporate governance *

** This information forms an integral part of the Annual Financial Report, as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

This chapter describes the way in which the Board's work is prepared and organised and includes, in particular, a summary of the principles of organisation guaranteeing a balance of powers. It includes the complete text of the Internal Rules of the Board of Directors.

All components of the remuneration of the Directors and executive officers are mentioned as well as the trading by Directors and executive officers in L'Oréal shares reported in 2015.

The Internal Control procedures implemented by the Company are also described.The Statutory Auditors' Reports related to Corporate Governance, namely their report on the report prepared by the Chairman and that on regulated agreements and commitments are included here.

2.1. FRAMEWORK FOR IMPLEMENTATION OF THE CORPORATE GOVERNANCE PRINCIPLES

2.1.1. AFEP-MEDEF CODE: THE REFERENCE CODE

The Corporate Governance Code to which the Company refers is the AFEP-MEDEF Code. This code may be consulted on the website at the following address: http://www.medef.com/.

In accordance with the provisions of Article L. 225-37, paragraphs 6 to 10 of the French Commercial Code, this chapter integrates the Report of the Chairman of the Board of Directors regarding the Board's composition, the ways in which the Board's work is prepared and organised, and the Internal Control procedures. This chapter deals also with the following in particular:

- the Board's composition and the application of the principle of balanced gender representation on the Board;
- the ways in which the Board's work is prepared and organised;
- the Code of Corporate Governance to which the Company refers, the provisions which have not been applied and the reasons for this non-application;
- the principles and rules adopted by the Board of Directors to determine the remuneration and benefits of all kinds granted to the Directors and executive officers;
- the limitations imposed by the Board of Directors on the powers of the Chief Executive Officer;
- the Internal Control and risk management procedures implemented by the Company.

The other information provided for in Article L. 225-100-3 of the French Commercial Code and particularly that relating to the share capital and the shareholders are published in chapter 6.

Pursuant to Article L. 225-37 of the French Commercial Code, the Board of Directors of L'Oréal approved this document at its meeting on February 11th, 2016.

In accordance with the recommendations of the AFEP-MEDEF Code, this chapter identifies in a summary table (p. 102), those provisions of the code which were not applied and explains the reasons for that choice.

2.1.2. THE BALANCE OF POWERS ON THE BOARD OF DIRECTORS

L'Oréal has a method of corporate governance that is suited to its specificities and is part of a constant quest for progress.

2.1.2.1. Method of performance of General Management adapted to specificities of L'Oréal

After a period of 5 years (between 2006 and 2011) during which the duties of Chairman of the Board of Directors and those of Chief Executive Officer were separated in order to ensure a smooth transition between Sir Lindsay Owen-Jones and Mr. Jean-Paul Agon, the Board of Directors decided in 2011 to reunify these duties and to appoint Mr. Jean-Paul Agon as Chairman and Chief Executive Officer of L'Oréal.

On April 17th, 2014, the Annual General Meeting renewed the tenure of Mr. Jean-Paul Agon as Director. At its meeting on the same day, the Board of Directors decided to continue the combination of the duties of Chairman and Chief Executive Officer and to entrust Mr. Jean-Paul Agon with such duties once again, considering that this method of General Management was the best suited to L'Oréal's specificities.

This decision was made, following the recommendations by the Appointments and Governance Committee, in the best interest of the Company and with the constant concern that the mode of governance chosen will make it possible to optimise the Group's financial and economic performances and to create the most favourable conditions for its long-term development.

The Board of Directors indeed considers that the quality and longstanding nature of this performance cannot be dissociated from a clear vision of the Group's future prospects, directly shared with Board members. This vision is that of a Chairman and Chief Executive Officer who, after spending his entire career in the Group, has precise operational knowledge of the commercial entities and the business lines. The business sector in which L'Oréal operates is one in which decisions have to be taken quickly in a highly competitive international environment, and the beauty profession also requires strong, coherent communication.

In addition, this method of organisation of the General Management is appropriate for L'Oréal's particular shareholder structure: stable, loyal shareholders with, in particular, two main shareholders, highly committed to the Group's long-term development.

2.1.2.2. The balance of powers on the Board

The Board of Directors ensures that it is in a position to fully perform its role so that the balance of powers is guaranteed.

Harmonious composition of the Board of Directors

The balance of powers on the Board of Directors principally rests on its harmonious composition and on the qualities of its Directors.

Serving alongside the Chairman and Chief Executive Officer are five Directors appointed by the majority shareholders, who include the two Vice-Chairmen of the Board, seven independent Directors who are in the majority on the Board (seven out of thirteen Board members, excluding the employee Directors) and the two Directors representing the employees. All are strongly committed and vigilant.

The Directors have complementary experience (financial, industrial or commercial expertise, etc.), and some of them carry the memory of the Company's history as they have longstanding in-depth knowledge of the Company and its environment, which is essential in light of the large number of recent appointments of new Directors to the Board.

the relationships organised between the Board and the General Management

The General Management communicates completely transparently with all the Directors and keeps them regularly informed of all aspects of the Company's affairs and its performances.

The Board has the means enabling it to handle with complete freedom the questions that concern it, notably when this involves determining the Company's strategic orientations, ensuring and monitoring their implementation and overseeing the good management thereof. It has the possibility to meet with the senior managers of L'Oréal at the time of presentations or sessions dedicated to strategy.

The Board provides the General Management with invaluable support for strategic decision-making. The Chairman and Chief Executive Officer conducts the Board's work in order to obtain this adherence to strategy and to ensure the Company's development with complete confidence and peace of mind. It is naturally in the interest of all the shareholders but also of all the stakeholders for the Chairman and Chief Executive Officer to lead the debates and encourage discussions on the Board of Directors. The Board may meet at any time if required by current events.

Furthermore, although the General Management is vested with the broadest powers to act in all circumstances in the name of the Company, transactions for a significant amount or which are outside the Company's normal course of business are submitted to the Board of Directors.

Attentive management of conflicts of interest

The Directors have to act in all circumstances in the interest of the Company and of all its shareholders.

Every year, the Board of Directors evaluates the situation of Directors with the aim of preventing conflicts of interest.

Each Director has the formal obligation to report potential conflicts of interest which could concern him/her and, in any event, must abstain from participating in the corresponding debates and deliberations.

Active, effective specialised Board committees

The setting-up of Board committees, their composition and the enlargement of their responsibilities contribute to the good balance of powers and are a point to which the Board of Directors pays particular attention.

All the committees include independent Directors, 60% for the Audit Committee and the Human Resources and Remuneration Committee, and half for the Appointments and Governance Committee. The Chairman/Chairwoman of each of these committees is independent. Only the Strategy and Sustainable Development Committee is chaired by the Chairman and Chief Executive Officer, who does not serve on any other committee.

These committees are completely free to define their respective agendas. They report on their work to the Board of Directors, prepare for its meetings and make proposals to the Board.

Within the framework of the review of its activities at the end of 2015, the Board once again appreciated the quality of the work and recommendations of its committees which helped it to make well-informed decisions.

A regular evaluation of the organisation and modus operandi of the Board

Within the framework of the annual evaluation of its *modus operandi*, on the basis of the best corporate governance practices, the Directors set themselves new objectives every year for an improvement in the quality of their organisation. They strive to adopt an optimal method of functioning and ensure that they have all the necessary strengths to perform their remits successfully, with complete freedom.

Thus, in 2015, the Board of Directors confirmed that the current mode of governance was well-balanced and effective. The decision-making processes and the allocation of powers are clear.

Internal Rules that are regularly updated

In order to structure and organise its action, L'Oréal's Board of Directors has adopted Internal Rules reaffirming the guiding principles of its remit and the means at its disposal to perform its remit.

The Internal Rules address both the formal aspects of the Board's remits and the rights and obligations of the Directors (knowledge of and compliance with regulations, recommendations and obligations, respect of the Company's interest, obligations of diligence and provision of information, reserve and confidentiality, responsibility with regard to stock market ethics, etc.). It is updated by the Board in order to take account of the changes in the laws and regulations, good corporate governance practices and its own *modus operandi*, particularly within the scope of the annual evaluation of its work. The Internal Rules were last updated on July 30th, 2015. They are published in full in this chapter.

2.2. COMPOSITION OF THE BOARD OF DIRECTORS

"L'Oréal's Board of Directors is made up of talented individuals, from different backgrounds who have extensive experience of the business. ."

Jean-Paul Agon - Chairman and Chief Executive Officer

The composition of the Board of L'Oréal, the rules it applies to its work, its *modus operandi*, and the work that it has carried out in the year, evaluated on an annual basis by the Directors, as well as the decisions made, are described in this document. The Board wishes to point out that it carries out its work above all on a collective basis, in accordance with ethical principles and in compliance with the legal provisions, regulations and market recommendations.

At December 31st, 2015, the Board of Directors comprises 15 members:

- the Chairman and Chief Executive Officer, Mr. Jean-Paul Agon;
- five Directors appointed by the majority shareholders, three of whom are from the Bettencourt Meyers family, Mrs. Françoise Bettencourt Meyers, Mr. Jean-Pierre Meyers, Mr. Jean-Victor Meyers and two appointed by Nestlé, Mr. Peter Brabeck-Letmathe and Mrs. Christiane Kuehne,

(the two Vice-Chairmen of the Board being chosen from among these members);

- seven independent Directors: Mrs. Sophie Bellon (since April 22nd, 2015), Mrs. Belén Garijo, Mrs. Virginie Morgon, Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel and Mr. Louis Schweitzer;
- two Directors representing the employees, Mrs. Ana Sofia Amaral and Mr. Georges Liarokapis, since July 2014.

Following the appointment of Directors representing the employees to the Board of Directors, an elected representative of the Central Works Council of L'Oréal, Mr. Thierry Magontier, also attends Board meetings, with an advisory vote.

The breakdown of L'Oréal's share capital at December 31st, 2015 is shown in chapter 6 of this document.

2.2.1. LIST OF CORPORATE OFFICES AND DIRECTORSHIPS HELD BY DIRECTORS AT DECEMBER 31ST, 2015

JEAN-PAUL AGON

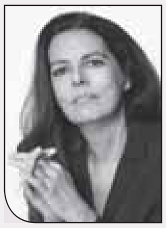
French.
Age: 59.
With the L'Oréal Group since 1978, after an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, Executive Vice-President of the Asia Zone, President and CEO of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005 and then Chief Executive Officer in April 2006 and finally Chairman and CEO in 2011. A Director of L'Oréal since 2006, he is the Chairman of the Strategy and Sustainable Development Committee. Jean-Paul Agon is also Chairman of the L'Oréal Corporate Foundation and a Director of Air Liquide.

Expiry date of term of office: 2018

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex
- Holds 271,500 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French company		
Air Liquide S.A.*	Director	
Other		
L'Oréal Corporate Foundation	Chairman of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
Foreign companies		
Galderma Pharma S.A. (Switzerland)	Director	2014
L'Oréal USA Inc. (United States)	Director	2014
Galderma Pharma S.A. (Switzerland)	Chairman of the Board of Directors	2012
The Body Shop International PLC (United Kingdom)	Vice-Chairman and Director	2012

* *Listed company.*



FRANÇOISE BETTENCOURT MEYERS

French.
Age: 62.
Daughter of Mrs. Liliane Bettencourt and granddaughter of the founder of L'Oréal, Mr. Eugène Schueller. She has been the Chairwoman of the family-owned holding company Téthys since January 31st, 2012 and is the Chairwoman of the Bettencourt Schueller Foundation. She has been a Director of L'Oréal since 1997 and a member of the Strategy and Sustainable Development Committee since 2012.

Expiry date of term of office: 2017

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine
- Holds 25,943 L'Oréal shares in absolute ownership and 76,441,389 shares in bare ownership

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Téthys SAS	Chairwoman Chairwoman of the Supervisory Board	
Financière l'Arcouest SAS	Chairwoman	
Société Immobilière Sebor SAS	Chairwoman	
Other		
Bettencourt Schueller Foundation	Chairwoman of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
French company		
Clymène SAS	Chairwoman	2012

PETER BRABECK-LETMATHE

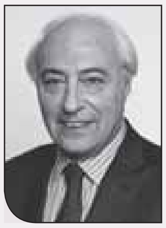
Austrian.
Age: 71.
Chairman of the Board of Directors of Nestlé. Peter Brabeck-Letmathe has been a Director of L'Oréal and Vice-Chairman of the Board of Directors since 1997. He is a member of the Strategy and Sustainable Development Committee, the Appointments and Governance Committee and the Human Resources and Remuneration Committee.

Expiry date of term of office: 2017

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 27,500 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Nestlé S.A. (Switzerland)*	Chairman of the Board	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign companies		
Delta Topco Limited (Jersey)	Chairman of the Board	
Exxon Mobil (USA)*	Director	
Nestlé Health Science S.A. in Lutry (Switzerland)	Director and Chairman of the Board	
Nestlé Skin Health SA (Switzerland)	Chairman	
Others		
World Economic Forum (Switzerland)	Vice-Chairman	
Verbier Festival Foundation (Switzerland)	Vice-Chairman	
Hong Kong-Europe Business Council	Director	
2030 Water Resources group (WRG)	Chairman	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
Foreign companies		
Crédit Suisse group (Switzerland)	Vice-Chairman of the Board Director	2014
Uprona Ltd (Canada)	Director and Chairman	2013
Other		
Table Ronde des Industriels Européens (Belgium)	Member of the Executive Committee Chairman of the Working group on External Economic Relations	2011

* *Listed companies.*



JEAN-PIERRE MEYERS

French.
Age: 67.
Director of L'Oréal since 1987, Vice-Chairman of the Board of Directors since 1994, and a member of the Strategy and Sustainable Development Committee, the Appointments and Governance Committee and the Human Resources and Remuneration Committee, Jean-Pierre Meyers is Vice-Chairman of the Supervisory Board and Chief Executive Officer of the family-owned holding company Téthys and Vice-Chairman of the Bettencourt Schueller Foundation.

Expiry date of term of office: 2016

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine
- Holds 15,332 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Asopos SAS	Chairman	
Téthys SAS	Vice-Chairman of the Supervisory Board Chief Executive Officer	
Other		
Fondation Bettencourt Schueller	Vice-Chairman of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
Foreign company		
Nestlé S.A. (Switzerland)	Director	2014
French company		
Clymène SAS	General Manager	2012

ANA SOFIA AMARAL

Portuguese.
Age: 50.
Scientific and Technical Affairs Director for L'Oréal Portugal, Ana Sofia Amaral was appointed in 2014 by L'Oréal's *Instance Européenne de Dialogue social*/European Works Council as Director representing the employees. She is a member of the Human Resources and Remuneration Committee.

Expiry date of term of office: 2018

- Professional address: Rua Dr António Loureiro Borges, Edificio 7 – Arquiparque – Miraflores – 2796-959 Linda a Velha – Portugal

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign companies		
EMBOPAR Embalagens de Portugal SGPS SA	Permanent representative of L'Oréal Portugal on the Board of Directors	
Sociedade Ponto Verde	Director	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
None		

SOPHIE BELLON

French
Age: 54.
Chairwoman of the Board of Directors (since January 2016) and responsible for Research-Development-Innovation Strategy at Sodexo which she joined in 1994, after a career in the United States in finance, as a Mergers & Acquisitions advisor, then in the fashion sector as an agent for major international brands, Sophie Bellon has been a Director of L'Oréal since 2015.

Expiry date of term of office: 2019

- Professional address: SODEXO – 255 Quai de la Bataille de Stalingrad – 92130 Issy-Les-Moulineaux
- Holds 1,043 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Sodexo*	Research-Development-Innovation Strategy Manager	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Sodexo*	Vice-Chair of the Board (until January 2016), Chairwoman of the Board (as from January 2016)	
PB Holding SAS**	Chairwoman	
Bellon SA**	Member of the Management Committee	
Others		
Pierre Bellon Foundation	Founding Member	
SWIFT (Sodexo Women's International Forum for Talent)	Co-Chair	
Association Nationale des Sociétés par Actions (ANSA)	Member of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
French companies		
Bellon SA**	Chairwoman of the Management Board	2015
Altys Multiservices SAS**	Chairwoman of the Board of Directors	2012
SORESCOM SARL**	Managing Director	2012
Société Française de Restauration et Services SAS**	Member of the Management Board	2012
Société Française de Propreté SAS**	Member of the Management Board	2012
Sodexo Santé Medico-Social**	Member of the Management Board	2012
Sodexo Entreprises SAS**	General Manager	2012
Sodexo Facilities Management SAS**	Chair	2011

* *Listed company.*
** *Sodexo group companies.*

CHARLES-HENRI FILIPPI

French.
Age: 63.
Chairman of Citigroup for France after having spent his career within the HSBC group, in which he was notably Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board of Directors in 2007 and 2008. Charles-Henri Filippi has been a Director of L'Oréal since 2007 and is a member of the Audit Committee, the Human Resources and Remuneration Committee and the Appointments and Governance Committee. He is also a Director of Orange.

Expiry date of term of office: 2019

- Professional address: Citigroup France – 1-5, rue Paul-Cézanne – 75008 Paris
- Holds 2,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Citigroup France	Chairman	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Orange*	Director	
Piasa S.A	Director	
Foreign company		
ABERTIS*	Member of the International Advisory Board (since July 2013)	
Others		
ADIE (*Association pour le Droit à l'Initiative Économique*)	Director	
Association des Amis de l'Opéra-Comique	Director	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
French companies		
Femu Qui SA	Member of the Supervisory Board	2015
Nexity	Non-voting member of the Board of Directors	2014
Euris	Member of the Supervisory Board	2014
Viveris Reim SA	Member of the Supervisory Board	2012
Octagones (parent company) and Alfina (subsidiary)	Chairman	2012
Others		
Association des Amis de l'Opéra-Comique	Chairman	2015
Centre National d'Art et de Culture Georges Pompidou	Director	2013

* *Listed companies.*

XAVIER FONTANET

French.
Age: 67.
Former Chairman and Chief Executive Officer of Essilor (1996-2009) and former Chairman of the Board of Directors of Essilor (2010-2012). Xavier Fontanet has been a Director of L'Oréal since May 2002 and is the Chairman of the Appointments and Governance Committee. He is also a member of the Supervisory Board of Schneider Electric.

Expiry date of term of office: 2018

- Professional address: 41, rue Martre – 92117 Clichy Cedex
- Holds 1,050 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Essilor International S.A. *	Director
Schneider Electric S.A. *	Director
Others	
Fondation Carrefour	Director
ANSA (*Association Nationale des Sociétés par Actions*)	Permanent representative of Essilor International and member of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		Expiry date of term of office
French companies		
Crédit Agricole S.A	Director	2012
Essilor International S.A	Chairman of the Board of Directors	2012
Fonds Stratégiques d'Investissement S.A.	Director	2011
Foreign companies		
Essilor Amico (L.L.C) (United Arab Emirates)	Director	2011
Nikon and Essilor International Joint Research Center Co. Ltd.	Chairman and Director	2011
Nikon Essilor Co. Ltd (Japan)	Director	2011

* *Listed companies.*

BELEN GARIJO

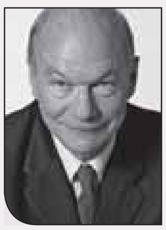
Spanish.
Age: 55.
Chairwoman and Chief Executive Officer of Merck Healthcare, a company bringing together all the pharmaceutical businesses of German Merck group and a member of this group's Executive Committee, Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

Expiry date of term of office: 2018

- Professional address: Merck KGAA – Frankfurter STR 250 Postcode F131/313 – 64293 Darmstadt – Germany
- Holds 1,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Merck Healthcare (Germany)	Chairwoman and Chief Executive Officer
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
BBVA * (Spain)	Director
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED	
None	

* *Listed companies.*



BERNARD KASRIEL

French.
Age: 69.
A former Chief Executive Officer of Lafarge, he has been a Director of L'Oréal since 2004, is the Chairman of the Human Resources and Remuneration Committee and a member of the Strategy and Sustainable Development Committee. He is also a Director of Arkema and Nucor (United States).

Expiry date of term of office: 2016

- Professional address: 1, rue Saint-James – 92200 Neuilly-sur-Seine
- Holds 1,290 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French company		
Arkema S.A.*	Director	
Foreign company		
Nucor (United States)*	Director	
CORPORATE OFFICES AND DIRECTORSHIP OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
French company		
LBO France	Partner	2011

* *Listed companies.*

CHRISTIANE KUEHNE

Swiss.
Age:60.
Head of the Food Strategic Business Unit at Nestlé until September 2015, Christiane Kuehne has been a member of L'Oréal's Board of Directors and a member of the Audit Committee since 2012.

Expiry date of term of office: 2016

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 1, 000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Nestlé S.A. (Switzerland)*	Head of Food Strategic Business Unit (until September 2015)
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
John Finlay Limited (UK)	Member of the Board
Other	
Fondation Wetter pour les enfants de l'Indochine	Member of the Board
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED	
None	

* *Listed companies.*

GEORGES LIAROKAPIS

French and Greek.
Age:53.
Coordinator of Sustainability for L'Oréal Western Europe, Georges Liarokapis was appointed in 2014 by the CFE-CGC as a Director representing the employees. He is a member of the Audit Committee.

Expiry date of term of office: 2018

- Professional address: 41, rue Martre – 92117 Clichy Cedex
- Holds 930 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD
None
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED
None

JEAN-VICTOR MEYERS

French.
Age: 29.
A member of the Supervisory Board of the family-owned holding company Téthys since January 2011 and Chairman of Exemplaire, Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Audit Committee.

Expiry date of term of office: 2016

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine
- Holds 1,500 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Téthys SAS	Member of the Supervisory Board
Exemplaire SAS	Chairman
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED	
None	

VIRGINIE MORGON

French.
Age: 46.
Chief Executive Officer of Eurazeo which she joined in 2008 after working for 16 years at Lazard, Virginie Morgon has been a Director of L'Oréal since 2013 and is a member of the Audit Committee. She is also a Director of Accor and a member of the Supervisory Board of Vivendi.

Expiry date of term of office: 2017

- Professional address: 1, rue Georges Berger – 75017 Paris
- Holds 1,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Eurazeo* E	Deputy CEO	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Accor* E	Director	
Eurazeo PME E	Chairwoman of the Supervisory Board	
Elis* E	Member of the Supervisory Board	
LH APCOA (holding company with an investment in APCOA) E	CEO	
Legendre Holding 33 E	Chairwoman of the Supervisory Board	
Legendre Holding 43 E	Chairwoman	
Legendre Holding 44 E	Chairwoman	
Legendre Holding 45 E	Chairwoman	
Legendre Holding 46 E	Chairwoman	
Legendre Holding 47 E	Chairwoman	
Vivendi*	Member of the Supervisory Board	
Foreign companies		
APCOA group GmbH (Germany) E	Managing Director	
Moncler SpA (Italy)* E	Vice-Chairwoman of the Board of Directors	
Abasic SL (Spain) E	Director	
CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**Expiry date of term of office**
French companies		
Elis	Chairwoman of the Supervisory Board	2015
Holdelis	Chairwoman of the Board of Directors	2014
Legendre Holding 33	Chairwoman	2014
Edenred	Director	2013
OFI Private Equity Capital (now Eurazeo PME capital)	Chairwoman of the Supervisory Board	2012
LT Participations (holding company with an investment in IPSOS)	Permanent representative of Eurazeo on the Board of Directors	2011
Foreign companies		
Broletto 1 Srl (holding company with an investment in Intercos) (Italy)	Chairwoman of the Board of Directors	2015
Euraleo Srl (Italy)	Managing Director	2015
APCOA Parking AG (Germany)	Chairwoman of the Supervisory Board	2014
APCOA Parking Holdings GmbH (Germany)	Chairwoman of the Advisory Board	2014
Intercos SpA (Italy)	Managing Director	2014
Sportswear Industries Srl (Italy)	Director	2013
Other		
Women's Forum (WEFCOS)	Member of the Board of Directors	2014

* *Listed companies.*
E *Subsidiaries or participations managed by Eurazeo (whether alone or in concert)..*

LOUIS SCHWEITZER

French.
Age: 73.
Chairman and Chief Executive Officer of Renault from 1992 to 2005, Chairman of the Board of Directors of Renault until 2009, Louis Schweitzer has been a Director of L'Oréal since 2005, and is the Chairman of the Audit Committee and a member of the Strategy and Sustainable Development Committee. He is also General Commissioner for Investment.

Expiry date of term of office: 2017

- Professional address: Commissariat Général à l'Investissement – Hôtel de Cassini – 32, rue de Babylone – 75007 Paris
- Holds 2,000 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Veolia Environnement*	Vice-President
BPI France	Director
Foreign company	
Allianz S.E. (Germany)	Member of the Advisory Board
Others	
Commissariat Général à l'Investissement	General Commissioner
Comité d'Echanges Franco-Japonais (CEFJ)	Special Advisor
Festival d'Avignon	Chairman
Fondation Nationale des Sciences Politiques	Member of the Board
Fonds de dotation de l'école française d'Athènes	Chairman
Initiative France	Chairman
Institut Français des Relations Internationales	Vice-President
Maison de la Culture MC93	President
Musée du Quai Branly	Director
Société des Amis du Musée du Quai Branly	Director and Honorary Chairman

CORPORATE OFFICES AND DIRECTORSHIPS OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		Expiry date of terms of office
French company		
BNP Paribas	Director	2013
Foreign companies		
Bosch (Germany)	Member of the Advisory Board	2014
AstraZeneca (United Kingdom)	Director Chairman of the Board	2012
AB Volvo (Sweden)	Chairman of the Board	2012
Others		
Comité des Salons	Chairman	2015
Institut d'Etudes Politiques de Paris	Member of the Board	2014
Banque de France	Member of the Advisory Board	

* *Listed company.*

2.2.2 TABLE OF THE COMPOSITION OF THE BOARD AT DECEMBER 31ST, 2015

	Independence *	Start of 1st tenure	Expiry date of current tenure	Board Committees			
				Strategy & Sustainable Development	Audit	Appointments & Governance	HR & Remuneration
Mr. Jean-Paul AGON		2006	2018	●			
Mrs. Françoise BETTENCOURT MEYERS		1997	2017	○			
Mr. Peter BRABECK-LETMATHE		1997	2017	○		○	○
Mr. Jean-Pierre MEYERS		1987	2016	○		○	○
Mrs. Ana Sofia AMARAL	Employee director	2014	2018				○
Mrs. Sophie BELLON	◆	2015	2019				
Mr. Charles-Henri FILIPPI	◆	2007	2019		○	○	○
Mr. Xavier FONTANET	◆	2002	2018			●	
Mrs. Belén GARIJO	◆	2014	2018				○
Mr. Bernard KASRIEL	◆	2004	2016	○			●
Mrs. Christiane KUEHNE		2012	2016		○		
Mr. Georges LIAROKAPIS	Employee director	2014	2018		○		
Mr. Jean-Victor MEYERS		2012	2016		○		
Mrs. Virginie MORGON	◆	2013	2017		○		
Mr. Louis SCHWEITZER	◆	2005	2017	○	●		

Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.
● *Committee Chairman/Chairwoman* ○ *Committee Member*

58.9
average age of the Directors at 12/31/2015

7
independent Directors

38,5 %
female Directors (excluding the Directors representing the employees)

2.2.3. CHANGES IN CORPORATE OFFICES AND DUTIES OF THE DIRECTORS

Changes in 2015

- Renewal of the tenure as Director of Mr. Charles-Henri Filippi

  The Annual General Meeting held on April 22nd, 2015 renewed the tenure of Mr. Charles-Henri Filippi as Director for four years.

- Appointment of Mrs. Sophie Bellon as Director

  The Annual General Meeting held on April 22nd, 2015 appointed Mrs. Sophie Bellon as a Director for a four-year tenure.

- Tenure as Director expiring in 2015: Mrs. Annette Roux

  Appointed as a Director in April 2007, Mrs. Annette Roux did not want her tenure as Director to be renewed at the close of the 2015 Annual General Meeting.

Changes scheduled in 2016[1]

- Renewal of the tenure as Director of Mr. Jean-Pierre Meyers

  Mr. Jean-Pierre Meyers has been a Director of L'Oréal since 1987 and Vice-Chairman of the Board of Directors since 1994.

  He is Chief Executive Officer and Vice-Chairman of the Supervisory Board of the family-owned holding company Téthys and Vice-Chairman of the Board of Directors of the Bettencourt Schueller Foundation.

  Mr. Jean-Pierre Meyers actively contributes to the quality of the debates of the Board and of the committees of which he is a member: Strategy and Sustainable Development Committee, Appointments and Governance Committee and Human Resources and Remuneration Committee.

  In 2015, he took part in all Board meetings and all the meetings of these three committees.

- Renewal of the tenure as Director of Mr. Bernard Kasriel

  Mr. Bernard Kasriel has been a Director of L'Oréal since 2004. Former Chief Executive Officer and Director of Lafarge, he is a Director of Arkema in France and of Nucor in the United States.

  Very available, assiduous and with complete freedom of judgment, Mr. Bernard Kasriel is the Chairman of the Human Resources and Remuneration Committee (until April 20th, 2016, see *"Changes in the composition of the committees in 2016"* p. 76) and a member of the Strategy and Sustainable Development Committee.

  In 2015, Mr. Bernard Kasriel took part in all the Board meetings and all the meetings of the two committees of which he is a member.

- Renewal of the tenure as Director of Mr. Jean-Victor Meyers

  Mr. Jean-Victor Meyers has been a Director of L'Oréal since 2012 and a member of the Audit Committee since 2014.

  He has been a member of the Supervisory Board of the family-owned holding company Téthys since January 2011. He is the Chairman of Exemplaire.

  Strongly committed to his duties, in 2015 he participated in all Board and Audit Committee meetings, except for one Audit Committee meeting.

- Resignation of Mr. Louis Schweitzer as Director

  Appointed as a Director in 2005, Mr. Louis Schweitzer has tendered his resignation to the Board of Directors, in accordance with the Internal Rules of the Board of Directors, as the 2016 Annual General Meeting follows his 73rd birthday. This decision will be effective at the close of this Meeting. The Board accepted Mr. Louis Schweitzer's resignation and wished to express its profound gratitude for his commitment and his particularly important contribution in the capacity of Chairman of the Audit Committee and member of the Strategy and Sustainable Development Committee.

- Tenure as Director expiring in 2016: Mrs. Christiane Kuehne

  The tenure of Mrs. Christiane Kuehne, Head of the Food Strategic Business Unit at Nestlé, will expire at the end of the Annual General Meeting on April 20th, 2016. The Board of Directors wishes to warmly thank Mrs Christiane Kuehne for the quality of her contribution to discussions during her four-year tenure.

- Appointment of a new Director in 2016: Mrs. Béatrice Guillaume-Grabisch

  Further to the proposal made by Nestlé, the Board of Directors will put to the vote of the Annual General Meeting the appointment as Director of Mrs. Béatrice Guillaume-Grabisch, General Manager of Nestlé Deutschland.Mrs. Béatrice Guillaume-Grabisch, 51, a French national, is a graduate of the ESSEC business school. She has more than 30 years' experience in marketing and sales in various consumer goods groups, such as Colgate-Palmolive, Beiersdorf and Johnson & Johnson. Mrs. Béatrice Guillaume-Grabisch was General Manager of L'Oréal Paris Germany for five years. In 2006, she joined the Coca-Cola group and became General Manager of its German subsidiary. From 2010 to 2013, Mrs. Béatrice Guillaume-Grabisch held the position of CEO of Beverage Partners Worldwide, a joint venture between Coca-Cola and Nestlé. In 2013, she joined the Nestlé group as Vice-president Europe Middle East North Africa Zone.

  Since July 2015, Mrs. Béatrice Guillaume-Grabisch has been the General Manager of Nestlé Deutschland.

(1) *Concerning appointments and renewals, subject to the favorable vote of the General Meeting of April 20th, 2016*

The appointment of Mrs. Béatrice Guillaume-Grabisch as Director for a tenure of 4 years is submitted to the Annual General Meeting.

- Appointment of a new Director in 2016: Mrs. Eileen Naughton

  Mrs. Eileen Naughton, age 58, a U.S. citizen, holds an MBA in finance and marketing from the University of Pennsylvania.

  She began her career in the media with the Time Warner Group in 1989, and was appointed General Manager of Fortune magazine in 1994. In 1997, she became Strategy & Finance Director at Time Inc. She took on digital responsibilities for the first time one year later, when she was appointed President, Time Inc. Interactive, a position which encompassed design, editorial content, technology and management for several Internet sites including People.com, Time.com, InStyle.com, etc. Her responsibilities included overseeing the integration of AOL, following the merger with Time Warner in 1999. From 2002 to 2005, Mrs. Eileen Naughton, President of Time Group, reoriented the magazine's advertising strategy towards digital.

  Mrs. Eileen Naughton joined the Google group in 2006, as Director of Sales for the U.S. East Coast, based in New-York. In 2010, she was made Managing Director, Media Strategy and Operations for the America, Europe and Asia zones, a position she held until 2014.

  At Google, she is currently Vice-President and Managing Director, UK and Ireland, and is based in London.

  Mrs. Eileen Naughton will provide the L'Oréal Board with the benefit of her outward-looking international perspective, her profound knowledge of the media, her digital experience, her entrepreneurial spirit and her human values.

  The appointment of Mrs. Eileen Naughton as Director for a tenure of 4 years is submitted to the Annual General Meeting.

  On the basis of these proposals, the number of independent Directors would remain unchanged as compared to December 31st, 2015 and the percentage representation of women on the Board would be 46%.

2.2.4. THE GUIDING PRINCIPLES

2.2.4.1. Experienced Directors who complement one another

L'Oréal's Directors come from different backgrounds; they complement one another due to their different professional experience, their skills and their nationalities. They have good knowledge of the Company. The Directors are present, active and strongly committed. These are all assets which contribute to the quality of the Board's deliberations in the context of the decisions that it is called on to make.

2.2.4.2. Gender parity on the Board of Directors

At December 31st, 2015, out of a total of 13 Directors (excluding the 2 Directors representing the employees), 5 women have seats on L'Oréal's Board of Directors, representing a proportion of female Directors of 38.5%.

The Appointments and Governance Committee has continued its selection process in order to make proposals of candidates to the Board of Directors. In any event, in 2017, the composition of the Board will be in compliance, in 2017, with French law which requires a minimum proportion of 40% of Directors of each gender. If the Annual General Meeting votes in favour of the appointment and renewals proposed to it, the number of women on the Board of Directors would be increased to 6 out of 13 Directors appointed by the Annual General Meeting, namely a percentage representation of women of 46%.

2.2.4.3. Two Directors representing the employees since July 2014

Two Directors representing the employees are members of the Board of Directors and of two of its committees. With the particular looking glass related to their wide knowledge of the Company, they provide further insight that enriches the quality of the Board's debates and decisions and those of the committees of which they are members.

Mrs. Ana Sofia Amaral was appointed by the *Instance Européenne de Dialogue Social*/European Works Council (IEDS/EWC). She holds the duties of Scientific and Technical Affairs Director for L'Oréal Portugal.

Mr. Georges Liarokapis was appointed by the CFE-CGC, the most representative trade union in L'Oréal for France. He holds the duties of Coordinator of Sustainability for L'Oréal Western Europe.

They both resigned from their duties as employee representatives before joining the Board of Directors.

As soon as they took up their office, they benefited from a training programme provided by an external body concerning, in particular, the role and functioning of the Board of Directors, the rights and obligations of the Directors and their liability. Like any new Director, the Directors representing the employees followed an induction course intended to perfect their knowledge of the Company's organisation and activities, which involved in particular individual interviews with the Group's main senior managers.

After an integration period of one year to allow them to know the Board's *modus operandi* and the main challenges faced by the Company, Mrs. Ana Sofia Amaral and Mr. Georges Liarokapis joined the Human Resources and Remuneration Committee and the Audit Committee respectively after the Annual General Meeting on April 22nd, 2015.

The Directors representing the employees have made known their training needs for next year. On this basis, the Board of Directors has developed a personalised training programme suited to the performance of their duties as Director.

The Board of Directors ensured that the Directors representing the employees have the time required for performance of their corporate office. Their superiors make sure that their professional assignments are compatible with the performance of their corporate office.

Their tenure covers a period of four years and they receive attendance fees according to the same allocation rules as the other Directors. The components of their remuneration as employees are not published.

2.2.4.4. Independent Directors

All the Directors of L'Oréal have freedom of judgment

The balance of powers on the Board is ensured through a very precise definition and sharing of the tasks to be carried out by everyone.

All the Directors receive information on an ongoing basis and have suitable means for the performance of their duties. They all have a duty of acting with due care and attention and participate, in total independence, in the decisions and work of the Board and, where applicable, its committees.

They are all required to comply with the rules in force with regard to conflicts of interest.

The Directors who qualify as independent in light of the criteria defined by the AFEP-MEDEF Code

A member of the Board is considered as independent when he/she does not maintain any relationship of any kind with the Company, its Group or its Management which could interfere with his/her freedom of judgement.

In this spirit, the criteria which guide the Board in determining whether a member can qualify as independent are the following criteria specified by the AFEP-MEDEF Code:

- the member must not be an employee or corporate officer of the Company, employee or Director of its parent company or a company which it consolidates in its financial statements, and must not have held any of these positions during the previous five years;
- the member must not be a corporate officer of a company in which the Company directly or indirectly holds the office of Director or in which an employee designated as such or a corporate officer of the Company (either currently or having performed such duties within the last five years) holds an office as Director;
- the member must not be a customer, supplier, investment banker or financial banker which is important for the Company or its Group, or for which the Company or its Group represents a significant proportion of activities;
- the member must not have any close family links with a corporate officer;
- the member must not have been the Company's auditor over the five previous years;
- the member must not have been a Director of the Company for more than twelve years.

At its meeting on December 1st, 2015, the Board of Directors examined, on a case-by-case basis, the situation of each of the members concerned in light of the independence criteria provided for in the AFEP-MEDEF Code:.

	Not an employee or corporate officer	No cross-directorships	No business relationships	No family links	Not an auditor or former auditor	Not a Director for over 12 years	Classification adopted
Mrs. Sophie Bellon	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Mrs. Belén Garijo	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Mrs. Virginie Morgon	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Mr. Charles-Henri Filippi	Yes	Yes	Yes(1)	Yes	Yes	Yes	Independent
Mr. Xavier Fontanet	Yes	Yes	Yes	Yes	Yes	No(2)	Independent
Mr. Bernard Kasriel	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Mr. Louis Schweitzer	Yes	Yes	Yes	Yes	Yes	Yes	Independent

(1) On the basis of the work carried out by the Appointments and Governance Committee, the Board of Directors analysed on December 1st, 2015, as it does every year, the financial flows that took place during the financial year between L'Oréal and the companies in which the Directors who qualify as independent also hold an office. It appears that the nature of these business relationships is not significant.

Concerning the relations between L'Oréal and Citigroup France of which Mr. Charles-Henri Filippi is the Chairman, the Board noted that they were not significant in terms of their volume or with regard to their nature. They mainly involve currency option premiums with regard to currency hedges taken by the Group. Furthermore, the possibility for L'Oréal to use a panel of banks, in a competitive context, rules out all relationship of dependence. Furthermore, Mr. Charles-Henri Filippi is aware that he is under the obligation of notifying the L'Oréal Board of Directors of all situations constituting a conflict of interest, even if such conflict is only potential, and that he must refrain from participating in the corresponding deliberations and decisions. Furthermore, at Citigroup, he will not take part in the work that is liable to concern L'Oréal.

(2) The Board of Directors, at its meeting on December 1st, 2015, carefully examined the situation of Mr. Xavier Fontanet whose tenure exceeded 12 years after its renewal, on April 17th, 2014. The Board of Directors took into account the objectiveness that Mr. Xavier Fontanet has always shown at the time of the debates and decisions of the Board and his ability to express his convictions and make a balanced judgment in all circumstances with regard to the General Management. It considered that his personality, his leadership and his commitment, were all guarantees of his independent-mindedness.

The Board also considered that the experience of Mr. Xavier Fontanet with regard to governance and the attention he has always paid to the due and proper functioning of the Board in his capacity as Chairman of the Appointments and Governance Committee are essential in light of the large number of recent appointments of new independent Directors and the integration of the Directors representing the employees. These qualities, combined with a good understanding of the challenges facing the Company, contribute to a great extent to the continuity of the Board's debates and help to put its decisions into perspective.

In light of these elements of assessment concretely analysed with great care, the Board of Directors considered that the criterion of 12 years, defined by the AFEP-MEDEF Code in addition to five other criteria, was not sufficient in and of itself for Mr. Xavier Fontanet to mechanically lose the status of independent Director.

In sum, at December 31st, 2015, 7 members of the Board of Directors out of 13 (excluding the Directors representing the employees) qualify as independent (*i.e.* 53.8% of the Board of Directors):

- Mrs. Sophie Bellon;
- Mrs. Belén Garijo;
- Mrs. Virginie Morgon;
- Mr. Charles-Henri Filippi;
- Mr. Xavier Fontanet;
- Mr. Bernard Kasriel;
- Mr. Louis Schweitzer.

2.2.4.5. Responsible Directors

Handling of conflicts of interest

Within the scope of the law and the rights and obligations of the Directors as defined in the Internal Rules of the Board of Directors of L'Oréal, and in accordance with the AFEP-MEDEF Code, the Directors are subject to compliance with the rules in force with regard to conflicts of interest and stock market ethics.

Thus, *"the Directors are under the obligation of notifying the Board of all situations constituting a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberation"*. In this regard, on the basis of the reports made by each Director, the Board has not identified any conflict of interests. The information pursuant to Annex I of European regulation No. 809/2004 set out hereafter contains additional details in this respect.

Information relating to Directors and corporate officers pursuant to Annex I of European regulation No. 809/2004

Family relationships existing between the corporate officers or Directors (Article 14.1 of the Annex)

Mrs. Françoise Bettencourt Meyers is Mr. Jean-Pierre Meyers' wife and the mother of Mr. Jean-Victor Meyers.

Mr. Jean-Pierre Meyers is the husband of Mrs. Françoise Bettencourt Meyers and the father of Mr. Jean-Victor Meyers.

Mr. Jean-Victor Meyers is the son of Mrs. Françoise Bettencourt Meyers and of Mr. Jean-Pierre Meyers.

No conviction or incrimination of the corporate officers and Directors (article 14.1 of the annex)

To the Company's knowledge, over the last five years, the corporate officers and Directors have not been convicted for fraud, associated with a bankruptcy, receivership or liquidation, or the subject of any official public incrimination or sanction imposed by statutory or regulatory authorities (including designated professional bodies) or a decision by a court disqualifying them from acting as a member of an administrative, management or supervisory body or from acting in the management or conduct of the business of any issuer.

Potential conflicts of interest between the duties of the corporate officers and Directors with regard to L'Oréal, and their private interests and/or other duties (Articles 14.2 and 18.3 of the Annex)

The situation of each of the Directors in light of the independence criteria set out in the AFEP-MEDEF Code is examined in paragraph 2.2.4.4. The method of organisation and *modus operandi* adopted by the Board would allow it, where applicable, to prevent any wrongful exercise of control by a shareholder, in particular due to the presence of seven independent Directors on the Board of Directors. See also chapter 6 of this document concerning agreements relating to shares in the Company's capital.

Information on services contracts with members of the administrative bodies (Article 16.2 of the Annex)

No corporate officers or Directors have a service contract with L'Oréal or any of its subsidiaries providing for the granting of benefits upon termination of such contract.

Stock market ethics

The Board took cognizance of the rules to be applied to prevent insider trading, in particular regarding the periods during which it is prohibited to trade in shares. It decided to amend its Internal Rules accordingly and issued recommendations to General Management to update L'Oréal's Stock Market Code of Ethics and the Fundamentals of Internal Control.

On the basis of the legal provisions, regulations and market recommendations, this code points out that inside information must only be passed on and used for professional purposes.

Inside information is precise information of a non-public nature, which, if made public, could have a significant influence on the share price. Such inside information may, in particular, fall into one of three main categories: strategic, linked to the definition and application of the Group's growth strategy; recurring, linked to the annual schedule for production and publication of annual and interim financial statements, regular releases or periodic meetings devoted to financial information; exceptional, linked to a specific programme, project or financial transaction.

The Stock Market Code of Ethics states that any person in possession of inside information must proceed with the greatest caution when trading in or enabling others to trade in L'Oréal shares, and emphasises that any misconduct in this area may result in criminal proceedings. The Internal Rules of the Board point out specifically that a Director, who has permanent insider status, is requested to refrain from trading in L'Oréal shares precisely in certain periods and when he/she has access to inside information.

Lastly, Directors are required to notify the *Autorité des Marchés Financiers* (AMF) of each transaction carried out by them or their close relatives and friends related to L'Oréal shares. The Company reminds them regularly of this obligation (see *Summary of trading by Directors and corporate officers in L'Oréal shares in 2015* in paragraph 2.6).

2.3. THE WAYS IN WHICH THE BOARD'S WORK IS PREPARED AND ORGANISED

2.3.1 THE ACTIVITIES OF THE BOARD OF DIRECTORS

General missions and Internal Rules

The Directors oversee the Group's economic and financial management and contribute to defining its strategy. They examine and approve the main lines of action adopted by the General Management, which implements them.

In this connection, the Board seeks on an ongoing basis to adopt a *modus operandi* which, while strictly complying with the law, assures the conditions of good corporate governance.

The Board's work is based on Internal Rules, regularly updated, designed to supplement the legal, regulatory and statutory rules and the market recommendations to which the Board refers. The Internal Rules are made public in this report and published on L'Oréal's website.

The Board's work focused on business activities and strategy

Thanks to transparent, relevant information based on a constructive, open dialogue with the General Management, the Board actively contributes to development of strategy.

It is systematically informed, at each meeting, of the Group's activities and results, of the sales generated by Division, geographic zone and brand, and market share gains. It is also informed throughout the year of developments in the cosmetics market, the results of competitors and the Group's relative positioning. The Board is thus completely up-to-date with regard to L'Oréal's economic reality.

It meets the Group's main senior managers regularly and thus benefits from in-depth knowledge of the professions, performances and challenges specific to each business line. It may form a clear, independent opinion of the opportunities for the Group's development over the next few years.

In 2015, the Executive Vice-President Research and Development of L'Oréal described the global organisation and geographic deployment of his department and the Directors discussed the main challenges for the Group's research and innovation teams.

L'Oréal's Chief Digital Officer gave a presentation of the challenges of the digital revolution and the Directors reflected on the opportunities that this offers L'Oréal.

The Directors also reviewed in-depth the situation and prospects of developing L'Oréal in Africa, and the Group's strategy in China. These discussions took place following comprehensive presentations made by the Executive Vice-Presidents of each of these Zones and were, on each occasion, the opportunity for a regular dialogue and guidance useful for operational implementation of the Group's strategy.

A full-day meeting was devoted to the Active Cosmetics Division, with the organisation of visits to points-of-sale, for a concrete analysis of developments in the strongly developing market of cosmetics sold in pharmacies.

The Board also contributes to the development of strategy, by analysing the interest of acquisitions, their impact on the Company's financial structure and on its long-term development capabilities. The Board is very attentive to following up on acquisitions made during previous years and asks for a regular status report to be made to it on the transactions carried out: integration within the Group, synergies, complementarities, fulfilment of the business plan prepared at the time of the acquisition and value creation for L'Oréal.

In 2015, the Board studied the terms and conditions of an agreement to be entered into with regard to the end of the activities of the Innéov joint venture between L'Oréal and Nestlé and, after having deliberated (without the Nestlé Directors taking part in the voting), considered that the project was in L'Oréal's interests and authorised the signature of the agreement

The Central Works Council was once again consulted and issued an opinion, pursuant to the French law of June 14th, 2013 relating to security of employment, on the Company's strategic orientations, as previously defined by the Board of Directors. The Board reviewed the Central Works Council's opinion and responded thereto.

Every year, the Board makes a full evaluation of its *modus operandi* and its organisation. It discusses this evaluation when the item is put on the Board meeting agenda. This evaluation leads to proposals for improvements and makes it possible to define the strategic topics on which the Board wishes to focus its reflections in particular (see self-evaluation of the Board of Directors in paragraph 2.3.3).

Provision of information to the Board on the Company's financial situation, cash position and commitments

The financial situation and the cash position are reviewed at least twice a year at a Board meeting, at the time of adoption of the annual financial statements and review of the interim financial statements or at any other time if necessary. The balance sheet structure remains solid.

The Company's commitments are reviewed within the framework of the annual renewal of the authorisations given to the Chairman and Chief Executive Officer and the delegations of authority it grants.

As attested to by the preparatory work of its committees (see §2.3.3), the Board also analyses other aspects of strategy, the Group's economic and financial management and the Company's environmental, social and societal commitments. The committee's work systematically gives rise to a report presented by their Chairman at Board meetings.

2.3.2. THE ACTIVITIES OF THE BOARD COMMITTEES

The Board's debates and decisions are assisted by the work performed by its committees, which report to it after each of their meetings. The remits of each committee are described in detail in the Internal Rules of the Board of Directors.

The committees were again given responsibility by the Board for preparing its decisions in 2015. The composition of these committees, their remits and their work in 2015 are described in detail below.

The Board's committees act strictly within the framework of the remits given to them by the Board. They prepare actively for its work and make proposals but they do not have any decision-making powers. All the Directors who are members of a committee participate in Committee meetings with complete freedom of judgment and in the interest of all the shareholders.

STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

COMPOSITION

- Mr. Jean-Paul Agon (Chairman)
- Mrs. Françoise Bettencourt Meyers
- Mr. Peter Brabeck-Letmathe
- Mr. Bernard Kasriel
- Mr. Jean-Pierre Meyers
- Mr. Louis Schweitzer

The committee met 5 times in 2015, with an attendance rate of 93%.
It is specified that 2 members are part of the Bettencourt Meyers family and one member is from Nestlé.

MAIN REMITS

- Providing insight, through its analyses, into the strategic orientations submitted to the Board.
- Monitoring the implementation and advancement of significant operations in progress and ensuring that the main financial balances are maintained.
- Examination of the main strategic lines of development, options or projects presented by the General Management, and their economic and financial consequences, opportunities for acquisitions and financial transactions liable to significantly change the balance sheet structure.
- Verification of the integration of the Company's commitments with regard to Sustainable Development, in light of the issues specific to the Group's business activities and its objectives.
- Examination of the proposed strategic orientations defined by the Board with a view to consultation of the Central Works Council.

MAIN ACTIVITIES

- Analysis of sales, update on business activities, markets and competition.
- Analysis of the performance of the latest product launches.
- Examination of the Group's strategic development prospects.
- Review of the main acquisition projects.
- Examination of the *Sharing Beauty With All* programme Progress Report.
- Review of the limitation threshold for the powers of the General Management in respect of financial commitments.

EVOLUTION SCHEDULED IN 2016

Concerning appointments and renewals, subject to the favourable vote of the General Meeting on April 20th, the Strategy and Sustainable Development Committee will be composed as follows:

- Mr. Jean-Paul Agon (Chairman)
- Mrs. Françoise Bettencourt Meyers
- Mr. Peter Brabeck-Letmathe
- Mr. Xavier Fontanet
- Mr. Bernard Kasriel
- Mr. Jean-Pierre Meyers

AUDIT COMMITTEE

The members of the Audit Committee have the necessary financial and accounting skills due to their professional experience and their good knowledge of the Groups accounting and financial procedures.

The committee meets at least twice a year outside the presence of management, with the participation of the Statutory Auditors, it being specified that the Statutory Auditors attend all meetings, except the deliberations which concern them.

The committee did not deem it appropriate to call upon outside experts. It is specified that the Chairman and Chief Executive Officer is not a committee member.

COMPOSITION

- Mr. Louis Schweitzer (Chairman)
- Mr. Charles-Henri Filippi
- Mrs. Christiane Kuehne
- Mr. Georges Liarokapis
- Mr. Jean-Victor Meyers
- Mrs. Virginie Morgon

The number of independent Directors is 3 out of 5, namely 60% (excluding the Director representing the employees).
One Director representing the employees, Mr. Georges Liarokapis, is a member of this committee.
The Audit Committee met 4 times in 2015, with an attendance rate of 96%.
The committee is chaired by Mr. Louis Schweitzer, an independent Director who has recognised financial expertise.

MAIN REMITS

- Monitoring of the process for preparation of financial information.
- Monitoring of the statutory audit of the annual and consolidated accounts by the Statutory Auditors.
- Review of the audit plans and the Statutory Auditors' work programme and the results of their audits.
- Monitoring of the Statutory Auditors' independence.
- Monitoring of the efficiency of the Internal Control and risk management systems.
- Warning role with regard to the Chairman of the Board in the event of detection of a substantial risk which in its view is not adequately taken into account.
- Task of monitoring the Group's main risk exposures and sensitivities.
- Review of the programme and objectives of the Internal Audit Department and the Internal Control system methods and procedures used.
- Annual review of the section of the Management Report relating to "risk factors" and the Report of the Chairman of the Board of Directors relating to Internal Control and risk management procedures.

MAIN ACTIVITIES

- Review of the annual and interim results and the balance sheet.
- Review of the Statutory Auditors' Reports.
- Running of the procedure for renewal of the Statutory Auditors: the committee recommended to the Board of Directors that it renew the existing Statutory Auditors.
- Review of the 2015 audit plan of the Statutory Auditors and of the results of the audits carried out, their recommendations and the follow-up actions taken, within the framework of the statutory audit of the accounts.
- Examination of the audits carried out by the Statutory Auditors with regard to social, environmental and societal information, enlargement of the audit scope and improvement of reliability of the data that made it possible to issue an additional reasonable assurance report.
- Monitoring of Internal Audit activity: the committee considered that the Internal Audit Department performed a thorough review of all key processes, using strict criteria.
- Internal Control: review by the committee of the measures taken aimed at strengthening Internal Control. The committee noted that the management of the risks is controlled and carried out at operational level. There is a process providing for a regular review of the risks by the Executive Committee.
- Information Systems Security and safety: the committee ensured that the infrastructures were solid, and made sure of the availability of the applications and data and their integrity (traceability of the operations and confidentiality of information). Presentation of the cyber security programme.
- Research, Innovation and Operations: The committee heard presentations by the Executive Vice-President Research and Innovation and the Executive Vice-President Operations who described the processes related to risk management and control in their respective areas of responsibility.

AUDIT COMMITTEE (SUITE)

MAIN ACTIVITIES (CONTINUATION)

- Examination of the "risk factors" section of the 2015 Management Report and the draft Report of the Chairman relating to Internal Control and risk management procedures.
- Information on the legal risks and the potential litigation and major events liable to have a significant impact on L'Oréal's financial position and on its assets and liabilities.

EVOLUTION SCHEDULED IN 2016

Concerning appointments and renewals, subject to the favourable vote of the General Meeting on April 20th, the Audit Committee will be composed as follows:

- Mrs. Virginie Morgon (Chairwoman)
- Mrs. Sophie Bellon
- Mr. Charles-Henri Filippi
- Mrs. Béatrice Guillaume-Grabisch
- Mr. Georges Liarokapis
- Mr. Jean-Victor Meyers

2

APPOINTMENTS AND GOVERNANCE COMMITTEE

COMPOSITION

- Mr. Xavier Fontanet (Chairman)
- Mr. Peter Brabeck-Letmathe
- Mr. Charles-Henri Filippi
- Mr. Jean-Pierre Meyers

The number of independent Directors is 2 out of 4, namely 50%.

In 2015, the committee met 4 times with an attendance rate of 100%.

The Chairman and Chief Executive Officer can attend Committee meetings except with regard to any matters on the agenda that concern him directly.

MAIN REMITS

- Reflections and recommendations to the Board with regard to the methods of performance of General Management and the status of the executive officers.
- Issuing an opinion on proposals made by the Chairman of the Board of Directors for appointment of the Chief Executive Officer, where applicable.
- Preparation of succession plans for the executive officers in the event of an unforeseen vacancy.
- Proposal to the Board of new Directors.
- Examination of the classification as independent Directors which is reviewed by the Board every year.
- Verification of the due and proper application of the Code of Corporate Governance to which the Company refers.
- Discussion on governance issues related to the functioning and organisation of the Board.
- Conducting the reflection process with regard to the committees that are in charge of preparing the Board's work.
- Preparation for the decisions by the Board with regard to updating its Internal Rules.

MAIN ACTIVITIES

- Reflection on composition of the Board (diversity, complementary profiles, skills, gender balance, holding of several offices, etc.),
- Selection and meeting with candidates and proposals to the Board for validation.
- Preparation and monitoring of the induction course for the new Directors.
- Reflection on composition of the Board committees and proposals.
- Proposal to the Board concerning the preparation time for meetings and training for the Directors representing the employees. Preparation of the Directors' training plan for 2015 and 2016.
- Examination of the independence of each of the Directors in light of the criteria set out in the AFEP-MEDEF Code.
- Determination of the terms and conditions of the annual evaluation of the Board.
- Analysis of the 2015 reports of the AMF and the *Haut Comité de Gouvernement d'Entreprise* (High Committee on Corporate Governance).
- Review of the succession plans with a view to ensuring the continuity of General Management.
- Review of the key positions in the organisation from the perspective of ensuring the continuity of business activities (in the short-term).

EVOLUTION SCHEDULED IN 2016

Concerning appointments and renewals, subject to the favourable vote of the General Meeting on April 20th, the Appointments and Governance Committee will be composed as follows:

- Mrs. Sophie Bellon (Chairwoman)
- Mr. Peter Brabeck-Letmathe
- Mr. Charles-Henri Filippi
- Mr. Jean-Pierre Meyers

HUMAN RESOURCES AND REMUNERATION COMMITTEE

COMPOSITION

- Mr. Bernard Kasriel (Chairman)
- Mrs. Ana Sofia Amaral
- Mr. Peter Brabeck-Letmathe
- Mr. Charles-Henri Filippi
- Mrs. Belén Garijo
- Mr. Jean-Pierre Meyers

The number of independent Directors is 3 out of 5, namely 60% (excluding the Director representing the employees).

One Director representing the employees, Mrs. Ana Sofia Amaral, is a member of this committee.

In 2015, the committee met 5 times with an attendance rate of 97%.

The Chairman and Chief Executive Officer can attend Committee meetings except with regard to any matters on the agenda that concern him directly.

MAIN REMITS

- Making proposals relating to the remuneration of the Chairman of the Board of Directors and that of the Chief Executive Officer, where applicable.
- Setting of the total amount of attendance fees to be submitted to the Annual General Meeting and the method of distribution.
- Determination of the policy for long-term incentive plans, in particular through plans for free grants of shares or performance shares (ACAs).
- Monitoring of Human Resources policy: labour relations, recruitment, diversity.
- Monitoring of the application of the Code of Ethics in the Company.

MAIN ACTIVITIES

- In February 2015, analysis of the performance of the Chairman and Chief Executive Officer for 2014 and provision to the Board of a recommendation with regard to setting the 2014 annual variable remuneration.
- Analysis and reflection with regard to the structure of the annual variable remuneration of the Chairman and Chief Executive Officer. Reflection process concerning the objectives for 2016.
- Say on Pay: Preparation of the resolution presented to the Annual General Meeting of April 22nd, 2015; preparatory work with a view to the Say on Pay resolution to be put to the vote at the Annual General Meeting on April 20th, 2016.
- Delivery of the Long-Term Incentive (LTI) plans: Recording of the performances relating to the 2010 stock option plan and the 2011 plan for the conditional grant of shares (ACAs).
- Preparation of the resolution proposed to the Annual General Meeting and of the plan for the grant of performance shares (ACAs) of April 22nd, 2015 and proposal for a grant to the Chairman and Chief Executive Officer.
- Pension schemes for the senior managers: changes in the L'Oréal pension schemes. Situation of the Chairman and Chief Executive Officer.
- Allocation of attendance fees with the application of a predominantly variable portion.
- Review of Ethics Policy.
- Review of HR Policy.

EVOLUTION SCHEDULED IN 2016

Concerning appointments and renewals, subject to the vote of the General Meeting on April 20th, the Human Resources and Remuneration Committee will be composed as follows:

- Mr. Charles-Henri Filippi (Chairman)
- Mrs. Ana Sofia Amaral
- Mr. Peter Brabeck-Letmathe
- Mrs. Belén Garijo
- Mr. Jean-Pierre Meyers

2.3.3. SELF-EVALUATION BY THE BOARD OF DIRECTORS

Every year, the Board carries out the formal evaluation provided for by the AFEP-MEDEF Code of its composition, its organisation and its *modus operandi,* in particular in order to verify that, under these conditions, the agenda for its work duly covers the scope of its remits, that important questions have been appropriately prepared for and discussed and to measure the contribution made by each member to the Board's work.

This evaluation is carried out within the framework of the AFEP-MEDEF Code, to which the Board refers and market recommendations like those of the AMF.

This evaluation is carried out, in 2015, with the help of a thematic interview guide setting out the principles provided for by the Code, accompanied by a questionnaire enabling each Director to think about the Board's due and proper functioning and his/her personal contribution to the Board's work and decisions. This document served as a basis for the individual interviews arranged between the Directors and the Secretary of the Board.

These interviews concerned the Board's composition, its organisation and its *modus operandi*. Various governance topics were more specifically examined: separation of the duties of Chairman and Chief Executive Officer, the question of scheduling meetings of the Board of Directors outside the presence of the external or internal Directors, the appointment of a Lead Director and the conduct of the General Meeting. The activities of the committees were reviewed, in particular the procedure for analysis of the independence of the Directors and any conflicts of interest. The Directors expressed their opinion more specifically with regard to the quality and relevance of the information provided to them and the drafting of the minutes and gave their points of view on the Board's involvement in the definition of L'Oréal's strategy. They formulated suggestions for improvements and submitted proposals with regard to strategic topics and subjects which they would like to discuss in further detail in 2016.

The summary of these interviews made by the Secretary of the Board led to a debate on the Board of Directors.

It was noted first of all that the Board had a balanced composition, with diversified, complementary expertise. All the Directors are assiduous in their duties, active and closely involved. They share the same concern for acting in L'Oréal's long-term interests. The dialogue with the General Management is open and constructive. Discussions are freely entered into and go into detail. The Directors thus exercised their complete freedom of judgment in 2015 like they did in previous years. This freedom of judgment enabled them to participate, in complete independence, in the work and the collective decisions of the Board and the activities of the committees.

In 2015, the Board once again appreciated the pace and frequency of its meetings and those of its committees. The format of the information provided to it in connection with business activities in general and the main events in the life of the Group is satisfactory. Making documentation available prior to Board or Committee meetings, in compliance with the requirements of confidentiality and the time constraints with which the Company is faced, favours the quality of the debates.

In light of this analysis, the Board did not wish to revise its organisation and did not consider the appointment of a Lead Director on the Board or the scheduling of meetings of the Board of Directors outside the presence of the executive or internal Directors to be adapted to L'Oréal's situation.

Furthermore, the Board considered that its driving role for the Group's strategic-decision making is improving year-on-year. It appreciates more particularly the presentations made by management which make it possible to go into detail with regard to the issues specific to each business line. The problems are posed with great transparency, which enriches exchanges of views and provides insight. The one-day meeting on strategy, dedicated to the Active Cosmetics Division this year, was considered as essential: it enables the Board to go on-site, to get to know the teams, to conduct a detailed dialogue with the senior managers, and thus to compare strategic vision with its operational implementation.

For 2016, various decisions with regard to improvements were made and a certain number of topics to be included on the agenda for Board meetings were adopted.

Concerning the Board's self-evaluation procedure in 2016, the Board did not consider it appropriate to entrust this evaluation to an external body, considering that the current process was satisfactory. The interview guide will be reviewed by the Appointments and Governance Committee which will supervise the process in liaison with the Secretary of the Board. The summary of the interviews with the Directors will be discussed at a Board meeting as is the case every year.

2.3.4. APPENDIX: COMPLETE TEXT OF THE INTERNAL RULES OF THE BOARD OF DIRECTORS

These Rules are applicable to all present and future Directors, whether they are appointed by the General Meeting or by the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the *modus operandi* of the Board of Directors and its committees, in the interests of the Company and of its shareholders.

L'Oréal's Board of Directors refers to the principles of corporate governance as presented by the AFEP-MEDEF Code. The Internal Rules specify the *modus operandi* of the Board, in the interests of the Company and of all its shareholders, and those of its committees, whose members are Directors to whom it gives preparatory assignments for its work. The Internal Rules were amended by the Board of Directors on July 30th, 2015, in order to change the threshold for delegation to the General Management. As was the case for previous versions, the Internal Rules are made public in full below.

Preamble

The Board of Directors of L'Oréal ("the Company") is a collegial body which is mandated by all the shareholders. It has the authority given to it by law to act in all circumstances in the best interests of the Company.

In exercising its legal prerogatives, the Board of Directors ("the Board") has the following main duties: it validates the Company's strategic orientations, appoints the executive officers given responsibility for managing the Company within the scope of this strategy, chooses the method of organisation of the General Management (combination or separation of the roles of Chairman and Chief Executive Officer), oversees the management and ensures the quality of the financial and extra-financial information provided to the shareholders and to the markets.

The organisation of the Board's work and its composition is adapted to the specificities of L'Oréal and is in line with an approach of constant progress. The Board's main responsibility is to adopt the method of organisation and the *modus operandi* which enable it to perform its duties to the best of its ability. Its organisation and its *modus operandi* are described in these Internal Rules which it draws up, and which are published in full on L'Oréal's website and in the Registration Document.

The Board's actions are carried out within the framework of the AFEP-MEDEF Code. The Report of the Chairman on the Board's composition and on the way in which the Board's work is prepared and organised explains, where applicable, the recommendations that have not been adopted in light of the Company's specificities.

These Rules apply to all the Directors, both current and future, whether they are appointed by the Annual General Meeting or the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the *modus operandi* of the Board of Directors and its committees.

1. DUTIES AND AUTHORITY OF THE BOARD OF DIRECTORS

1.1. The general powers of the board

The Board of Directors determines the Company's business strategy and oversees the implementation thereof.

Subject to the powers expressly conferred to General Shareholders' Meetings and within the limit of the Company's purpose, the Board deals with all matters regarding the smooth running of the Company and settles issues concerning the Company by virtue of its decisions. At any time in the year, the Board carries out the controls and verifications it deems appropriate.

The Board prepares for and convenes General Shareholders' Meetings and sets the agenda. It puts the parent company and consolidated financial statements to the vote and presents to the meeting its Management Report to which is attached the Report of the Chairman approved by the Board.

The Board sets the remuneration of the Directors and executive officers. It reports on its policy and its decisions in its Management Report and in the Report of its Chairman. The General Shareholders' Meeting is consulted every year on the components of remuneration due or allocated to each executive officer for the past financial year. The Board is a collegial body which is legally unable to delegate its authority, except to the General Management in those cases expressly provided for by law. Within the scope of its work, it may decide to set up committees which do not have decision-making powers but have the task of providing all useful information for the discussions and decisions which it is called upon to make. The Board decides on the composition of the committees and the rules with regard to their *modus operandi*.

The Board may ask one or more of its members or third parties to carry out special assignments or projects aimed in particular at studying one of more specific topics.

1.2. Relations between the General Management and the Board

1.2.1. Form of General Management

General Management of the Company is carried out, under his responsibility, by either the Chairman of the Board of Directors (the Chairman and Chief Executive Officer) or by another individual with the position of Chief Executive Officer. Leaving the possibility to choose between the separation or combination of roles, the law does not give preference to any form and gives the Board authority to choose between the two methods of organisation of the General Management in light of the specificities of the Company.

Whether the General Management is carried out by a Chairman and Chief Executive Officer or a Chief Executive Officer, the Board has the same prerogatives. It may in particular take all specific measures aimed at ensuring the continued balance of powers.

1.2.2. Powers of General Management

The General Management, which may be carried out by the Chairman of the Board of Directors or by a Chief Executive Officer, is vested with the broadest powers to act in all circumstances in the name of the Company. It must exercise these powers within the limit of the Company's purpose subject to the powers expressly granted by French law to General Shareholders' Meetings and the Board of Directors.

The Board has the possibility to provide for limitations on the powers of the General Management. Thus, transactions which may materially impact the scope of consolidation of the Company, in particular, transactions involving an amount in excess of €250,000,000 and all new transactions which are outside the normal course of business for an amount in excess of €50,000,000, must be submitted to the Board. In any event, the Board of Directors must be informed of the conclusion and implementation of all transactions.

The General Management represents the Company in its dealings with third parties.

Upon a proposal by the Chief Executive Officer, the Board may appoint one or more individuals responsible for assisting the Chief Executive Officer, who will hold the corporate office of Deputy Chief Executive Officer(s).

1.2.3. The duties of the General Management

Whatever the form of organisation chosen (Chairman and Chief Executive Officer or Chief Executive Officer), the General Management is required to provide each Director with all the documents and information required to carry out their duties.

More specifically, the General Management provides the Board members with useful information in connection with the preparation of meetings, or at any time during the life of the Company if the importance or urgency of the information so requires. This ongoing information provision also includes any relevant information concerning the Company, and in particular press articles and financial analysis reports.

The General Management gives the Board and its committees the possibility to meet with the senior managers of L'Oréal within the strict framework of their remits and duties. In consultation with the General Management, the Board and the committees may use external consultants if they consider it necessary.

The Board is informed, at the time of closing of the annual financial statements and the review of the interim financial statements or at any other time if necessary, of the Company's financial situation and cash position.

2. COMPOSITION OF THE BOARD

2.1. The Directors

The Directors of the Company:

- provide their expertise and professional experience;
- are required to act with due care and attention and participate actively in the work and discussions of the Board;
- have complete freedom of judgement.

This freedom of judgement enables them in particular to participate, in total independence, in the decisions and work of the Board, and, where appropriate, of its committees.

2.1.1. Independence

The Board reviews the independence of each of its members every year, after obtaining the opinion of the Appointments and Governance Committee, in particular in light of the independence criteria in the AFEP-MEDEF Code and taking account of the specificities of L'Oréal. The findings of this evaluation are reported to the shareholders and made available to the general public.

2.1.2. Diversity

The Board considers the issue of the desirable balance of its composition and that of its committees, notably in the representation of men and women, nationalities and diversity of skills. The objectives, terms and conditions and results of its policy in this area are made public in the Report of the Chairman approved by the Board and included in the Registration Document.

2.1.3. Renewal of tenures

The length of the term of office of Directors is 4 years. However, the staggering of the terms of office is organised in order to avoid renewal of too many Directors all at once and favour the harmonious renewal of the Directors.

In principle, it is agreed by the Board members that all Directors will tender their resignation to the Board prior to the General Shareholders' Meeting following their 73rd birthday and that they will no longer apply for renewal of their tenure if this rule does not enable them to perform their office for at least two years.

In any event, in accordance with French law and the Articles of Association, the total number of Directors who are over 70 years of age may not exceed one third of the Directors in office.

2.2. The Chairman of the Board

The Board of Directors must elect a Chairman from among its members.

The Chairman of the Board organises and oversees the Board's work and reports thereon to the General Shareholders' Meeting.

He sets the dates and the agenda for Board meetings and leads the discussions.

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, *inter alia*, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for any document or information that is likely to assist the Board of Directors in preparing for its meetings.

The Chairman of the Board must use his best efforts to promote the values and image of the Company at all times. The Chairman expresses his views in that capacity.

He is provided with the material resources required to perform his duties.

The Chairman of the Board takes care, particularly in the event of separation of roles, to develop and maintain a trustful and regular relationship between the Board and the General Management, in order to guarantee continuous, ongoing implementation by the General Management of the orientations defined by the Board.

3. RIGHTS AND OBLIGATIONS OF DIRECTORS

3.1. Awareness of and compliance with regulatory texts, recommendations and obligations

Each of the members of the Board declares that he/she is aware of:

- the Company's Articles of Association;
- the legal and regulatory texts that govern French *sociétés anonymes* within the framework of the functioning of a Board of Directors and in particular the rules relating to:
  - the number of offices that may be held simultaneously,
  - the agreements and transactions concluded between the Director and the Company,
  - the definition of the powers of the Board of Directors,
  - the rules relating to the holding and use of privileged information, which are set out hereafter in point 3.6.,
  - recommendations defined by the AFEP-MEDEF Code;
- L'Oréal's Code of Ethics;
- L'Oréal's Stock Market Code of Ethics;
- and the provisions of these Rules.

3.2. Respect for the interests of the Company

The Directors are required to act in all circumstances in the interest of the Company and all its shareholders.

The Directors are under the obligation of notifying the Board of all situations constituting a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberations.

The Directors inform the Board every year of the offices and positions they hold in other companies and of any conflicts of interest, even if they are only potential, that they have identified (see Annual Report on independence under Article 4.4).

The Board furthermore discusses every year the assessment of whether or not the business relationships maintained between the companies in which the Directors hold their offices and the Company are significant. It reports on its evaluation in the Registration Document.

3.3. Obligation of diligence and provision of information

The Director must devote the necessary time and attention to his duties.

He must limit the number of offices held so as to ensure his availability.

A Director must not hold more than four other terms of office in listed companies outside the Group, including foreign companies. The Director concerned is given enough time to bring his/her situation into compliance with this rule, where required.

The Director must keep the Board informed of the terms of office held in other companies, including his/her participation on the Board committees of such French or foreign companies.

An executive officer must not hold more than two tenures as Director in listed companies outside the Group, including foreign companies. The Director must ask for the Board's opinion before accepting a new corporate office in a listed company.

Each Board member undertakes to be diligent:

- by attending all Board meetings, where necessary by means of videoconference or telecommunication facilities, except in the case of a major impediment;
- by attending, wherever possible, all the General Shareholders' Meetings;
- by attending the meetings of the Board Committees of which he/she is a member.

In connection with decisions to be made, the Director must ensure that he/she has all the information he/she considers as essential for the smooth conduct of the work of the Board or the committees. If this information is not made available to him/her, or he/she considers that it has not been made available, he/she must request such information from the Chairman of the Board who is required to ensure that the Directors are in a position to perform their duties.

3.4. Training of Directors

All the Directors, and in particular those representing the employees, may benefit, on their appointment or throughout their directorship, from the appropriate training programmes for the performance of the office.

These training programmes are organised and proposed by the Company and are provided at its expense.

3.5. Obligation of reserve and confidentiality

The Directors undertake not to express themselves individually other than in the internal deliberations of the Board on questions raised at Board meetings.

Outside the Company, only collegial expression is possible, particularly in the form of releases intended to provide the markets with information.

With regard to information not in the public domain to which the Director has access as a result of his duties, the Director must consider him/herself to be bound by strict professional confidentiality, which is more demanding than the mere legal obligation of discretion. This obligation applies to all persons called on to attend Board meetings, and covers all information of a confidential nature and all information presented as confidential by the Chairman of the Board.

Beyond this legal obligation and to ensure the quality of the discussions of the Board of Directors, the Board has set a rule that all the information given to Board members and the opinions they express have to be kept strictly confidential.

This obligation applies to any person invited to attend a Board meeting.

3.6. Rules governing insider trading

3.6.1. Principles

The Company has put in place a Stock Market Code of Ethics that is regularly updated, in particular to take into account changes in the regulations in force. The Board complies with the Principles of Stock Market Ethics "*relating to the use and communication of privileged information*" provided for by such code.

Privileged information must only be used by the Director in the exercise of his office. Such information must in no case be communicated to a third party other than in the exercise of the Director's duties, and for any other purpose or any other activity than those for which it is held.

It is the duty of all Directors to refrain from trading in, having others trade in, and enabling others to trade in the securities of the Company on the basis of this information until such time as the information has been made public.

It is the personal responsibility of each Director to determine whether the information he/she holds is privileged or not, and accordingly whether he/she may or may not use or transmit any of the information, and whether he/she may or may not trade or enable others to trade in the Company's securities.

3.6.2. Periods of abstention

During the period preceding the publication of any privileged information to which Directors have access, in their capacity of insiders, Directors must by law refrain from all trading in L'Oréal securities.

Furthermore, it is prohibited for them, in accordance with the recommendations of the French financial markets supervisory authority (AMF), to trade in the Company's shares over the following periods:

- a minimum of 30 calendar days before the date of publication of the press release on the annual and halfyear results;
- a minimum of 15 calendar days before the date of publication of the press release on quarterly financial information.

3.6.3. Insider trading

The Director has been informed of the provisions in force relating to the holding of privileged information and insider trading: Article L. 465-1 of the French Monetary and Financial Code and Articles 621-1 *et seq.* of the General Regulations of the French financial markets supervisory authority (AMF).

3.6.4. Obligation of reporting trading in the securities of the Company

In accordance with the applicable regulations, the Directors and individuals closely related to them, as defined by decree, must inform the AMF of all acquisitions, sales, subscriptions or exchanges involving the Company's shares and of transactions involving related instruments where the cumulative amount of such transactions is higher than €5,000 for the calendar year in progress.

The Directors and individuals closely related to them must submit their report to the AMF by e-mail [(1)] within five trading days following completion of the transaction.

These individuals must simultaneously provide a copy of this notice to the Secretary of the Company's Board of Directors.

The declarations are then posted on the AMF's website and are mentioned in an annual summary set out in the Company's Management Report.

3.7. Holding of a minimum number of shares

In accordance with the AFEP-MEDEF Code and independently of any obligation to hold shares under the Articles of Association, the Directors must personally be shareholders of the Company and hold a significant number of shares.

Each Director owns at least 1,000 shares in the Company.

The decision as to whether or not all or some of the shares held by the Director should be registered is the responsibility of the Director.

This stock ownership obligation is not applicable to the Directors representing the employees.

4. MODUS OPERANDI OF THE BOARD OF DIRECTORS

4.1. Convening the Board

The Board is convened by any appropriate means. Notices convening a meeting may be transmitted by the Secretary of the Board of Directors. They are sent in writing at least eight days prior to each meeting, except in particular circumstances. The notices specify the venue of the meeting, which may be the registered head office or any other venue.

(1) On the AMF's secure website called ONDE after requesting identifiers by email sent to the following address (ONDE_Administrateur_Deposant@amf-france.org).

All the documents that are necessary to inform the Directors about the agenda and about any questions submitted to the Board for review are enclosed with the notice convening the meeting or are sent or provided to them within a reasonable period of time, prior to the meeting.

These documents may be provided to them on a secure digital platform, within a reasonable period of time prior to the meeting. They may in exceptional cases be provided at the meeting.

4.2. Board meetings and method of participation

The Board meets as often as required in the best interest of the Company, and at least 5 times per year.

The dates of the Board meetings for the following year are set no later than the beginning of the summer, except in the case of Extraordinary Meetings.

The frequency and length of Board meetings must be such that they allow for an in-depth review and discussion of the matters that fall within the scope of the remits of the committees.

In accordance with the legal and regulatory provisions and with Article 9 paragraph 2 of the Articles of Association, Directors who take part in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of calculating the quorum and the majority.

These means must guarantee simultaneous, continuous retransmission of the debates.

However, these means of participation are excluded when the Board so decides and in any event when it decides with regard to closing of the Company's parent company and consolidated financial statements and on the preparation of the Management Report.

A Director who participates by means of videoconference or teletransmission must ensure that the confidentiality of the debates is preserved.

The attendance register mentions the Board members who attend Board meetings by means of videoconference or telecommunication facilities, with the Secretary of the meeting having the task of initialling the register for them.

4.3. Minutes of the Board

Minutes are prepared of the deliberations of each Board meeting.

The minutes of the meeting mention the use of videoconference or telecommunication facilities and the name of each person who participated in the Board by such means. The minutes also indicate whether any technical incidents occurred during a meeting held by means of videoconference or telecommunication facilities, if such incidents disrupted the course of the meeting.

The minutes of the deliberations include a summary of the debates and specify the decisions that were made. They mention the questions raised or the reservations expressed by participants.

The draft minutes of the last Board meeting are sent or given to all the Directors at the latest on the date when the next meeting is convened.

The Secretary of the Board is empowered to issue and certify copies or extracts of the minutes of Board meetings.

4.4. The Secretary of the Board

The Secretary is appointed by the Board. He/she assists the Chairman in organising the Board's work and in particular with regard to the definition of the annual work programme and the dates of Board meetings.

With the support of the General Management, he/she ensures the quality and production, sufficiently in advance, of the documents and drafts put to the vote of the Board at its meetings.

He/she prepares the draft minutes of Board meetings, which are submitted for the Board's approval.

He/she is responsible for the secure IT platform made available to the Directors.

He/she monitors on an ongoing basis changes in the regulations and reflections in the marketplace with regard to the corporate governance of listed companies.

The Secretary organises, together with the Chairman, the annual evaluation of the Board's work and receives the Annual Reports on independence by each Director (see Article 3.2).

Every Director may consult the Board Secretary at any time with regard to the scope of the rights and obligations linked to his/her office.

4.5. Annual evaluation of the functioning of the Board

Every year, the Board carries out an evaluation of its ability to respond to the expectations of the shareholders by reviewing its composition, its organisation and its *modus operandi*.

At its last meeting for the year and on the basis of a summary of the interviews that are previously organised and conducted with each Director, on the basis of a guide which includes the recommendations adopted by the AFEP-MEDEF Code, the Board discusses points of view and opinions expressed. It draws the conclusions from this with the aim of improving the conditions for the preparation and organisation of its work and that of its committees.

The results of the evaluation, with the avenues of progress that remain open, are passed on to the shareholders in the Annual Report and at the time of the General Shareholders' Meeting.

2

5. BOARD COMMITTEES

If the Board sets up any committees, it will appoint the members of these committees and determine their duties and responsibilities.

The committees act within the remit granted to them by the Board and therefore have no decision-making power. The committees may not at any time take over the powers of the General Management as set out in chapter 1.2.2. of these Rules.

The committee members are Directors. They are appointed by the Board in person and may not be represented. All Board members have the necessary qualifications due to their professional experience. They actively take part in Committee meetings with complete freedom of judgement and in the interest of the Company.

The task of secretary of each committee is carried out by a person appointed in agreement with the Chairman of the committee. It may also be performed by the Secretary of the Board.

Each committee defines the frequency of its meetings. These meetings are held at the Company's registered head office or at any other place decided by the Chairman of the committee.

The Chairman of each committee prepares the agenda for each meeting.

The committees may make contact, in the performance of their duties, with the Company's main senior managers, in agreement with the Chairman of the Board and after informing the General Management and will report on such contacts to the Board.

The Board may entrust a committee Chairman, or one or more of its members with a special assignment or project to carry out specific research or study future possibilities. The designated individual will report on this work to the committee concerned such that the committee may deliberate on this work and in turn report thereon to the Board.

For each Committee meeting, its members may decide to invite any other person of their choice to attend as needs be and on an advisory basis, when they consider it appropriate.

In its field of competence, each committee makes proposals and recommendations and expresses opinion as the case may be. For this purpose, it may carry out or have carried out any studies that may assist in the deliberations by the Board. When they use the services of external consultants, the committees must ensure that their service is objective.

5.1. Strategy and Sustainable Development Committee

5.1.1. Remit

The remit of the Strategy and Sustainable Development Committee is to throw light, through its analyses and debates, on the Group's strategic orientations as submitted to the Board of Directors and to monitor the implementation and advancement of significant operations in progress.

The committee examines:

- the main strategic lines of development, options and projects presented by the General Management, and their economic, financial, societal and environmental consequences;
- opportunities for acquisitions or investments which involve significant amounts or which represent a departure from the Group's usual business operations, and the conditions relating to their implementation;
- financial transactions liable to significantly change the balance sheet structure;
- the Company's commitments with regard to Sustainable Development, in light of the issues specific to the Group's business activities and its objectives, and the means and resources put in place;
- the proposed strategic orientations to be defined by the Board with a view to consultation of the Central Works Council.

More generally, the committee debates all questions considered essential for the future strategy of the Group and for preserving its main financial balances.

5.1.2. Work organisation

It meets when convened by the Chairman of the committee whenever he or the Board considers this appropriate.

The agenda of the meetings is set by the Chairman of the committee, in conjunction with the Board of Directors if the Board initiates the meeting.

The Strategy and Sustainable Development Committee reports on its work to the Board whenever necessary, and at least once a year.

5.2. Audit Committee

5.2.1. Remit

The Audit Committee, acting under the responsibility of the members of the Board, is responsible for monitoring issues relating to the preparation and control of accounting and financial information.

The Audit Committee must make sure that the General Management has at its disposal the means to enable it to identify and manage the economic, financial and legal risks facing the Group inside and outside France in carrying out its normal and exceptional operations.

Without prejudice to the areas of authority of the Board of Directors, this committee is responsible in particular for monitoring:

- the process for preparation of financial information:

  The committee is informed of the accounting rules applicable within the Group. Any issues that may be encountered in the due and proper application of such rules are referred to it. It examines any proposal for a change in accounting standards or in accounting methods and keeps itself informed in particular with regard to accounting standards at national and international level.

The review of the accounts by the Audit Committee is accompanied by a presentation by the Vice-President, Finance describing the Company's significant off-balance sheet commitments.

- the efficiency of the Internal Control and risk management systems in order to obtain reasonable assurance with regard to their effectiveness and their coherent application.

  It is also responsible for monitoring the Group's main risk exposures and sensitivities. The committee reviews, in particular, the programme and objectives of the Internal Audit Department and reviews the main topics that it identifies as well as the Internal Control systems methods and procedures used.

  It reviews every year the section of the Management Report relating to "risk factors" and the Report of the Chairman of the Board of Directors relating to Internal Control and risk management procedures.

The Audit Committee's review of the financial statements is accompanied by a presentation by the Vice-President, Finance describing the Company's exposure to significant risks;

- the statutory audit of the annual and, where applicable, the consolidated accounts by the Statutory Auditors.

  It reviews the audit plan and the programme for work by the Statutory Auditors, the results of their audits, their recommendations and the follow-up action taken further to such recommendations.

  It reviews the breakdown of the fees billed by the Statutory Auditors between audit services as such, audit-related work and any other services they provide.

- the Statutory Auditors' independence.

  It makes a recommendation with regard to the Statutory Auditors proposed to the Annual General Meeting for appointment.

This monitoring enables the committee to issue recommendations, if necessary, concerning the improvement of existing procedures and the possible setting up of new procedures.

The Audit Committee can be consulted for all questions relating to procedures for controlling risks of an unusual nature, particularly when the Board or the General Management considers it appropriate to submit such questions to it.

5.2.2. Composition

All the Directors who are members of this committee have the necessary qualifications due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

As soon as they are appointed, the members of the Audit Committee must receive specific information on the Company's accounting, financial or operational particularities.

The appointment or renewal of the Chairman of the Audit Committee, proposed by the Appointments and Governance Committee, must be the subject of a specific review by the Board.

The Chairman and Chief Executive Officer or the Chief Executive Officer is not a member of the Audit Committee.

5.2.3. Work organisation

The Chairman of the Audit Committee issues guidelines for the committee's work each year, based on his judgement concerning the importance of the specific types of risk faced, in agreement with the General Management and the Board.

The committee meets when convened by its Chairman, whenever the Chairman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman of the committee, in relation with the Board if the latter initiated the convening of the meeting. The agenda is sent to the committee members before the meeting, together with the information which is useful for their debates.

To carry out its mission, the Audit Committee may also, in agreement with the General Management, obtain information from people who are able to assist it in the performance of its mission, and in particular senior managers in charge of economic and financial issues and those in charge of information processing.

5.2.3.1. Relations with the Statutory Auditors

The committee regularly interviews the Statutory Auditors, including outside the presence of management.

The Statutory Auditors inform the Audit Committee of:

1) their general work programme implemented as well as the various sampling tests they have carried out;
2) the changes which they consider should be made to the financial statements to be closed off or other accounting documents, making any appropriate observations on the valuation methods used to prepare them;
3) the irregularities and inaccuracies they may have discovered;
4) the conclusions resulting from the above observations and rectifications with regard to the results for the period compared to those for the previous period.

The Statutory Auditors also assess, with the Audit Committee, the risks with regard to their independence and the protective measures taken to mitigate these risks. For this purpose, the committee obtains a statement of independence from the Statutory Auditors.

They inform the committee of significant Internal Control weaknesses, with regard to the procedures for preparation and processing of accounting and financial information, and provide it with the documents required by law every year.

5.2.3.2. Activity Report

The Audit Committee regularly reports to the Board on the performance of its missions and takes note of the Board's observations.

The committee informs the Board without delay of any difficulty encountered.

In its report, the Audit Committee makes the recommendations it considers appropriate with regard to:

- the suitability of the various procedures and of the system as a whole in terms of achieving the objective of managing information and risk;
- the effective application of the procedures in place, and where appropriate the means implemented to achieve this aim.

It also formulates in its report all recommendations and proposals aimed at improving the effectiveness of the various procedures or at adapting them to a new situation.

If during its work the committee detects a substantial risk which in its view is not adequately taken into account, it warns the Chairman of the Board accordingly.

5.3. Appointments and Governance Committee

5.3.1. Remit

The main missions of the Appointments and Governance Committee, within the context of the work of the Board, are to:

- review and propose to the Board candidates for appointment as new Directors;
- provide the Board with clarifications on the conditions of performance of General Management and the status of the executive officers;
- issue an opinion on proposals made by the Chairman of the Board for appointment of the Chief Executive Officer;
- ensure the implementation of a procedure for preparation of succession plans for the executive officers in the event of an unforeseen vacancy;
- ensure the application of the AFEP-MEDEF Code to which the Company refers;
- discuss governance issues related to the functioning and organisation of the Board;
- decide on the conditions in which the regular evaluation of the Board is carried out;
- discuss the classification of Directors as independent which is reviewed by the Board every year prior to publication of the Annual Report;
- conduct the reflection process with regard to the committees that are in charge of preparing the Board's work;
- prepare for the decisions by the Board with regard to updating its Internal Rules.

5.3.2. Work organisation

The committee meets after being convened by its Chairman whenever the Chairman or the Board considers it useful.

The agenda of the meetings is set by the Chairman of the committee, in relation with the Board if the latter initiated the convening of the meeting.

The committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman of the Board is associated with its work, except with regard to all the topics concerning him personally.

The committee must regularly report on its work to the Board and makes proposals to the Board.

5.4. The Human Resources and Remuneration Committee

5.4.1. Remit

The Board freely determines the remuneration of the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers.

Within this framework, the main missions of the Human Resources and Remuneration Committee, within the context of the work of the Board of Directors, are to make proposals with regard to the following in particular:

- the fixed and variable remuneration of the Chairman of the Board and any other benefits he receives;
- the fixed and variable remuneration of the Chief Executive Officer and any other benefits he receives (pension, termination indemnities, etc.);
- the total amount of attendance fees to be submitted to the General Shareholders' Meeting and the method of distribution of such fees;
- the implementation of long-term incentive plans, such as for example, those that could provide for the distribution of stock options or for free grants of shares.

The committee looks at the questions relating to the remuneration of the executive officers outside their presence.

The committee also examines:

- all the other components of the Human Resources policy such as, for example, labour relations, recruitment, diversity, talent management and fostering employee loyalty. Within this framework, the committee is informed in particular of the remuneration policy for the main senior managers who are not executive officers;
- the rules of ethical conduct, as set out in the Code of Business Ethics, and the Group's strong values, such as respect and integrity, that must be widely disseminated, known and put into practice.

5.4.2. Work organisation

The committee meets when convened by its Chairman, whenever the Chairman or Board considers this appropriate. The agenda of the meetings is set by the Chairman of the committee, in relation with the Board if the latter initiated the convening of the meeting.

The committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman of the Board is associated with its work, except with regard to all the topics concerning him personally. The committee is required to report regularly on its work to the Board and make proposals to the Board.

6. REMUNERATION OF THE EXECUTIVE OFFICERS

The Directors receive attendance fees in the amount approved by the vote at the Ordinary General Meeting, and which are allocated as decided by the Board.

The method of allocation of attendance fees comprises a predominantly variable portion determined on the basis of the regularity of attendance at Board and Committee meetings.

The Board of Directors may award exceptional remuneration for specific assignments or projects entrusted to the Directors and subject to regulated agreements.

The Directors have the possibility of asking for reimbursement of the expenses necessary for the performance of their corporate office upon presentation of supporting documents.

2.4. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Directors receive attendance fees in the total amount approved by the vote at the Ordinary General Meeting, and which are allocated as decided by the Board.

2.4.1. RULES FOR ALLOCATION IN RESPECT OF THE 2015 FINANCIAL YEAR

The amount of attendance fees divided between the Directors includes a predominantly variable portion depending on the degree of regularity in attending meetings, in accordance with the provisions of the AFEP-MEDEF Code. The Board adopted for a full year:

- for participation in Board meetings: a fixed annual sum of €30,000 and an amount of €5,000 for each Board meeting which the Director attends;
- for participation in Committee meetings:
  - Audit Committee: an amount of €25,000 for each Director who is a member. The Audit Committee's remit is indeed particularly exacting and requires a significant commitment.
  - Strategy and Sustainable Development Committee: an amount of €15,000 for each Director who is a member.
  - Human Resources and Remuneration Committee: an amount of €10,000 for each Director who is a member.
  - Appointments and Governance Committee: an amount of €10,000 for each Director who is a member.

These amounts consist of a fixed part of 40% and a variable part of 60%, depending on the degree of regularity in attending Committee meetings. The attendance fees allocated to the Chairman/Chairwoman of each of these committees are doubled and also consist of a fixed part of 40% and a variable part of 60%.

2.4.2. AMOUNTS PAID IN RESPECT OF THE 2015 FINANCIAL YEAR

A total amount of €1,167,200, which falls within the total overall amount of €1,450,000 voted by the Annual General Meeting in 2014, was distributed to the Directors at the beginning of 2016 in respect of the 2015 financial year, for a total of 6 meetings of the Board of Directors and 18 Committee meetings.

The average attendance rates at meetings are 96% on average for the Board of Directors in 2015, 93% for the Strategy and Sustainable Development Committee, 96% for the Audit Committee, 100% for the Appointments and Governance Committee and 97% for the Human Resources and Remuneration Committee.

It is to be noted that the Board of Directors placed on record the wish expressed by Mr. Jean-Paul Agon in 2014 to no longer receive attendance fees in his capacity as Chairman and Chief Executive Officer.

Mr. Jean-Paul Agon thus receives no attendance fees from companies of the L'Oréal Group.

AMOUNTS OF ATTENDANCE FEES ALLOCATED *(€)*

Directors	**2015 financial year** *(total of 6 meetings and 18 Committee meetings)*	2014 financial year *(total of 6 meetings and 19 Committee meetings)*
Mr. Jean-Paul Agon	0	0
Mrs. Françoise Bettencourt Meyers	70,000	75,000
Mr. Peter Brabeck-Letmathe	85,200	89,000
Mr. Jean-Pierre Meyers	95,000	101,250
Mrs. Ana-Sofia Amaral	66,000	30,000
Mrs. Sophie Bellon*	50,000	-
Mr. Charles-Henri Filippi	105,000	102,333
Mr. Xavier Fontanet	80,000	80,000
Mrs. Belén Garijo	61,000	50,000
Mr. Bernard Kasriel	95,000	95,000
Mrs. Christiane Kuehne	85,000	85,000
Mr. Georges Liarokapis	78,750	30,000
Mr. Jean-Victor Meyers	81,250	78,750
Mrs. Virginie Morgon	85,000	76,250
Mrs. Annette Roux*	10,000	50,000
Mr. Louis Schweitzer	120,000	125,000
TOTAL	**1,167,200**	**1,067,583**

* *Directors whose term of office began or ended during the 2015 financial year.*

2.4.3. RULES FOR ALLOCATION IN RESPECT OF THE 2016 FINANCIAL YEAR

The Board of Directors decided to reapply for 2016 the terms and conditions of allocation of attendance fees adopted for 2015 within the limit of the total amount of €1,450,000 voted by the Annual General Meeting on April 17th, 2014.

2.5. REMUNERATION OF THE EXECUTIVE OFFICERS

2.5.1. PRINCIPLES AND RULES ADOPTED BY THE BOARD OF DIRECTORS TO DETERMINE THE REMUNERATION AND BENEFITS OF ALL KINDS GRANTED TO THE EXECUTIVE OFFICERS

The Board refers to the recommendations of the AFEP-MEDEF Code for the determination of the remuneration and benefits granted to the executive officers.

It ensures that the remuneration policy complies with the principles of comprehensiveness, balance, consistency, transparency and proportionality and takes into account market practices.

It makes sure that the components of the remuneration are perfectly consistent with the objectives pursued by the defined policy.

Finally, it is attentive to ensuring that the decision-making procedure with regard to remuneration guarantees the due and proper application of the rules set.

2.5.2. REMUNERATION POLICY AND OBJECTIVES PURSUED

In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors defines the remuneration policy for L'Oréal's executive officers and the objectives pursued by such policy.

Competitive remuneration

The remuneration of the executive officers must be competitive in order to attract, motivate and retain the best talents in the top positions in the Company.

To assess this competitiveness, a stable and coherent reference panel is defined, consisting of French and international companies which are world leaders in their sector.

These companies operate on similar markets, being direct competitors of L'Oréal when they are in the cosmetics industries, or on the wider market of usual consumer goods.

Performance-related remuneration

The remuneration of the executive officers is closely linked to performance in order to promote the achievement of short-and long-term objectives.

In fact, the Board of Directors constantly strives to incite the General Management both to maximise performance for each financial year and to ensure the repetition and regularity of performances year after year.

The Board of Directors considers that the remuneration of the executive officers has to consist of a significant variable part with annual and multi-annual periods for performance assessment adapted to each of these objectives.

This assessment takes account of L'Oréal's intrinsic performance, namely its progress year after year and also its relative performance as compared to its market and its competitors.

Balanced remuneration taking account of stakeholder expectations

The remuneration must favour a measured, sustainable method of development, in line with the Group's commitments with regard to ethics and respectful of the environment in which L'Oréal operates.

It must not lead to taking inappropriate, excessive risks.

In this respect, the annual variable portion of the remuneration remains reasonable in comparison with the fixed portion. The Board of Directors defines the maximum percentage of the fixed portion that may be represented by the variable portion.

The annual variable portion of the remuneration is linked to extra-financial criteria, in particular of an environmental, societal, and Human Resources nature, which will be assessed year after year in a long-term perspective.

Remuneration aligned with the interests of shareholders

A significant portion of the remuneration of the executive officers consists of performance shares, a significant percentage of which is retained until the end of their terms of office, with the commitment not to carry out risk hedging transactions.

This leads to alignment with the shareholders' interests, understood as long-term value creation measured principally through Total Shareholder Return - TSR.

2.5.3. REMUNERATION COMPONENTS

The Board of Directors decides on the various components which make up the remuneration while paying attention to the need to reach a balance between each of them.

Each remuneration component corresponds to a clearly defined objective.

Fixed remuneration

It must reflect the responsibilities of the executive officer, his level of experience and his skills.

It is stable for several years and may be re-examined at the time of renewal of the term of office. It serves as a basis to determine the maximum percentage of annual variable remuneration.

Annual variable remuneration

Variable remuneration is expressed as a percentage of fixed remuneration. This percentage can amount to a maximum of 100% of the fixed remuneration.

It is designed to align the remuneration allocated to the executive officer with the Group's annual performance and to promote the implementation of its strategy year after year.

The remuneration is based on precise performance appraisal criteria determined at the beginning of the year by the Board of Directors, based both on operational financial objectives and on extra-financial and/or qualitative objectives. This balance must make it possible to measure, at the end of each financial year, the progress made with regard to the strategic objective of the Group's global growth and, in particular, with regard to the commitments made to Sustainable Development (*Sharing Beauty With All* programme, see chapter 3 of this document).

The choice of varied operational financial criteria aims to encourage harmonious, regular, long-term growth. An overall long-term performance results from the convergence of these criteria: they must make it possible to assess developments in sales, the Company's profitability, the Company's situation in terms of cash flow and investment capacity and, generally, long-term value creation. The operational financial objectives represent the predominant share.

The extra-financial criteria make it possible to measure performance as compared to the objectives set in particular in respect of Corporate Social and Environmental Responsibility (*Sharing Beauty With All* programme), Human Resources, and digital transformation. The other criteria used to evaluate the extra-financial performance of the executive officer may be of a qualitative nature such as, for example, the dialogue with stakeholders.

The criteria adopted are the reflection of the Group's strategic orientations and its development model. The Board chooses to directly correlate the executive officer's performance with that of the Company by using the same performance indicators, in particular those of a financial nature.

For the Board, the decision to correlate performance criteria for the executive officer's remuneration with the Company's financial performance indicators is the guarantee of a transparent and relevant remuneration policy.

The very relevance of these criteria, an expression of the Company's strategy, leads *de facto* to the need to manage confidentiality constraints.

The Board is attentive to ensuring that all these criteria, both financial and extra-financial, are simple, relevant, objective and measurable.

The weighting of each of these criteria and the objectives to be met are set at the beginning of the year concerned and communicated to the executive officer.

Award of performance shares (ACAs)

Since 2009, the Board of Directors has awarded performance shares to employees of the Group and, since 2012, also to its executive officer, within the scope of Articles L. 225-197-1 *et seq.* of the French Commercial Code the authorisations voted by the Annual General Meeting.

The objective of these awards is to encourage achievement of the Group's long-term objectives and the resulting value creation for the shareholders. Consequently, the final vesting of the shares is subject to performance conditions.

Performance conditions

The performance criteria concern all the shares awarded to the executive officer. They take into account partly:

- growth in comparable cosmetics sales of L'Oréal as compared to a panel of L'Oréal's big direct competitors;
- growth in L'Oréal's consolidated operating profit.

The Board of Directors considers in this regard that these two criteria, assessed over a long period of 3 full financial years and reapplied to several plans, are complementary, in line with the objectives and specificities of the Group and of a nature to promote continuous, balanced long-term growth. They are exacting but remain a source of motivation for the beneficiaries.

The shares only finally vest at the end of a period of 4 years, which is a sufficiently long time to be able to assess the performance achieved over 3 full financial years.

The performance conditions and results recorded each year to determine the levels of performance achieved are published in chapter 6 of this document.

Rules governing the grants made to the executive officers

The value of these grants, estimated according to the IFRS applied for the preparation of the consolidated financial statements, represents approximately 50% of the executive officer's total remuneration and may not exceed 60%.

The Board of Directors reserves the possibility to decide on an exceptional grant in the event of a particular event that justifies it.

The total number of free shares granted to the executive officers during a financial year may not represent more than 10% of the total number of free shares granted in respect of that same financial year.

The executive officer is required to retain 50% of the free shares finally allocated to him at the end of the vesting period in registered form until the termination of his duties.

No free shares may be granted to an executive officer at the time of termination of his duties.

The executive officer makes a formal undertaking not to enter into any risk hedging transactions with regard to the performance shares, until the end of the holding period set by the Board of Directors.

Attendance fees

The Board of Directors can decide to pay attendance fees to the executive officers. In such cases, they would be paid to the executive officers in accordance with the same rules as those applicable to the other Directors.

Benefits in kind

For the purpose of transparency, it is not in principle planned to supplement the executive officer's fixed remuneration by granting benefits in kind.

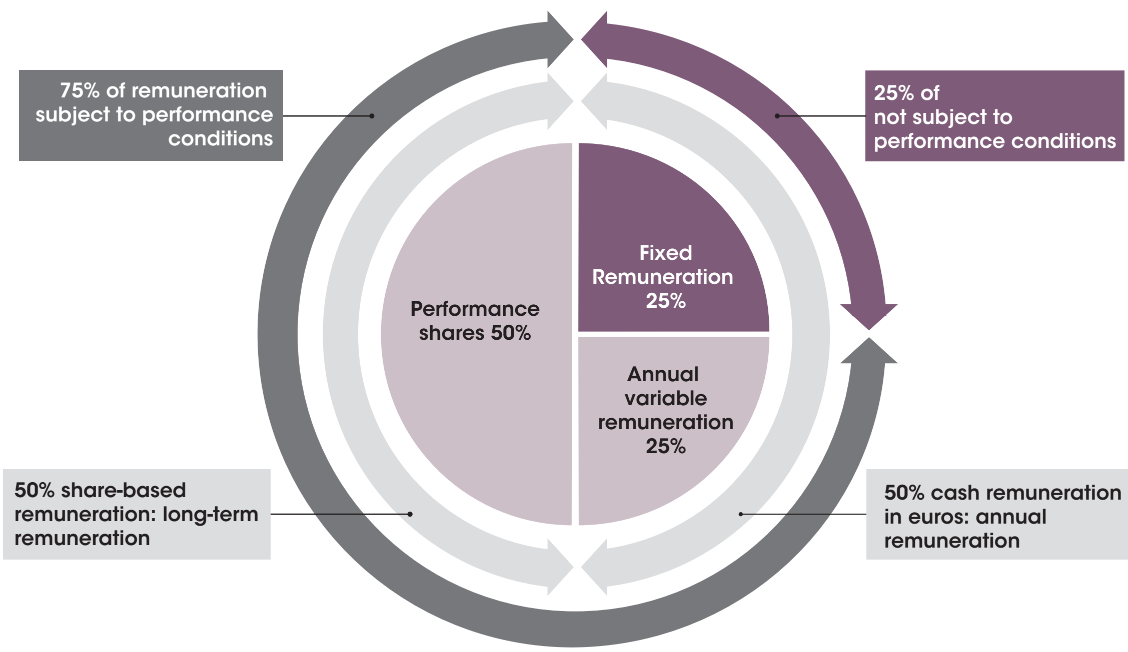
The executive officer benefits from the necessary material resources for performance of his office such as, for example, the provision of a car with a chauffeur. These arrangements, which are strictly limited to professional use, are not benefits in kind.

The balance between the various components of total remuneration

The various components of remuneration form a balanced whole with a breakdown that is approximately:

- 50/50 between annual remuneration (annual fixed and variable remuneration) and long-term remuneration (performance shares);
- 50/50 between share-based remuneration and cash remuneration in euros;
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

DIAGRAM SHOWING THE BALANCE BETWEEN THE DIFFERENT COMPONENTS OF REMUNERATION:



Termination indemnities, pension scheme, additional social protection

These components of remuneration are not related to performance of the corporate office, but could be due under the suspended employment contract.

The AFEP-MEDEF Code (point 22), to which L'Oréal refers, recommends that companies should put an end to the practice of combining an employment contract with a corporate office although it does not impose this as a mandatory requirement.

L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing executive officers *ad nutum*. The Board of Directors has formally provided for the methods of application of the objectives of the recommendation, as adapted to the context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for any future corporate officer appointed who has over 15 years' length of service in the Group at the time of appointment.

Maintenance of the employment contract and separation of the benefits attached to the employment contract on the one hand and to the corporate office on the other

As L'Oréal's ongoing policy is to appoint employees who have completely succeeded in the various stages of their careers in the Group as executive officers, the Board does not want these executives to be deprived of the benefits to which they would have continued to be entitled had they remained employees, after spending many years of their career at L'Oréal.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF recommendation could be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to the corporate office on the other.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the Company-level agreements applicable to all L'Oréal's senior managers.

Remuneration under the suspended employment contract to be used to calculate all the rights attached thereto, and in particular for the calculation of the defined-benefit pension, will be established on the basis of the remuneration at the date of suspension of the contract. This remuneration will be revised every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund.

The length of service applied will take into consideration the entire career, including the years spent as an executive officer.

Termination indemnities, retirement indemnities in the event of voluntary retirement or retirement at the company's request, financial consideration for the non-competition clause

In the event of departure, and depending on the reasons, the executive officer will only be paid the termination indemnities, except in the event of gross misconduct or gross negligence, or the retirement indemnities in the event of voluntary retirement or retirement at the Company's request due pursuant to the employment contract that has been suspended, to the exclusion of any indemnity due in respect of the corporate office.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the Company-level agreements applicable to all L'Oréal's managers, are due in any event pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Defined benefit pension scheme

The executive officer, subject to ending his career in the Company, will benefit from one of the defined benefit pension schemes currently applicable to the Group's senior managers (see chapter 3 of this document). This is the scheme to which he was subject as an employee.

The main features of these schemes, which fall under Article L. 137-11 of the French Social Security Code, are as follows:

- They all concern senior managers of L'Oréal, in France, whether active or retired, representing more than 500 people;
- The minimum length of service requirement for access to the schemes is 10 years;
- The increase in the potential rights takes place over a long period of time, from 25 to 40 years depending on the schemes;
- The reference period taken into account for calculation of the benefits is 3 years; the average of the amounts of remuneration for the 3 best years out of the last 7 years is used.
- These schemes are financed by contributions paid into an insurance institution. These contributions are deductible from the corporate income tax and are subject to the employer's contribution as provided by article L. 137-11, 2°a) of the French Social Security Code at a rate of 24%.

In the light of the legal characteristics of defined benefit pension schemes (the rights only accrue if the beneficiary ends his career in the Company and the funding of this scheme cannot be broken down individually by employee) and also on account of the characteristics specific to the L'Oréal schemes referred to as "differential" since they take into account, in order to supplement them, all the other pensions such as those resulting, *inter alia*, from the French basic and supplementary pension schemes, the precise amount of the pension annuity will in fact only be calculated on the date when the beneficiary applies for all his pensions.

The estimated amount of the pension annuity that could be paid to the executive officer is set out on page 99, however with all necessary reservations due to the characteristics of the schemes described above.

Additional social protection schemes

The executive officer will continue to benefit, due to the fact that he is treated in the same way as a senior manager during the term of his corporate office, from the additional social protection schemes and in particular the employee benefit and healthcare schemes applicable to the Company's employees. These schemes are described in detail in chapter 3 of this document.

All these provisions, which are subject to the regulated agreements and commitments procedure, are approved by the Annual General Meeting deciding on the basis of the Statutory Auditors' Special Report.

2.5.4. PROCEDURE FOR SETTING THE REMUNERATION OF THE EXECUTIVE OFFICER

It is established in such a way as to guarantee the due and proper application of the policy and rules set by the Board of Directors. It bases its decision on the work and recommendations of the Human Resources and Remuneration Committee which has the necessary information to prepare its recommendations, and more particularly to assess the performances of the executive officer in light of the Group's short and long-term objectives.

The Human Resources and Remuneration Committee uses the studies conducted by an independent firm

These studies are based on an international panel of world leaders, which will serve as a reference for the comparative remuneration studies. This panel is made up of executive officers of French and international companies with a position of world leader in comparable luxury and consumer goods industries. For 2015, this panel consisted of the executive officers of the following 13 companies: Avon, Beiersdorf, Colgate-Palmolive, Coty, Danone, Estée Lauder, Henkel, Johnson & Johnson, Kimberly Clark, LVMH, Procter and Gamble, Reckitt Benckiser and Unilever.

These studies enable it to measure:

- the competitiveness of the executive officer's total remuneration in comparison with the panel;
- the comparative results of L'Oréal and those of the same panel in light of the criteria adopted by the Group to assess the executive officer's performance;
- the link between the executive officer's remuneration and his performance;
- the relevance over time of the remuneration structure and the objectives assigned to him.

The Human Resources and Remuneration Committee has all useful internal information

This information enables it to assess the performance of the Company and that of its executive officer both from an economic standpoint and in extra-financial fields.

The Group's annual economic and financial results are presented every year completely and exhaustively to the Human Resources and Remuneration Committee at its meeting in February, and are used as a basis for the assessment of the financial performance criteria for the executive officer's variable remuneration.

The principles of the Human Resources policy conducted are regularly presented to the Committee members or at a Board meeting by the Executive Vice-President Human Resources. Similarly, the Senior Vice-President, Chief Ethics Officer, also regularly explains the policy and the actions conducted in this field. This information contributes to the assessment of the qualitative portion of the annual variable remuneration.

The Committee can also carry out a more in-depth evaluation of the Company's performance by contacting the Company's main senior managers, after informing the General Management.

The members of the Human Resources and Remuneration Committee may also serve on other Board Committees, and thus have information from different sources

This information enriches their vision of the Company's strategy and its performances and those of its executive officer.

In this manner, three members of the Human Resources and Remuneration Committee, including its Chairman, are members of the Strategy and Sustainable Development Committee at which the actions taken with regard to Research and Innovation and the programmes with regard to the Group's social and environmental responsibility are discussed.

Similarly, one of the four members of the Human Resources and Remuneration Committee is a member of the Audit Committee and participates in the closing of the financial statements as well as the examination of the risk prevention policy.

All this information enables the members of the Human Resources and Remuneration Committee to have all the precise data required to make a complete measurement of the various performance criteria for the executive officer.

The recommendations to the Board of Directors are made on these bases, and the Board then makes its decisions collectively concerning the executive officer's remuneration.

See diagram on next page explaining the organisation of the work of the Human Resources and Remuneration Committee concerning the remuneration of the executive officer.

ORGANISATION OF THE WORK OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE CONCERNING THE REMUNERATION OF THE EXECUTIVE OFFICER

February 2015

Recommendations made to the Board with regard to:

- evaluation and setting of the 2014 variable remuneration after a review of the annual results for 2014 and assessment of the qualitative aspects of management;
- setting of the fixed remuneration for 2015;
- setting of the level of variable remuneration for 2015, the nature and weight of the evaluation criteria for the variable remuneration and the objectives to be met.

Studies with regard to the 2015 ACAs (1) plan:

- assessment of the performance levels achieved for the ACAs and SO (2) plans which terminate.

Reflection on the draft wording of the 2014 Say On Pay.

April 2015

Recommendations for the 2015 ACAs plan:

- Policy and rules for grants including those applicable to the executive officer;
- list of beneficiaries including the executive officer;
- level of grants including those to the executive officer.

June 2015

Results of the 2014 Say On Pay:

- analysis of the comments of investors and proxy advisors on the 2014 Say On Pay.

Presentation and debate on Ethics policy .

October 2015

Presentation and debate on HR policy:

- reflections on the structure of the variable remuneration of the executive officer.

November 2015

2015 Say On Pay:

- discussion of the draft for 2015

Preliminary analyses concerning the draft resolution on ACAs proposed to the 2016 AGM:

- benchmark;
- evaluation of the policy implemented;
- analysis of comments by investors and proxy advisors;
- possible changes.

Pensions:

- impact of the provisions of the French law of August 6th, 2015 "for growth, activity and equality of economic opportunities".

February 2016

Presentation of the study on the remuneration of the executive officer carried out by an independent firm including:

- link between performance and remuneration;
- balance and structure of the remuneration.

Recommendations made to the Board of Directors with regard to:

- evaluation and setting of the 2015 variable remuneration after a review of the annual results for 2015 and assessment of the extra-financial aspects;
- setting of the fixed remuneration for 2016;
- setting of the level of variable remuneration for 2016, the weight of the financial and extra-financial criteria, the weighting of each of these criteria and the objectives to be met for each of them.

Studies with regard to the 2016 ACAs plan

- assessment of the performance levels achieved for the ACAs and SO plans which terminate.

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(1) ACAs: Conditional Grant of Shares (performance shares).
(2) SO: Stock options.

2.5.5. REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICE

2.5.5.1. Components of remuneration due or allocated with respect to 2015

Fixed remuneration

On the proposal of the Human Resources and Remuneration Committee, the Board of Directors decided on February 12th, 2015 to maintain the fixed gross annual remuneration of Mr. Jean-Paul Agon at a gross amount of €2,200,000.

Annual variable remuneration

Concerning Mr. Jean-Paul Agon's annual variable remuneration for 2015, the objective was set at €2,200,000, representing 100% of the fixed remuneration. This sum represents the maximum amount of variable remuneration that may be paid to him.

At its meeting on February 12th, 2015, the Board of Directors had set the variable remuneration criteria applicable for 2015 and the respective weighting of such criteria. The financial criteria represent 60% of the variable remuneration and the extra-financial criteria 40%.

At its meeting on February 10th, 2016, the Human Resources and Remuneration Committee assessed the performance of Mr. Jean-Paul Agon with regard to each of the criteria set by the Board for allocation of the annual variable remuneration of the Chairman and Chief Executive Officer. The assessment is carreid out on a criterion-by-criterion basis without offsetting among the criteria.

The Board of Directors chose performance criteria that are directly correlated with the Company's performance indicators: growth in sales, market share as compared to the main competitors, operating profit, EPS and cash flow.

This close correlation with the Company's economic performance leads to the need to manage confidentiality constraints.

The Board therefore decided not to disclose the respective weight of each of the criteria used to assess the objectives financial and extra-financial, for the following reasons in particular:

- L'Oréal does not want to provide its competitors with too many details on the operational implementation of its strategy. L'Oréal is more "legible" than its competitors, inasmuch as it operates on a single market, cosmetics, and on all the segments of that market ("pure player"). Furthermore, as the market leader, particular attention is paid to its strategy. By providing information on the relative importance of the performance criteria for the executive officer, L'Oréal would therefore reveal valuable information on its development priorities.
- The weightings communicated could be perceived as objectives or forecasts by the Company that are part of its financial communication and it would therefore be necessary to document and justify them pursuant to the regulations.

As the criteria adopted to assess the executive officer's performance are identical to those that make it possible to assess the Company's results, the shareholders and investors are able to appreciate the high degree of requirements of the Board in the evaluation of the executive officer's performance.

On the proposal of the Human Resources and Remuneration Committee, and after looking at the results for 2015, the Board of Directors decided, at its meeting on February 11th, 2016, to allocate €1,782,000 to Mr. Jean-Paul Agon in respect of the annual variable remuneration.

This amount represents 81% of the maximum amount of variable remuneration that could be paid to him, respectively 79% for financial objectives, and 83.8% for extra-financial objectives.

FINANCIAL OBJECTIVES FOR 2015 (60% OF TOTAL ANNUAL VARIABLE REMUNERATION):

FINANCIAL CRITERIA	2015
Comparable sales as compared to the budget	€25,257.4 million (budget not disclosed for confidentiality reasons)
Market share as compared to the main competitors	+0.7 point
Operating profit as compared to 2014	€4,387.7 million, *i.e.* +12.8%
Net earnings per share as compared to 2014*	€6.18 million, *i.e.* +15.7%
Cash flow** as compared to 2014	€3,036 million, *i.e.* + 6.1%

* *Diluted net earnings per share attributable to owners of the company from continuing operation*

** *Operational cumulated cash flow*

EXTRA-FINANCIAL OBJECTIVES FOR 2015 (40% OF THE TOTAL ANNUAL VARIABLE REMUNERATION):

CSR CRITERIA – *SHARING BEAUTY WITH ALL* PROGRAMME:	
Sharing Beauty With All programme	*The Sharing Beauty With All programme was launched in October 2013 by Mr. Jean-Paul Agon. It structures the Group's CSR strategy and sets ambitious targets to be met by 2020. This project consists of 4 pillars, for which the achievements are set out in detail in chapter 3.*
"Innovating Sustainably"	◆ Target by 2020: Environmental or social benefit for 100% of our products. 2015 results: 74% of the new products analysed have an improved social or environmental profile (see page 156).
"Producing Sustainably"	◆ Target by 2020: Reduction of our environmental footprint in terms of water consumption, CO_2 emissions (production and transportation) and waste reduction. 2015 results: -56% of CO_2 emissions compared to 2005 (see page 163). In December 2015, the plants achieved the objective of zero waste to landfill (excluding regulatory obligations).
"Living Sustainably"	◆ Target by 2020: L'Oréal wants to give all consumers of its products the possibility to choose sustainable consumption. 2015 results: 66% of the brands evaluated their environment or social impact (see page 170).
"Developing Sustainably"	◆ With the employees (L'Oréal Share & Care program). Target by 2020: L'Oréal's employees will have access to healthcare, social protection and training, wherever they are in the world. 2015 results: 65 countries achieved the programme's objectives at end 2015 (see page 123). ◆ With suppliers: Self-assessment of sustainability policy carried out by 74% of strategic suppliers (see page 173). ◆ With communities: Access to work for more than 60,600 people (see page 176).
HUMAN RESOURCES CRITERIA	
Gender Balance	◆ Development of the gender balance, in particular at the level of senior management positions with 31% of women on the Executive Committee at December 31st, 2015, and 41% of key positions held by women. ◆ L'Oréal went up from 13th to 9th place in the 2015 "Féminisation des Instances dirigeantes" ranking (French ministry of health, social affairs and women's rights).
Talent Development	◆ Pursuit of the policy for hiring experienced and more junior Talents, and Talent development all over the world, in order to favour the emergence of local Talents. ◆ L'Oréal won the 2015 "Human Capital Trophy" : best employer brand and candidate experience. ◆ Attractive, targeted, digital employer communication with a strong presence on the social networks (No. 11 in Universum's global ranking).
Access to training	◆ 72.6% of the employees received training in 2015.
DIGITAL DEVELOPMENT CRITERIA	
	◆ Development of sales generated by e-commerce (the Group's "5th country") ◆ Development of digital media: personalised marketing. ◆ Acceleration of the Company's digital transformation: - Training: More than 2,000 people trained and provided with support, *via* daily e-learning (over 25,000 modules viewed), over 100 start-up immersions, collaborative work sessions. - Recruitment of Digital experts (marketing, IT, data, etc.). - One-week *Learning Expedition* for the Executive Committee in Silicon Valley. ◆ Organisation of the *Digital Capital Market Days* in September 2015 for investors. ◆ 4 of the Group's brands in the first 4 places in the "*L2 Digital IQ Index / Beauty 2015*" *:* Urban Decay, Maybelline, L'Oréal Paris, Lancôme
QUALITATIVE CRITERIA	
Handling of the priorities for the year	◆ Follow-up of integration of recent acquisitions: Magic Holdings, NYX Professional Makeup, Decléor/Carita, Niely Cosméticos. ◆ L'Oréal *Share&Care* programme: deployment completed by the end of 2015 of the essential components of the common set of social protection measures (Social protection/Healthcare/Parenthood/Quality of life at work) in all the countries where L'Oréal has subsidiaries (see page 123). Launch with the ILO of the Global Business Network for Social Protection Floors (October 2015). ◆ COP21: mobilisation and personal involvement to call for an ambitious agreement on climate change. Desire to involve the Group's employees through a call for projects launched on Ethics Day in October 2015 (over 1,400 CSR proposals received). ◆ Direct reporting line to General Management for the Sustainable Development and CSR Department (effective January 2016) ◆ Variable remuneration for the Executive Committee and the Group's top senior managers: CSR performance criteria as from 2016 in relation with conduct of the *Sharing Beauty With All* programme.
The Company's image/reputation/ dialogue with stakeholders	◆ Personal involvement in the conduct of the *Sharing Beauty With All* programme and internally and with regard to international experts and organisations involved with these projects (UNESCO: speaker at the Business Climate Summit in May 2015). ◆ Ambition to be a *Carbon Balanced* company by 2020. Signature of the first Global Business and Disability Network Charter under the aegis of the ILO in Geneva. ◆ Ethics: L'Oréal was once again recognised in 2015 by Ethisphere as one of the World's Most Ethical Companies, and has been part of the United Nations Global Compact 100 stock index since its creation. Ethics Day on October 15th, 2015: webchat with M. Jean-Paul Agon open to all employees all over the world. ◆ Quality of external communication. M. Jean-Paul Agon was named "Visionary of the Year" by American magazine BeautyInc.

Attendance fees

At the Board meeting on November 28th, 2014, Mr. Jean-Paul Agon informed the members of the Board of Directors that he no longer wished, in his capacity as Chairman and executive officer, to receive attendance fees.

The Board of Directors took due note of the decision made by Mr. Jean-Paul Agon for 2014 and the following years.

Award of performance shares (ACAs)

Within the scope of Articles L. 225-197-1 *et seq.* of the French Commercial Code and the authorisation of the Annual General Meeting of April 22nd, 2015, the Board of Directors decided on the same day, taking into account the performance of Mr. Jean-Paul Agon, to grant him 32,000 performance shares (ACAs – Conditional grant of shares).

The estimated fair value according to the IFRS applied for the preparation of the consolidated financial statements of one performance share (ACAs) under the April 22nd, 2015 plan is €161.49 for French tax and/or social security residents, which is the case for Mr. Jean-Paul Agon. This fair value was €104.58 on April 17th, 2014.

The estimated fair value according to the IFRS of the 32,000 performance shares (ACAs) granted in 2015 to Mr. Jean-Paul Agon is therefore €5,167,680.

These shares will only finally vest, in full or in part, after satisfaction of the performance conditions described below.

Performance conditions

The final vesting of these shares is subject to fulfilment of performance conditions which will be recorded at the end of a vesting period of 4 years as from the date of grant.

Half of the number of shares that finally vests will depend on growth in comparable cosmetics sales as compared to those of a panel of competitors, such panel consisting in 2015 of Unilever, Procter and Gamble & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty; the other half will depend on the growth in L'Oréal's consolidated operating profit.

The calculation will be based on the arithmetic average for the 3 full financial years of the vesting period. The first full year taken into account for evaluation of the performance conditions relating to this grant is 2016.

In order for all the free shares granted to finally vest at the end of the vesting period pursuant to the criterion related to sales, L'Oréal's performance must be at least as good as the average growth in sales of the panel of competitors. Below that level, the grant decreases. The Board defines a threshold, which is not made public for reasons of confidentiality, below which no share will finally vest pursuant to this criterion.

In order for all the free shares granted to finally vest at the end of the vesting period pursuant to the criterion related to operating profit, a level of growth defined by the Board, but not made public for reasons of confidentiality, must be met or exceeded. Below that level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The figures recorded each year to determine the levels of performance achieved are published in the Annual Financial Report.

Main characteristics of the grant

This plan made it possible to grant 860,150 performance shares (ACAs) to 1,943 beneficiaries.

The grant of performance shares (ACAs) which Mr. Jean-Paul Agon received in 2015 represents 3.72% of the total number of performance shares (ACAs) granted and 3.69% of their estimated value according to the IFRS.

At the end of the 4-year vesting period, Mr. Jean-Paul Agon, as a French resident on the date of award of the shares, is required to hold the shares definitively vested for him for an additional two-year period during which the shares cannot be disposed of.

Moreover, Mr. Jean-Paul Agon, as an executive officer, shall retain 50% of the shares which will finally vest for him at the end of the vesting period in registered form, until the termination of his duties as L'Oréal's Chairman and Chief Executive Officer.

In light of the significant level of the holding obligations imposed on L'Oréal's Chairman and Chief Executive Officer at the time of the exercise of stock options for the subscription of shares and the final vesting of shares, the Board of Directors has decided not to require Mr. Jean-Paul Agon to purchase an additional quantity of shares of the Company when the shares granted become available, as recommended by the AFEP-MEDEF Code.

Furthermore, as for previous grants, Mr. Jean-Paul Agon has undertaken not to enter into any risk hedging instruments.

It is to be noted that no stock options to purchase or subscribe for shares, and no other long-term incentives, were granted to Mr. Jean-Paul Agon in 2015.

2.5.5.2 Components of remuneration for 2016

Fixed remuneration

The Board of Directors, at its meeting on February 11th, 2016, on the proposal of the Human Resources and Remuneration Committee, decided to maintain the amount of Mr. Jean-Paul Agon's fixed remuneration at a gross base annual amount of €2,200,000.

Annual variable remuneration

Concerning Mr. Jean-Paul Agon's annual variable remuneration, this may represent a maximum of 100% of the fixed remuneration, namely €2,200,000; the financial part is set, on an unchanged basis, at 60% of the total amount of the annual variable remuneration (namely a maximum of €1,320,000). The extra-financial portion, which is also unchanged, represents 40% (namely a maximum of €880,000).

For 2016, the performance assessment criteria were reapplied in full for both the financial criteria and the extra-financial criteria.

The criteria defined for the extra-financial part are based on measurable indicators adapted to the Group's Human Resources and CSR strategy. The CSR criteria should make it possible, in particular, to measure the progress made with regard to the main commitments, "Innovating sustainably", "Producing sustainably", "Living sustainably" and "Developing sustainably", made within the framework of the *Sharing Beauty With All* programme, to be reached by 2020. The "Digital Development" criterion reflects the Group's desire to accelerate digital transformation.

PERFORMANCE INDICATORS FOR 2016

FINANCIAL CRITERIA (60%) REFLECTING THE COMPANY'S PERFORMANCE MEASURED ON THE BASIS OF GROWTH IN THE FOLLOWING INDICATORS:
◆ Comparable sales as compared to the budget
◆ Market share as compared to the main competitors
◆ Operating profit as compared to 2015
◆ Net earnings per share as compared to 2015
◆ Cash flow as compared to 2015
EXTRA-FINANCIAL CRITERIA (40%) ALIGNED WITH THE GROUP'S STRATEGY:
◆ **CSR criteria: *Sharing Beauty With All* programme**
◆ "Innovating sustainably"
◆ "Producing sustainably"
◆ "Living sustainably"
◆ "Developing sustainably"
◆ **Human Resources criteria**
◆ Gender balance
◆ Talent development
◆ Access to training
◆ **Digital Development criteria**
◆ **Qualitative criteria**
◆ The Company's management / Image / Reputation / Dialogue with stakeholders

Award of performance shares

Concerning the award of performance shares in 2016, the Board of Directors reserves the possibility to decide on the implementation of a new plan within the scope of the authorisation requested from the Annual General Meeting on April 20th, 2016.

The grant which would be decided in favour of Mr. Jean-Paul Agon would comply with the recommendations of the November 2015 AFEP-MEDEF Code of Corporate Governance and particularly that relating to the value of the shares granted which must not differ from L'Oréal's previous practices.

Termination indemnities, pension scheme, additional social protection

These components of remuneration are not linked to performance of the corporate office, but they may be due pursuant to the suspended employment contract.

The AFEP-MEDEF Code, to which L'Oréal refers, recommends that companies should put an end to the practice of combining an employment contract with a corporate office although it does not impose this as a mandatory requirement (point 22).

As a reminder, L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing executive officers *ad nutum.* The Board of Directors has formally provided for the methods of application of the objectives of the recommendation, as adapted to the professional context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for Mr. Jean-Paul Agon and, in future, for any new corporate officer appointed who has over 15 years' length of service in the Group at the time of appointment.

L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their careers in the Group as executive officers. This is how Mr. Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer in April 2006, following a brilliant career spanning 27 years at L'Oréal.

The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, Mr. Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr. Agon would lose the status he acquired as a result of the 27 years he spent working for the Group as an employee.

The Board did not want Mr. Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years working with L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee, and adopted the following measures:

Maintenance of the employment contract and separation of the benefits attached to the employment contract on the one hand and to the corporate office on the other

The Board of Directors considered that the objective pursued by the AFEP-MEDEF recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to his corporate office on the other.

In this manner, remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the Company-level agreements applicable to all L'Oréal senior managers.

The remuneration under the suspended employment contract to be taken into account for all the rights attached thereto, and in particular for the calculation of the defined benefit pension referred to below, is based on the amount of remuneration at the date of suspension of the employment contract in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000.

This reference remuneration is revised every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2016, the fixed remuneration amounts to €1,672,500 and variable remuneration to €1,393,750.

The length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer and Chairman and Chief Executive Officer.

Payment solely of the termination indemnities due pursuant to the employment contract to the exclusion of any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities due in the event of voluntary retirement or compulsory retirement on the Company's initiative pursuant to the employment contract that has been suspended.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the Company-level agreements applicable to all L'Oréal senior managers, are due in any event pursuant to public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr. Jean-Paul Agon's length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-competition clause would be payable every month for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr. Jean-Paul Agon were to be released from application of the clause.

For information purposes, the cumulative amount of the indemnity provided for under the collective bargaining agreement and the indemnity in consideration of the non-competition clause which would have been due to Mr. Jean-Paul Agon had his employment contract ended on December 31st, 2015 through termination, except in the event of gross misconduct or gross negligence, would have represented an amount of less than 24 months of the fixed and variable remuneration which he received in 2015 as a corporate officer.

Maintenance of entitlement to the defined benefit pension scheme for the Group's senior managers.

Mr. Jean-Paul Agon benefits, under his suspended employment contract, from the *Garantie de Retraite des Membres du Comité de Conjoncture* (Pension Cover of the Members of the *Comité de Conjoncture*) scheme closed on December 31st, 2000, as described in chapter 3 of this Document, "*Overview of the Pension and Employee Benefit schemes in France*".

The main features of this scheme, which falls under Article L. 137-11 of the French Social Security Code, are as follows:

- around 120 senior managers, active or retired, are concerned;
- the length of service requirement was 10 years at the time of closure of the scheme on December 31st, 2000;
- the cover may not exceed 40% of the calculation basis for the Pension Cover plus 0.5% per year for the first 20 years, then 1% per year for the following 20 years;
- the cover may not exceed the average of the fixed part of the remuneration for the three years used for the calculation basis out of the seven prior to the end of the beneficiary's career in the Company;
- the Guarantee is financed by contributions paid into an insurance institution. These contributions are deductible from the corporate income tax and are subject to the employer's contribution as provided by article L. 137-11, 2°a) of the French Social Security Code at a rate of 24%.

For information purposes, it can be estimated that the amount of the pension that would be paid to Mr. Jean-Paul Agon, under L'Oréal's *Garantie de Retraite des Membres du Comité de Conjoncture* scheme, had he been able to apply for a full-rate pension from the French social security scheme on December 31st, 2015, after 37 years' length of service at L'Oréal, would represent around 1.56 million €, representing approximately 39% of the fixed and variable remuneration he received as an executive officer in 2015.

This information is given as an indication after estimating the main pension entitlements accrued by Mr. Jean-Paul Agon, at 65 years of age, as a result of his professional activities, according to the rules regarding the application for payment of such pensions in force at December 31st, 2015 and which may be subject to change.

The amount of the pension paid to Mr. Jean-Paul Agon, under L'Oréal's *Garantie de Retraite des Membres du Comité de Conjoncture* scheme, will in fact only be calculated on the date when he applies for all his pensions.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the beneficiary ending his career in the Company. The funding of this scheme by L'Oréal cannot be broken down individually by employee.

Maintenance of the benefit of the additional social protection schemes applicable to the Company's employees.

Mr. Jean-Paul Agon will continue to be entitled to benefit from the additional social protection schemes and in particular the employee benefit and healthcare scheme applicable to the Company's employees due to the fact that he will be treated as a senior manager throughout the entire length of his corporate office.

For information purposes, the amount of the employer's contributions to these schemes totalled €7,310.52 in 2015.

In application of the defined contribution scheme, ("RCD L'Oréal" as described in chapter 3 of the present Document), under which rights are strictly proportional to paid contributions and which benefits all L'Oréal employees in France, the estimated gross amount of Mr. Jean-Paul Agon's annual retirement pension is 2,525 € at December 31st, 2015. Like for all the other senior managers of the Group, the lump-sum amount resulting from the employer's contributions under the RCD L'Oréal pension scheme will be deducted from the amount of the Pension Cover for the calculation of the life annuity that may be due within the scope of this scheme, so that these benefits do not add up.
It should be noted that the life annuity risks associated with schemes under article 83.2 of the French Tax Code (Code Général des Impôts) is borne by the insurer.
At December 31st 2015, the breakdown of the contributions was the following: a contribution paid by the company, subject to 20% "forfait social" levy, of 0.25% upto one French social security ceiling for the portion of the remuneration between one and six French social security ceilings and a contribution by the employee of 2.50% for the portion of the remuneration between one and six French social security ceilings. The contributions and taxes paid by the company are deductible from the corporate income tax.

The above provisions are subject to the regulated agreements and commitments procedure. The corresponding agreement was approved by the Annual General Meeting on April 27th, 2010 making a decision with regard to the Special Report prepared by the Statutory Auditors. The provisions of this agreement remained unchanged within the scope of the appointment of Mr. Jean-Paul Agon as Chairman and Chief Executive Officer as from March 18th, 2011 and the renewal of his term of office on April 17th, 2014. This is the only agreement entered into and authorised in previous years for which performance continued during the 2015 financial year. Pursuant to new Article L. 225-40-1 of the French Commercial Code, this agreement was examined by the Board of Directors on February 11th, 2016, which confirmed the relevance and terms thereof.

The table set out below, presented in the form recommended by the AMF, clearly shows that there are no concurrent benefits under the suspended employment contract and the corporate office.

It is moreover stated that the AMF considers that a company complies with the AFEP-MEDEF Code when it explains the maintenance of the employment contract of a senior manager as being due to his length of service as an employee in the Company and his personal situation and provides detailed substantiation in this respect.

Mr. Jean-Paul Agon[(1)] **Chairman and Chief Executive Officer**	Employment contract[(2)]		Supplementary pension scheme[(3)]		Indemnities or benefits due or which may become due as a result of termination or change of duties[(4)]		Indemnities relating to a non-competition clause[(5)]	
	Yes	No	Yes	No	Yes	No	Yes	No
	X		X			X	X	

(1) Mr. Jean-Paul Agon has been a Director since April 25th, 2006, the date on which he was appointed as Chief Executive Officer. His tenure was renewed at the Annual General Meeting on April 27th, 2010. Mr. Jean-Paul Agon has been Chairman and Chief Executive Officer since March 18th, 2011. His term of office was renewed on April 17th, 2014.
(2) Mr. Jean-Paul Agon's employment contract is suspended throughout the entire length of his corporate office.
(3) Pursuant to his employment contract, Mr. Jean-Paul Agon is entitled to benefit from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of the Members of the "Comité de Conjoncture") as described in chapter 3 of this document. This defined benefit pension scheme provides that the building up of rights to benefits is conditional on the beneficiary ending his career in the Company; the funding of this scheme by L'Oréal cannot be broken down individually by employee.
(4) No indemnity is due in respect of termination of the corporate office. In respect of the employment contract, pursuant to the schedule of indemnities of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination, except in the case of gross misconduct or gross negligence, the termination indemnity would be capped, in light of Mr. Jean-Paul Agon's length of service, at 20 months' remuneration related to the employment contract.
(5) In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-competition clause would be payable every month for two years on the basis of two thirds of the monthly fixed remuneration related to the employment contract unless Mr. Jean-Paul Agon were to be released from application of the clause.

SUMMARY TABLE OF THE REMUNERATION OF MR. JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2015		2014	
€	**Amounts due**	**Amounts paid**	Amounts due	Amounts paid
Fixed remuneration	2,200,000	2,200,000	2,200,000	2,100,000
Annual variable remuneration[(1)]	1,782,000	1,760,000	1,760,000	1,837,500
Exceptional remuneration	-	-	-	-
Attendance fees[(2)]	0	-	0	85,000
Benefits in kind	-	-	-	-
TOTAL	**3,982,000**	**3,960,000**	**3,960,000**	**4,022,500**

(1) Variable remuneration due in respect of year N is paid in year N+1.
(2) The attendance fees for year N are paid in year N+1.

SUMMARY TABLE OF REMUNERATION AND PERFORMANCE SHARES AWARDED TO MR. JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

€	**2015**	2014
Remuneration due in respect of the financial year	3,982,000	3,960,000
Value of the performance shares granted during the financial year	5,167,680 [(1)]	4,183,200 [(2)]
TOTAL	**9,149,680**	**8,143,200**

(1) Corresponding to 32,000 performance shares x €161.49 (estimated fair value on April 22nd, 2015 according to the IFRS applied for the preparation of the consolidated financial statements).
(2) Corresponding to 40,000 performance shares x €104.58 (estimated fair value on April 17th, 2014 according to the IFRS applied for the preparation of the consolidated financial statement).

HISTORY OF THE STOCK OPTIONS GRANTED TO MR. JEAN-PAUL AGON SINCE HIS APPOINTMENT AS AN EXECUTIVE OFFICER THAT CAN STILL BE EXERCISED AT DECEMBER 31ST, 2015 (SEE ALSO CHAPTER 6)

Date of grant	Number of options granted	Number of options not yet exercised	1st possible date of exercise	Date of expiry	Subscription price (euros)
12.01.2006	500,000	360,000	12.02.2011	12.01.2016	78.06 (S)
11.30.2007	350,000	350,000	12.01.2012	11.30.2017	91.66 (S)
03.25.2009(1)	-	-	-	-	-
04.27.2010	400,000	400,000	04.28.2015	04.27.2020	80.03 (S)
04.22.2011	200,000(2)	200,000	04.23.2016	04.22.2021	83.19 (S)

(1) As Mr. Jean-Paul Agon informed the Board of Directors that he did not wish to be granted any subscription option with respect to 2009, he did not receive any subscription option under the plan dated March 25th, 2009.

(2) The Board of Directors allocated 400,000 stock options to Mr. Jean-Paul Agon on April 22nd, 2011. Mr. Jean-Paul Agon waived 200,000 of these stock options. He therefore benefits from 200,000 stock options under the plan decided by the Board of Directors on April 22nd, 2011.

Mr. Jean-Paul Agon, as an executive officer, will retain a number of shares corresponding to 50% of the "balance of the shares resulting from the exercise of the stock options", in registered form, until the termination of his duties as Chairman and Chief Executive Officer of L'Oréal.

The "balance of the shares resulting from the exercise of the stock options" should be understood to mean the total number of shares resulting from the exercise of stock options minus the number of shares that have to be sold to finance the exercise of the stock options in question and, where applicable, the payment of any immediate or deferred taxes, social levies and costs relating to the exercise of these stock options as applicable at the date of exercise of the options. If the number of shares thus determined that must be retained until the termination of Mr. Jean-Paul Agon's duties as Chairman and Chief Executive Officer is not a whole number of shares, this number of shares would be rounded down to the nearest lower whole number of shares.

Mr. Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

TABLE SHOWING THE STOCK OPTIONS TO PURCHASE OR SUBSCRIBE FOR SHARES EXERCISED BY MR. JEAN-PAUL AGON DURING THE 2015 FINANCIAL YEAR

Date of grant	Stock options for the purchase or subscription of shares exercised	Exercise price
Stock options granted during performance of the corporate office(1)		
December 1st, 2006	140,000	78.06
Stock options granted prior to the corporate office(2)		
November 30th, 2005	60,000	62.94
November 30th, 2005	125,000	61.37

(1) These stock options, granted on December 1st, 2006, prior to the date when the provisions of the law of December 30th, 2006 came into force, were not subject to any retention obligation.

(2) These stock options, granted prior to the appointment of Mr. Jean-Paul Agon as an executive officer and expiring 10 years after their grant, were not subject to any retention obligation.
Nevertheless, Mr. Jean-Paul Agon decided to retain some of the shares resulting from the exercise of these stock options, bringing the total number of shares held by him at December 31st, 2015 to 271,500 shares.

HISTORY OF CONDITIONAL GRANTS OF SHARES TO MR. JEAN-PAUL AGON SINCE HIS APPOINTMENT AS AN EXECUTIVE OFFICER

Date of grant	Number of conditional shares granted	Performance conditions(2)	Grant value (IFRS value)	Date of final vesting of all or part of the conditional shares	1st possible date of sale of some of them(1)
April 17th, 2012	50,000	Yes	3,853,500	April 18th, 2016	April 18th, 2018
April 26th, 2013	40,000	Yes	4,494,800	April 27th, 2017	April 27th, 2019
April 17th, 2014	40,000	Yes	4,183,200	April 18th, 2018	April 18th, 2020
April 22nd, 2015	32,000	Yes	5,167,680	April 23rd, 2019	April 23rd, 2021

(1) At the end of the vesting period, Mr. Jean-Paul Agon, as a French resident on the date of granting of the shares, is required to hold the shares definitively vested for him for an additional 2-year period during which the shares cannot be disposed of. At the end of this additional 2-year period, Mr. Jean-Paul Agon, as an executive officer, will hold 50% of the shares that finally vest as registered shares until the end of his term of office as Chairman and Chief Executive Officer of L'Oréal. Mr. Agon has undertaken not to enter into any risk hedging transactions.

(2) See the performance conditions in chapter 6 of this document.

TABLE OF PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE FINANCIAL YEAR FOR EACH EXECUTIVE OFFICER

Not applicable, inasmuch as no performance share granted to Mr. Jean-Paul Agon became available during the 2015 financial year.

SUMMARY TABLE OF THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE WHICH HAVE NOT BEEN APPLIED

Recommendations of the AFEP-MEDEF Code	L'Oréal's practices and justifications
INDEPENDENCE CRITERIA FOR THE DIRECTORS (point 9.4 of the code):	
Criterion providing that in order to be considered as independent a Director must not *"have been a Director for more than twelve years"*.	The Board of Directors carefully examined the situation of Mr. Xavier Fontanet whose tenure exceeded 12 years after its renewal, on April 17th, 2014. The Board of Directors took into account the objectiveness that Mr. Xavier Fontanet has always shown at the time of the debates and decisions of the Board and his ability to express his convictions and make a balanced judgment in all circumstances with regard to the General Management. It considered that his personality, his leadership and his commitment, recognised by the shareholders of L'Oréal, 98.28% of whom approved the renewal of his tenure on April 17th, 2014, were all guarantees of his independent-mindedness. The Board also considered that his experience with regard to governance and the attention he has always paid to the due and proper functioning of the Board in his capacity as Chairman of the Appointments and Governance Committee are essential in light of the recent large number of appointments of new independent Directors and the integration of the Directors representing the employees. These qualities, combined with a good understanding of the challenges facing the Company, contribute to a great extent to the continuity of the Board's discussions and help to put its decisions into perspective.
COMPOSITION OF COMMITTEES Proportion of independent members on the committees (points 16.1, 17.1 and 18.1 of the code):	
The proportion of independent Directors on the Audit Committee must be at least two-thirds. The Selection or Appointments Committee and the Remuneration Committee must be composed of a majority of independent Directors.	The Audit Committee consists of 60% of independent Directors (i.e., 3 out of 5, excluding Directors representing the employees). The Board of Directors considers this composition satisfactory in light of the necessary presence of two Directors from L'Oréal's majority shareholders and its choice of maintaining a limited number of members in order to ensure the efficiency of the work of this committee which requires a certain level of expertise in finance or accounting. The Appointments and Governance Committee currently consists of 50% of independent Directors. These committees are all chaired by an independent Director. Furthermore, the High Committee on Corporate Governance specified in its October 2014 Annual Report that *"an Audit Committee that consists, for example, of three independent members out of five, or a Remuneration Committee comprising two out of four, remain in keeping with the spirit of the code as long as they are chaired by an independent Director"*.
PERIOD FOR REVIEW OF THE ACCOUNTS BY THE AUDIT COMMITTEE (point 16.2.1 of the code):	
The time periods for review of the accounts by the Audit Committee must be sufficient (at least two days before their review by the Board).	Within the scope of the publication of the annual and interim results, the Audit Committee's meeting relating to the review of the financial statements is held on a date close to that of their presentation to the Board of Directors. But it should be noted that the Board and its committees are regularly given the appropriate information to carry out their supervisory assignment, in this field in particular. Furthermore, the corresponding documents are systematically sent to them prior to the meetings.
THE EXECUTIVE OFFICER'S EMPLOYMENT CONTRACT (point 22 of the code):	
It is recommended, though not mandatorily required, that when a senior manager or executive becomes a corporate officer of the Company, his/her employment contract with the Company or another company of the Group should be terminated by agreed termination or by resignation.	The Board of Directors considered that the objective pursued by this recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to his corporate office on the other. Furthermore, the Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office. This position of the Board applies to the current office of Mr. Jean-Paul Agon and, in future, to any new executive officer appointed who has over 15 years' length of service in the Group at the time of appointment. L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their career in the Group as executive officers. This is how Mr. Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer of L'Oréal in April 2006, following a brilliant career spanning 27 years with L'Oréal. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, Mr. Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr. Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee. Indeed, the AMF considers that a company complies with the AFEP-MEDEF Code when it justifies the maintenance of its executive officer's employment contract on the basis of his length of service as an employee in the Company and his personal situation (2014 AMF Report on Corporate Governance and Executive Compensation).
PERFORMANCE SHARES (point 23.2.4 of the code)	
In accordance with the terms and conditions set by the Board and made public at the time of the grant thereof, make the performance shares granted to the executive officers conditional on the purchase of a defined quantity of shares when the shares granted become available.	In light of the significant level of the holding obligations imposed on L'Oréal's Chairman and Chief Executive Officer at the time of the exercise of stock options for the subscription of shares and the final vesting of shares, the Board of Directors decided not to require Mr. Agon to purchase an additional quantity of shares of the Company when the shares granted become available, as recommended by the AFEP-MEDEF Code. The number of shares directly held by Mr. Agon was 271,500 at December 31st, 2015 as against 145,500 at December 31st, 2014.

2.6. SUMMARY OF TRADING BY DIRECTORS AND EXECUTIVE OFFICERS IN L'ORÉAL SHARES IN 2015

(Article 223-26 of the General Regulation of the *Autorité des Marchés Financiers*)

Person concerned	Description of the financial instrument	Nature of the transaction	Number of transactions	Total amount
Jean-Paul Agon, Chairman & CEO	Shares	Exercise of stock options	9	€22,376,050.00
	Shares	Sale	3	€11,233,340.00
Individuals related to Mr. Jean-Paul AGON, Chairman & CEO	Shares	Sale	5	€8,589,820.51
Georges Liarokapis	Shares	Acquisition	1	€4,470

2.7. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

At the request of the Chairman and Chief Executive Officer, the Administration and Finance Division compiled the information contained in this Document based on the different types of work carried out by departments working on Internal Control and management of the Group's risks which aims at covering the main operational, legal, industrial, environmental, economic and financial risks described in chapter 1 of this Document.

For the preparation and drafting of this Document and the definition of Internal Control, L'Oréal used the Reference Framework recommended by the French financial markets authority (the *Autorité des Marchés Financiers*) on July 22nd, 2010.

2.7.1. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

In L'Oréal, Internal Control is a system that applies to the Company and its consolidated subsidiaries ("the Group") and aims at ensuring that:

- economic and financial targets are achieved in compliance with the laws and regulations in force;
- the orientations set by General Management are followed;
- the Group's assets are valued and protected;
- the Group's financial and accounting information is reliable and provides true and fair statements.

By contributing to preventing and managing the risks to which the Group is exposed, the purpose of the Internal Control system is to enable the Group's industrial and economic development to take place in a steady and sustainable manner in a control environment appropriate for the Group's businesses. However, no absolute guarantee can be given that these objectives will be met.

With the aim of continually improving the system of Internal Control, the Group continued with its efforts in 2015 by notably taking the following actions:

- the corpus of standards and procedures was bolstered with, in particular:
  - revamping of the programme to raise awareness of the risks of fraud,
  - recasting of the Group's Legal Charter,
  - revamping of the Group's Financial Charter;
- the network of Internal Control managers continued to be reinforced worldwide through:
  - a specific training course which is continously improved to be developed,
  - coordination of the community of Internal Controllers who can rely on a dedicated social network;

- Two major events were the subject of communication within the Group on the main Internal Control priorities:
  - the "Internal Control Awards" rewarded the best initiatives on a worldwide basis,
  - the Risk Management and Compliance Department's intranet makes it possible to communicate all over the world on Internal Control initiatives, tools and events.

2.7.2. COMPONENTS OF THE SYSTEM

2.7.2.1. The Internal Control organisation and environment

The control environment, which is critical to the Internal Control system, good risk management and the application of procedures, is based on people, behaviour and the organisational structure. In L'Oréal, it forms part of a culture of rigour and commitment communicated by senior management and is also in line with the Group's strategic choices.

The Group's Ethical Principle

L'Oréal has built up its business on the basis of strong Ethical Principles that have guided its development and contributed to establishing its reputation: Integrity, Respect, Courage and Transparency. L'Oréal's commitment to acting ethically and responsibly is summarised in a document called "The L'Oréal Spirit" accessible to everyone.

L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages and in Braille, in French and English, it is distributed to all employees worldwide. It enables employees to understand how these Ethical Principles need to be reflected in their behaviour and actions by providing simple rules and a description of concrete situations they may encounter. The Code of Ethics applies to all employees, corporate officers and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. Seven supplements to the Code of Ethics have, since 2010, covered certain aspects of the code in more detail. Country Managers (or for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring the respect of the Code of Ethics in their Country.

Respect of these Ethical Principles is integrated in the annual appraisal system for all the employees through two ethical competencies: "Acts/Leads with Human Sensitivity" and "Obtains Results with Integrity".

The Senior Vice-President and Chief Ethics Officer, who reports directly to the Chairman and Chief Executive Officer, is in charge of ensuring the promotion and integration of best practices within the Group, providing guidance in ethical decision-making. He ensures employees are trained and oversees the handling of concerns, if any. He reports regularly to the Chairman and Chief Executive Officer and informs the Board of Directors and the Executive Committee. The Senior Vice-President and Chief Ethics Officer has a dedicated budget and team, has access to all the information and documents concerning the Group's activities and can call upon all the Group's teams and resources to carry out his mission. Ethics Day, an annual day devoted to ethics has been organised since 2009: a live webchat with the Chairman and Chief Executive Officer enables all the Group's employees to ask questions and discuss the everyday application of L'Oréal's Ethical Principles. Dialogues on ethics were also organised locally with each Country Manager. In 2015, more than 50% of the employees took part in this dialogue and over 4,100 questions were asked worldwide. The employees have a dedicated intranet site which provides additional information on ethics.

The Ethics Correspondents' role is to assist the Country Managers in implementing the ethics programme and enable employees in 69 countries to have a local point of contact. The Ethics Correspondents benefit every year from a specific coordination and training programme. The ethics training campaign is on-going. A specific e-learning course on ethics is currently being rolled out in all countries. At December 31st, 2015, 75% of the employees who had access to the online module had completed it. The Ethics Department also provides classroom training sessions. In 2015, 16 training courses were delivered to 364 employees, representing 1,921 hours of training (Country Managers, Purchasers and Human Resources).

L'Oréal's "Open Talk" policy enables employees to raise any concerns they may have directly with the Group's Senior Vice-President and Chief Ethics Officer including *via* a secure website. All allegations are examined in detail and appropriate measures are taken, where applicable.

A practical tool enables Country Managers to evaluate and analyse any local ethical risks and to take the necessary measures to prevent them. An annual reporting system makes it possible to monitor implementation of the ethics programme.

The Senior Vice-President and Chief Ethics Officer regularly visits the Group's entities all over the world (head offices, factories, distribution centres and research centres) to meet employees at all levels of the Company and visit the various sites. In 2015, within this framework, he visited 22 countries, making a total of 48 countries visited since the end of 2013.

Ethics risks are systematically reviewed during audit assignments, through individual interviews. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director.

Responsibilities with regard to Internal Control

The Group is organised into worldwide Divisions and geographical zones, which are fully responsible, with the management of each country, commercial or industrial entity, for the achievement of the objectives defined by the General Management with regard to Internal Control. The Functional Divisions bring their expertise to all operational employees.

Worldwide responsibilities for Internal Control of the activities of their Division or department are entrusted to each of the members of the Management Committee. A system of delegation of authority is in place and continues to be reinforced. The powers of the legal representatives of Group companies and of those to whom they delegate are limited and controlled in accordance with the provisions of the Legal Charter.

Specialists in financial control, information systems, Human Resources or industrial and logistics techniques provide support to operational employees at all levels of the organisation, which makes it easier to diffuse Internal Control best practices.

Human Resources policy

The quality and skills of male and female employees are key components of the Internal Control system. Human Resources policy within L'Oréal is defined by the constant search for excellence in recruitment and by the development of talent within the Group, so as to ensure that it has the required level of skills in all areas. These activities also form part of the Group's diversity policy, which seeks to value and respect difference throughout the organisation. The Learning teams all over the world offer technical training and personal development programmes, including helping employees with integration or management; such programmes are tailored to different job profiles and aimed at providing mastery of different skills in all areas of activity.

Information systems

Strategic choices in terms of systems are determined by the Group Information Systems Division, which is responsible in particular for implementation of a single ERP (Enterprise Resource Planning), management software application used by the vast majority of commercial subsidiaries, and which issues instructions regarding systems security. The worldwide roll-out of this integrated software package also contributes to strengthening the reliability and the security of the process of production of information, notably accounting and financial information. In pursuit of the same objective, the deployment of an integrated production and management solution in the Group's industrial entities is continuing.

The procedures and standards governing the activities

Each Functional Division has responsibility, in its own specific field, for defining the principles and standards applicable to all the entities. In order to make it easier for employees to take on board all these principles and standards, the key points have been summarised in the "Fundamentals of Internal Control" that are regularly updated.

This guide is a reference framework for the Group's operational activities, and is presented in the form of an information sheet for each area. Each information sheet refers to the detailed charters, codes and standards of the Group. The information sheets are regularly updated, supplemented, validated by the experts in each area of expertise and presented to the Group Management Committee.

A management standard with regard to segregation of duties was distributed to all entities in 2010. It defines the main rules to be observed in the fields of sales, purchasing, logistics, finance, Human Resources and information systems management. The application of these rules is aimed at better prevention of the risks of fraud and reducing the probability that errors (whether intentional or not) may remain undetected.

2.7.2.2. Communication of information inside the Group

Sharing of information

The "Fundamentals of Internal Control" brochure is circulated individually to the Managing Directors and Finance Directors of all the consolidated subsidiaries, including the industrial entities. Furthermore, the Fundamentals, codes, charters and standards, together with the information related to the organisation, changes and instructions from the Functional Divisions are made permanently available to the subsidiaries on the Group's intranet sites.

The other means of internal communication

Meetings are regularly organised aimed at passing on information about orientations of the General Management to managers of the subsidiaries. The Functional Divisions also coordinate their networks of experts through seminars and training sessions. A newsletter gives managers regular news and passes on strong messages with regard to Internal Control.

Finally, the Internal Control Awards illustrate the Group's commitment to durably strengthening Internal Control: they are aimed at showcasing the best initiatives and promoting exchanges of good operational practices between the Group's subsidiaries.

2.7.2.3. Risk management

In L'Oréal, the system of management of risks (events or situations of which the realisation, which is uncertain, has a positive or negative impact) applies to the Company and its consolidated subsidiaries ("the Group").

Risk management consists in identifying, managing and controlling risks that may affect the smooth running of the Company. It also participates in value creation by promoting the good use of resources to minimise the impact of negative events and maximise the realisation of opportunities. Risk management therefore goes beyond a strictly financial framework.

In order to ensure the sustainability of its development and the achievement of its objectives, the Group strives to anticipate and manage the risks to which it is exposed in its different areas of activity. These risks have been identified in chapter 1 of this Document and the systems put in place to better anticipate and handle risks are mentioned. In addition, the Internal Rules of the Board of Directors specify the role played by the Audit Committee which *"must make sure that the General Management has at its disposal the means to enable it to identify and manage the economic, financial and legal risks facing the Group inside and outside France in carrying out its routine and exceptional operations"*.

On the basis of the work by the Internal Audit Department, the analysis of major accounting and financial risks, in conjunction with the processes used by subsidiaries, makes it possible to identify Internal Control improvements and update the Group's standards.

Risk mapping

The risk mapping concerning all L'Oréal's activities was updated in 2014. This process of identification and analysis of the significant risks and processes enhances the knowledge of the Group's risks by formalising and consolidating the work already achieved to date. The results of this work were presented to the Audit Committee. It is the responsibility of the Risk Management and Compliance Department, created in 2012, to lead this process which makes it possible to prepare the appropriate action plans. The main risks to which the Group is exposed are described in chapter 1 of this Document.

2.7.2.4. Control activities

The measures recommended by the Group

In each area of activity, the recommended measures with regard to the key control points are determined by the Functional Divisions.

- In the area of Human Resources, the requirements related to personnel management specify the documents to be provided to employees, the way to book and report headcount and personnel charges, the procedures for recruitment, training and appraisal and the rules to be observed in the field of payroll management.
- In the area of purchasing, the Purchasing Code of Ethics was updated in 2011: "The way we buy" is the practical and ethical guide providing guidelines for each employee in relationships with the Group's suppliers. The standard for "Management of suppliers" and tender procedures specify the conditions for competitive tendering and for the registration of the main suppliers. The general terms of purchase are used as the framework for transactions with suppliers. The "Purchase Commitments and Order Management" standard is aimed at facilitating and strengthening control of the spending and investments of Group entities.
- In the area of safety and quality, procedures relating to the protection of persons, property and data set out the principles for covering industrial and logistical risks relating to organisation and safety. Production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all the factories are ISO 9001-certified as far as their production is concerned, ISO 14001-certified for their environmental policy and OHSAS 18001-certified (or equivalent certification) for their safety policy.
- In the area of the supply chain, the main assignments consist in defining and applying the sales planning, customer demand management, development and control of customer service processes, particularly through management of physical order fulfilment, application of the general terms of sale, the follow-up of orders, management of customer returns and customer disputes as well as accounts receivable collection procedures. Measures are also recommended for the management of distribution centres and inventories, subcontracting, product traceability, business continuity plans and transportation.
- In the field of Information Systems, the Group has an Information Systems Security Policy. Based on the international ISO 27001 standard, this policy covers the main topics of Information Systems security, describing the general principles to be applied for each of them. It enables all the Group's Information Systems teams, and by extension all the employees, to share clear objectives, good practices and levels of control adapted to the risks incurred. This policy is accompanied by an information systems security audit programme conducted by an outside firm. It is also supplemented by an Information and Communication Technologies Code of Conduct, and a Code of Conduct for the correct use of social media.
- In the Legal area, the Legal Charter reaffirms the obligation to comply with local legislation and notably sets out the internal principles for signature on behalf of the Company, the general and specific rules relating to contracts, trademark law, intellectual property law, company law and competition law. A training tool and practical guides concerning the issues related to competition law and participation in professional associations define the principles to be complied with and provide answers to any questions which employees may have in this area.
- In the Insurance field, the Group's choice is to only have recourse to first-rate insurers. The Insurance chapter of the *Fundamentals of Internal Control* issues a reminder that the Group mainly uses integrated worldwide programmes to cover all its entities notably against third party liability, damage to property and operating losses resulting from an insured event. With regard to insurance of its customer risk, coverage is put in place inasmuch as this is permitted by local conditions. The results of audits performed by insurance companies in factories and distribution centres are used to improve the Internal Control of these entities.
- In the area of finance and treasury, the Financial Code of Ethics and the exchange risk management standard specify, in particular, the principles to be applied by Group entities to ensure that management of currency risk is both prudent and centralised. The standard with regard to bank powers defines the process for designating the persons empowered to sign to make payments and the rules for implementation of those powers. In addition, the Stock Market Code of Ethics, described in the Chairman's Report concerning the way in which the Board's work is prepared and organised, is applicable to all employees.
- In the area of consolidation and financial control, the control activities are described below in the section on the "*Monitoring process for the organisation of the accounting and finance functions*".

2.7.2.5. Ongoing supervision of the Internal Control system

The supervision carried out by the Functional Divisions

Through their network of specialists or *via* regular audits, the Functional Divisions review the functioning of their respective areas of responsibility: in this way, the Purchasing Divisions are responsible for the oversight with regard to suppliers and their working conditions, the Environment, Health & Safety Division is responsible for checks related to site safety and environmental compliance while the Quality Department measures performance and the progress made by industrial entities with regard to the quality of production and finally the Information Systems Division assesses compliance with the Security Policy. Indicators and reporting procedures enable the regular monitoring of the local activities of most of these Functional Divisions.

Self-evaluation system with regard to Internal Control

With the constant desire to improve Internal Control, the Group develops, disseminates and coordinates the self-evaluation mechanisms: self-evaluation campaigns, focusing on the main risks and issues identified, are gradually being rolled out in each of the businesses and are followed by operational action plans.

The role of the Internal Audit Department

Internal Audit is carried out by a central team that reports directly to the Executive Vice-President Administration and Finance. This department carries out regular assignments to audit major processes and check on the application of Group principles and standards.

Internal Audit assignments are submitted to the General Management and the Audit Committee for their approval and, with their agreement, are included in an annual audit plan. The choice of assignments notably takes into account the assessment of the risks identified.

The size, the contribution to key economic indicators, the history of the entities together with the pattern of their development, are factors that are also taken into consideration for the preparation of the annual audit plan.

The Internal Audit Department carried out 45 assignments in 2015, involving 31 commercial entities representing over 26% of the Group's sales and 7 factories; the audited factories represent 26% of worldwide production in units. Furthermore, 7 other assignments were carried out with regard to specific topics. Internal Audit assignments systematically lead to the preparation of a report comprising a presentation of the findings and related risks and making recommendations regarding the action plan to be put in place by the audited entity.

The Internal Audit Department relies on the support of the Group's integrated ERP software package for the performance of its work and has developed a certain number of specific transactions that contribute to increasing the efficiency of its work. Since 2007, complementary assignments aimed at verifying certain key Internal Control points in the configuration of the ERP software have been performed. In addition, in 2014, the Internal Audit Department finalized the GRC (Governance, Risk, Compliance) tool, which now enables it to carry out its assignments using an integrated tool and to consolidate in real-time the progress made in the action plans of the audited entities.

The action plans decided on further to the audits are followed up regularly by the Internal Audit Department, which measures the rate of progress made in the implementation of the recommendations, weighted by the risk levels applied. The summary of performance and results of the assignments and the progress of the action plans are presented to the General Management and the Audit Committee every year.

The Internal Audit Department shares the results of its audits with the Group's Statutory Auditors. The remarks made by the external auditors within the scope of their annual audit are also taken into consideration by the Internal Audit Department when it carries out its assignments.

2.7.3. PLAYERS

The main players involved in monitoring Internal Control and risk management are:

- the General Management and its Management Committee (Executive Committee);
- the Audit Committee;
- the Functional Departments and Divisions, including the Risk Management and Compliance Department, the Internal Control Department and the Internal Audit Department.

2.7.3.1. General Management and the Management Committee (Executive Committee)

The role of the General Management is to define the general principles regarding Internal Control and to ensure that they are correctly put in place.

Within the scope of their worldwide Internal Control responsibilities, the members of the Management Committee rely on operational and functional managers, according to their respective areas of expertise. These managers must ensure implementation of these general principles and ensure the correct functioning of procedures enabling the level of Internal Control required by General Management to be attained.

2.7.3.2. The Audit Committee

The Board of Directors has always asserted the importance that it attributes, together with General Management, to Internal Control and to its main areas of application. Since its creation, the Audit Committee has been responsible for monitoring actions undertaken in the area of Internal Control and it reports thereon to the Board of Directors. Its remits are defined in the Internal Rules of the Board of Directors.

Each year, the committee performs a review of the Internal Audit plan, its objectives and the general conclusions of Internal Audit assignments. Major Internal Control projects and initiatives are also presented to it. The committee then prepares a report with its own remarks for the Board of Directors.

2.7.3.3. The Functional Divisions

The Functional Divisions each define guidance and procedures for their own areas, which they communicate to the different countries and entities.

The Administration and Finance Division

This Division's main role is to assist and control the operational employees in their administrative, financial and legal activities. In order to do so, it sets the operating rules that apply to all entities and is responsible for the definition and deployment of tools, procedures and best practices, particularly in the following areas: financial control, accounting and consolidation, financing and treasury, tax, legal affairs, financial communication, strategic planning, information systems and insurance. An Internal Control Committee has the task of taking all measures to promote the proper understanding and the proper application of the Group's Internal Control rules and also to monitor progress on important Internal Control projects.

The Risk Management and Compliance Department

The objective of this department, which was created in 2012, is to identify, assess and prioritise risks with all those concerned, and keep the risk mapping analysis up-to-date. Its aim is to promote optimal use of resources to minimise and control the impact of negative events and maximise the realisation of opportunities.

The Internal Control Department

The Internal Control Department leads the Internal Control Committee which consists of managers from the Administration and Finance Division and the Risk Management and Compliance, Economic Affairs, Internal Audit and Organisation and Information Systems Departments. The Internal Control Department coordinates the implementation of the projects and work decided by the Internal Control Committee with the experts in each area of expertise. The updating of the standards mentioned in this document and the revamping of the "Fundamentals of Internal Control" are some examples of this work.

It is responsible for the continued development of the network of Internal Control managers in the Group's entities. In this connection, the role of this function was specifically detailed and a training module was created. At the end of 2015, the Internal Control Department can rely on a network of more than 110 local managers present in the Group's different entities.

This department, which is separate from Internal Audit and placed under the responsibility of the Risk Management and Compliance Department, ensures the distribution and updating of the "Fundamentals of Internal Control" guide. Frequent actions at seminars and during training cycles and the publication of newsletters help to increase knowledge of this tool and to improve its application and use by operational employees and keep them informed of the Group's projects and priorities in the area of Internal Control.

In addition, the Internal Control Department ensures that an assessment of the Internal Control system is carried out and also monitors compliance with regulatory Internal Control obligations on an ongoing basis.

The Internal Audit Department

In addition to its role of supervision of application of the Internal Control system, the Internal Audit Department carries out cross-functional analyses with regard to possible Internal Control weaknesses based on findings noted during their assignments. These analyses make it possible to orient the work of the Internal Control Committee and to identify the priority areas for improvement and strengthening of procedures.

The Operations Division

This Division comprises the Quality, EHS (Environment, Health and Safety), Purchasing, Information Systems (production), Human Resources (production), Supply Chain, Production Organisation, Industrial Management and Real Estate Departments. It defines standards and methods applicable in the areas of production quality, safety and the environment. It assists operational employees in the definition and implementation of their manufacturing and logistics policies.

The other Functional Divisions

The following Divisions are also involved in Internal Control:

- the Human Resources Division;
- the Research and Innovation Division which is responsible in particular for cosmeto-vigilance and the quality of the formulas used in product composition;
- the Communications, Sustainable Development and Public Affairs Division which co-ordinates communications initiatives, prepares crisis management principles and ensures that they are applied;
- the Security Division which has defined a security policy for people, travel, property, information and data confidentiality.

2.7.4. INTERNAL CONTROL SYSTEM RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

For the preparation of this report, L'Oréal based itself on the "Application Guide for Internal Control of accounting and financial information published by issuers", which is part of the Reference Framework published by the AMF on July 22nd, 2010. This approach is part of an overall process aimed at making continual progress and improving the Internal Control system that has already been set up.

2.7.4.1. Definition, scope and objectives

Internal Control of accounting and financial fields covers the processes that contribute to accounting data: *i.e.* the process of production of financial information, the accounts closing processes and financial communication actions.

The Internal Control system with regard to accounting and financial aspects aims to ensure:

- compliance with accounting regulations and the correct application of the principles on which the financial statements are based;
- application of the guidelines set by the General Management with regard to financial information;
- protection of assets;
- quality of the reporting that contributes to the preparation of the published financial statements and the reliability of their centralised treatment for the Group with a view to their distribution and their use for monitoring purposes;
- control of the production of financial, general and management accounting information including fraud prevention.

The scope of application of Internal Control procedures relating to the preparation and processing of financial and accounting information encompasses the parent company and all subsidiaries included in the consolidated financial statements.

2.7.4.2. Monitoring process for the organisation of the accounting and finance functions

Organisation of the Finance Departments

Dedicated teams of specialists ensure the implementation of accounting and financial monitoring, under the supervision of the General Management, in the following areas: accounting, consolidation, financial control, financial services and treasury.

In the Administration and Finance Division, the preparation of the Group's consolidated results is the responsibility of the Economic Affairs Department. The presence of a financial controller at each level of the organisation contributes to the strengthening of the Internal Control system. This network of subsidiary financial controllers is co-ordinated by the Economic Affairs Department.

Processing and pooling of cash flows and hedging of currency and interest rate risks are carried out by the Financial Services Department, which is in charge of identifying commitments and enabling their proper booking.

General accounting standards

The Group has put in place a set of accounting policies and standards, which all consolidated subsidiaries are required to apply and which enable uniform, reliable financial information to be provided.

These accounting policies are regularly updated, taking into account the changes in regulations and accounting principles:

- accounting standards set out the principles required for harmonised accounting treatment of transactions. They specify in particular the methods of recording balance sheet items and of identification and valuation of off-balance sheet commitments. They are in accordance with IFRS, the accounting standards used to prepare the consolidated financial statements. The Group's Accounting Department monitors, on an ongoing basis, new accounting standards currently under preparation, with a view to alerting the General Management and anticipating their effects on the Group's financial statements;
- the chart of accounts, which is common to all subsidiaries, provides the definitions and the methodology for the preparation of the reporting required for the preparation of the financial statements.

Management standards

Management standards not only specify the rules applicable to the valuation of certain significant accounts in the balance sheet and the income statement but also the controls and validations applicable to the key processes.

Since the major initiative undertaken between 2008 and 2010 involving a review and improvement of the management standards and the related Internal Control procedures, these are regularly supplemented and are thus part of the continuous improvement process. The purpose of this work is both to take action in response to the findings of the Internal Audit Department and to cover the areas corresponding to the accounting and financial risks of subsidiaries. This work has made it possible to bring our approach more closely into line with the recommendations set out in the "Application Guide relating to Internal Control of accounting and financial information" of the AMF Reference Framework.

Organisation and security of information systems

Decisions with regard to the choices of software that is adapted to the Group's financial and accounting requirements are made jointly by the Economic Affairs Department and the Information Systems Division.

At the level of information systems, the teams work on strengthening the procedures for the separation of tasks and improved control of access rights. Tools have been made available to enable them to ensure that access rights comply with the Group's rules.

Management tools

The system for monthly reporting of various economic indicators enables the monitoring of the evolution of the performance of each subsidiary in a continuous and harmonised manner. It also enables assurance to be obtained that such performance is in line with the objectives set.

The reporting and consolidation system, used by all entities, ensures the consistency and reliability of figures at the level of each subsidiary through blocking controls that operate before the financial data is uploaded to Group level. In this regard, the operating profit and loss account by destination, which is common to both management and general accounting, contributes to strengthening the control of accounts in the financial statements through the use of a single reference framework.

In addition, the Group's organisation, which is based on reporting from each subsidiary that is provided directly by the countries to the parent company, without any intermediate aggregates for the vast majority of the subsidiaries, enables optimisation of the data transfer and the completeness of the information, and in particular enables the checking of the accuracy of the exchange conversion rates.

The Managing Director and the Finance Director of each subsidiary make a joint commitment with regard to the quality, reliability and completeness of the accounting and financial information they have prepared and sent to the Group's Economic Affairs Department, through a representation letter that they jointly sign.

The Audit Committee

The role and tasks of the Audit Committee are described above. These tasks are in compliance with the French ordinance of December 2008 on the conditions of application of the 8th European Directive on statutory audits and are based on the report by the working group on the Audit Committee published by the AMF on July 22nd, 2010.

2.7.4.3. Processes used to prepare accounting and financial information

Operational processes contributing to accounting figures

All of the processes that contribute to accounting figures, particularly sales and purchases, and inventory, fixed asset, payroll and treasury management are covered by specific procedures, follow-up checks and rules for validation, authorisation and booking operations.

Closing of the accounts, consolidation and Management reporting information

The accounts closing process is governed by precise instructions and is based on a detailed time schedule circulated to all the subsidiaries to make sure that deadlines are met and the financial statements are prepared in a consistent manner. For the preparation of the consolidated financial statements, validation procedures apply to each stage of the process of reporting and processing information. Their purpose is to verify in particular that:

- inter-company transactions are correctly adjusted and eliminated (these are reported on a monthly basis);
- consolidation operations are checked;
- accounting standards are correctly applied;
- the consolidated published accounting and financial data are harmonised and properly determined and general accounting data and Management reporting figures used in the preparation of the financial information are consistent.

Financial communication

Managers in charge of financial communication prepare a precise timetable for publication of up-to-date information on the Group to the financial markets. This timetable complies with the requirements of market authorities. These managers ensure, with the assistance of the Legal Department, that communications are made within the required deadlines and in accordance with laws and regulations, which they constantly monitor.

Their role is also to publish, precisely and accurately, the information provided by the Economic Affairs Department and the Legal Department. All material information provided to the financial community reflects with truth and transparency the situation and activities of the Group and the process is carried out in accordance with the principle of equal provision of information to all shareholders.

The Statutory Auditors

All accounting and financial information prepared by consolidated subsidiaries is, at a minimum, subjected to a limited review at the time of the half-year closing process and to a full audit at year-end, by the external auditors. Twice a year, the Managing Director and the Finance Director of each consolidated subsidiary make a joint commitment as to the true and fair view, reliability and completeness of the financial information by jointly signing a representation letter.

Audit assignments in the countries in which the Group operates are almost all entrusted to members of the networks of the two Statutory Auditors who, after having jointly performed the review of all the Group's accounts and the manner in which they were prepared, are responsible for issuing an opinion on the Group's consolidated financial statements. The Statutory Auditors issue an opinion as to whether the consolidated financial statements and parent company financial statements give a true and fair view. They are kept informed from the early stages of preparation of the financial statements and present an overview of their work to the Group's accounting and finance managers and to the Audit Committee at the time of the half-year and annual closings.

2.8. STATUTORY AUDITORS' REPORT

2.8.1. STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

(Year ended December 31, 2015)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of L'Oréal and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information.

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Other information : we attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Gérard Morin	Frédéric Moulin

2.8.2. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

(Annual General Meeting held to approve the financial statements for the year ended December 31, 2015)

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and the report does not apply to those related party agreements described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments with third parties.

It is our responsibility to communicate to you, based on information provided to us, the principal terms and conditions of these agreements and commitments brought to our attention or which we may have identified as part of our engagement, without expressing an opinion on their usefulness or their merit or identifying such other agreements or commitments, if any. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is our responsibility to communicate to you the information pursuant to article L.225-31 of the French Commercial Code relating to agreements and commitments previously approved by the Annual General Meeting during the year.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

Pursuant to article L.225-40 of the French Commercial Code, we hereby advise you that we have been informed of the following agreement authorized by the April 22, 2015 Board of Directors' meeting and to be approved by the Annual General Meeting.

Agreement between L'Oréal and Nestlé related to the termination of their Laboratoires Innéov SNC joint-venture ("Innéov")

Pursuant to the aforementioned termination agreement, Galderma Pharma, a Swiss dermatology company wholly-owned by Nestlé:

- acquires the assets, including the Innéov trademark as well as secondary trademarks, domain names, inventories and the investment in Innéov Brazil;
- is granted a license to use certain intellectual property rights to manufacture and distribute existing Innéov products, and access to Innéov's technology.

L'Oréal and Nestlé will continue to benefit from Innéov's research and intellectual property as well as its findings, which may subsequently be utilized in their respective fields of activity.

The acquisition was subject to the approval of the anti-trust authorities.

The agreement was signed on April 24, 2015 and the acquisition took place on June 30, 2015.

Relevance of the agreement for L'Oréal

L'Oréal's Board of Directors considered that the agreement's terms and conditions were aligned with L'Oréal's interest, particularly with respect to:

- the decision by L'Oréal and Nestlé to terminate their Innéov joint-venture, which was announced on November 27, 2014;
- the agreement between L'Oréal and Nestlé pertaining to intellectual property, which provides that L'Oréal and Nestlé will continue to benefit from Innéov's research and intellectual property as well as its findings, which may subsequently be utilized in their respective fields of activity;

- the fact that the bid by Galderma Pharma (Nestlé Skin Health) was the sole firm offer received subsequent to a preliminary research for potential buyers willing to acquire certain assets of the joint-venture (i.e., the Innéov trademark and inventories) and be granted a license to use certain intellectual property rights to manufacture and distribute existing Innéov products, and access to Innéov's technology.

Financial terms of the agreement

Galderma Pharma, a Swiss dermatology company wholly-owned by Nestlé:

- acquires from Innéov €5 million worth of assets (being specified that L'Oréal holds 50% of Innéov's capital) including trademarks, domain names, Innéov Brazil licenses and shares, on the basis of an enterprise value with neither debt nor cash, but including the value of inventories;
- pays a license fee for the use of certain intellectual property rights to manufacture and distribute existing Innéov products, and access to Innéov's technology.

Related parties to the agreement

- Nestlé, L'Oréal shareholder at more than 10%
- Peter Brabeck Letmathe, Director of L'Oréal and Nestlé

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved in prior years

Pursuant to article R. 225-30 of the French Commercial Code, we have been advised that the following agreement, previously approved by the Annual General Meeting of April 27, 2010 and mentioned in our Statutory Auditors' special report of February 19, 2010, has remained in effect during the year.

Agreement concerning Jean-Paul Agon

- Suspension of Mr Jean-Paul Agon's employment contract during the period of his corporate office.
- Elimination of all rights to indemnification in respect of Mr Jean-Paul Agon's corporate office.

In the event of departure, and depending on the reasons, Mr Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the Company's request due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal executives, are due in any event pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr Jean-Paul Agon will continue to benefit from the defined benefit pension scheme currently applicable to the Group's senior managers.

- Terms and conditions relating to the suspension of Mr Jean-Paul Agon's employment contract:
  - The reference remuneration to be used to calculate all the rights attached to the employment contract and in particular to compute the pension under the defined benefit scheme will be based on the amount of remuneration under the employment contract when it was suspended in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1, 2015, the fixed remuneration amounts to €1,672,500 and the variable remuneration to €1,393,750.
  - The length of service applied will take into consideration his entire career, including the years during which he was Chairman and Chief Executive Officer.
- Mr Jean-Paul Agon will maintain the status of senior manager throughout the period of his corporate office, so that he may continue to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the Company's employees.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Gérard Morin	Frédéric Moulin

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L'Oréal's corporate social, environmental and societal responsibility *

* *This information forms an integral part of the Annual Financial Report, as provided in Article L. 451-1-2 of the French Monetary and Financial Code.*

At the end of 2013, the Group presented its Sustainable Development commitments for 2020, through the Sharing Beauty With All programme. This public announcement testifies to L'Oréal's ambition and the strong commitment of its management and all its teams to build and ensure sustainable growth. L'Oréal has a solid Sustainable Development legacy. This chapter describes the L'Oréal Group's corporate social, environmental and societal policies while also reporting on the progress made within the scope of the Sharing Beauty With All programme.

Introduction

L'Oréal's ambition is to win one billion new consumers by developing a universalisation strategy to respond to the specific beauty needs of men and women all over the world. The Group's growth strategy is partly based on its commitment to decouple its growth from its consumption of natural resources and its emissions, 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.

Convinced that sustainable development is an essential factor for success and durability, L'Oréal has adopted an ambitious corporate social, societal and environmental policy, which is shared by its management and its teams and is based on a core set of strong ethical principles defined by the Group: integrity, respect, courage and transparency.

In 2013, a new level was reached with the implementation of the Sharing Beauty With All programme. Clear targets were set for 2020 in terms of innovation, production, meeting the challenges of sustainable consumption, and a model of sharing growth.

Every year, L'Oréal reports on the progress made and its achievements in its Registration Document, in the *Sharing Beauty With All* Progress Report and through the annual reporting with regard to the United Nations Global Compact which L'Oréal has supported for over 10 years.

EFFORTS THAT HAVE BEEN RECOGNISED AND REWARDED

In 2015, like in previous years, L'Oréal was acclaimed by the most demanding organisations in this field, and in particular:

- the extra-financial rating agency Vigéo ranked the Group No. 1 in its business sector. With a rating of 68/100, L'Oréal also obtained the best rating for all sectors combined;
- Oekom Research AG ranked L'Oréal No. 2 in the Household & Personal products sector and, for the fourth year running, gave it *Prime* status, which is awarded to the top-performing companies;
- the Ethisphère Institute recognised L'Oréal, for the 6th time, as one of the "*World's Most Ethical Companies*";
- the CDP, an independent international NGO that assesses the efforts made by companies to measure, report and reduce their greenhouse gas emissions, recognized L'Oréal, for the 3rd year running, as a leader in the fight against climate change. The Group was given an "A" rating, representing the highest level of performance in the *Climate Disclosure Leadership Index* (CDLI) for the management of its carbon footprint and its strategy to cope with climate change as well as a score of 99/100 for the transparency of its policy;
- for the 2nd consecutive year, Corporate Knights ranked L'Oréal in 14th place among the *Global 100 Most Sustainable Corporations*.

The Group's good performances have led to it being regularly included in the indices requiring the strictest standards:

- the Sustainability Indices Excellence Europe and Excellence Global of extra-financial rating agency Ethibel;
- the Euronext-Vigéo indices which highlight the top performing companies in the areas of the environment, corporate social responsibility and governance. They are revised twice a year.

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3.1. THE L'ORÉAL GROUP'S CORPORATE SOCIAL, ENVIRONMENTAL AND SOCIETAL POLICIES

3.1.1. A GROUP WITH A LONGSTANDING COMMITMENT

1968
- Signature of the **mandatory profit sharing** agreement for French employees

1988
- Signature of the **incentive profit sharing agreement** for French employees

1989
- **End of animal testing** for finished products

1993
- Creation of the internal **EHS Awards**

1996
- Creation of the **Instance Européenne de Dialogue Social/ European Works Council**

1998
- Launch of the **"L'Oréal – UNESCO For Women in Science"** international programme

2000
- Publication of the Group's **1st Code of Ethics**

2001
- Implementation of the **Worldwide Profit Sharing Program – WPS**
- L'Oréal joins the **World Business Council for Sustainable Development**

2002
- Completion of the first **social audits** at suppliers

2003
- Launch of the **ISO 14001** certification programme
- First participation in the **CDP (Carbon Disclosure Project)**
- L'Oréal signs the **United Nations Global Compact**

2004
- 1st **Diversity Leadership Award** presented to L'Oréal by Diversity Best Practices
- Publication of the first **diversity charter** and the Group's first **sustainable development report**

2005
- L'Oréal receives the **Anti-Defamation League's International Leadership Award**
- L'Oréal's Professional Products Division and UNESCO sign a **cooperation agreement for education in AIDS prevention**

2006
- L'Oréal receives the **Global Business Coalition against HIV** award

2007
- Creation of Citizen day
- Creation of the **L'Oréal Corporate Foundation**

2009
- L'Oréal pledges to **reduce CO_2 emissions, waste generation and water consumption by 50%** at its factories and distribution centers by 2015
- First participation in the **CDP supply chain** for 2008

2010
- Creation of a global Solidarity Sourcing programme
- 1st European **gender equality label**, the Gender Equality European Standard (GEES) awarded to 8 of the Group's entities

2013
- Launch of the **Sharing Beauty With All** programme
- Launch of the **Share & Care** programme
- Listing on the **United Nations Global Compact 100** stock index

SHARING BEAUTY WITH ALL

2014
- Signature of the **Women's Empowerment Principles**, a United Nations initiative to promote gender equality
- L'Oréal received the **Best Performer in Climate Change Leadership Award**

2015
- Launch of the **Carbon Balanced** programme
- Signature of the **global disability charter**

3.1.2. THE L'ORÉAL GROUP'S HUMAN RESOURCES POLICY

L'Oréal's Human Resources Departments have always had the mission of supporting the Group's growth. In order to be sustainable, this growth relies first and foremost on the men and women in the Company. Built on the strength of this conviction, the Group's social and human project is based on both individual development and collective strength.

An incubator of talents

The conviction that everyone's talent makes a difference has always caused the Group to put the human dimension at the centre of its strategy, its organisation and its development. L'Oréal finds, recruits and develops its employees in a long-term perspective in which training plays a core role throughout the employee's career.

A Human Resources policy at the service of growth

The Human Resources Departments support L'Oréal's growth objectives, that consist of the following three main priorities: universalisation, digitalisation and corporate social responsibility commitments.

In support of universalisation, meaning globalisation in the respect of the differences, the role of our Human Resources teams is to accelerate the recruitment and development of talents all over the world and to prepare tomorrow's leaders, fostering the emergence of the best local talents in support of the ambition to win one billion new consumers.

The Human Resources teams provide support during all the changes in the Company, its organisation and its businesses. The digital transformation, for example, relies on the recruitment of talented employees with leading-edge expertise and the dissemination of a digital culture at all levels. This transformation also concerns HR practices, in particular with regard to recruitment, which is now largely digital, and also employer communication.

A leader in social innovation

For L'Oréal, there can be no sustainable economic growth without social progress. Throughout its history, the Group has set itself the target of offering an environment in which everyone can reveal their talents, improve and thrive.

To this effect, as part of the targets for 2020 under the Sharing Beauty With All programme, L'Oréal has also made the commitment that every employee will have access to at least one training session per year wherever they are in the world.

Furthermore, L'Oréal's *Share & Care* program launched in 2013 and now implemented at all the Group's subsidiaries, is yet another stage in a long tradition of social progress. L'Oréal's *Share & Care* program aims to offer employees in all the countries where the Group is present the same minimum set of social benefits in the areas of healthcare and social protection but also parenthood and the quality of life at work. It also encourages each subsidiary to launch its own initiatives to meet local expectations. This novel programme once again illustrates L'Oréal's pioneering role in the field of social innovation.

3.1.2.1. Recruiting and supporting talents

The Group constantly strives to enhance its pool of talents, in all countries.

It conducts a diversified recruitment policy, which is based on several recruitment channels, including partnerships with the best educational institutions in the world or business games, which attract tens of thousands of students from all over the world every year.

L'Oréal also develops its own selection methods to recruit the best talents, those who best represent the diversity of cultures, capable of expressing the different aspirations of consumers all over the world, from among the million spontaneous applications received every year.

Finally, the proactive approach offered by social networks makes it possible to further diversify and enrich the sources of job applications for the Group.

In parallel with this approach, L'Oréal has developed digital employer communication aimed at sharing, daily and transparently, the rich variety of its professions and the diversity of its career paths, and making it possible, as an underlying objective, to understand the Group's culture.

L'Oréal is recognised as one of the most attractive companies in the world for young graduates and one of the companies that provide the most training with regard to leadership [(1)].

In all the countries in which L'Oréal is present, the objective pursued is to develop a lasting relationship with each new employee. Building a personalised induction process makes it possible to give everyone the keys to success within the Group, both from an operational standpoint and with the desire to share the corporate culture. Rapid, stimulating career paths allow everyone to develop their talent and make it possible to increase competitiveness and innovation and to pursue the Company's geographical expansion.

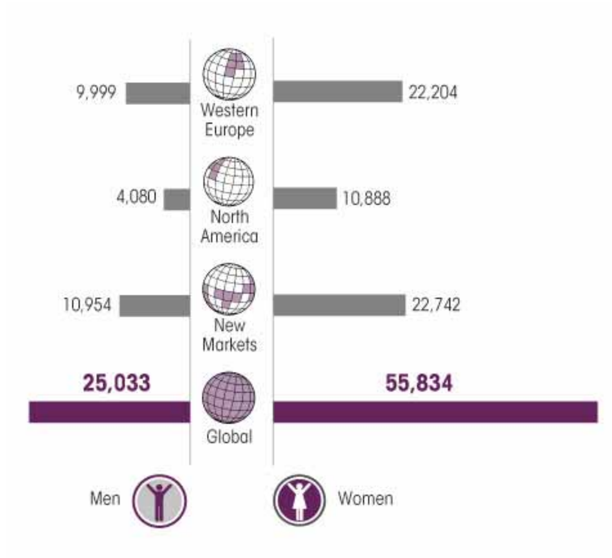
12,022 new employees hired in 2015 (excluding The Body Shop)

(1) Source: Universum 2015.

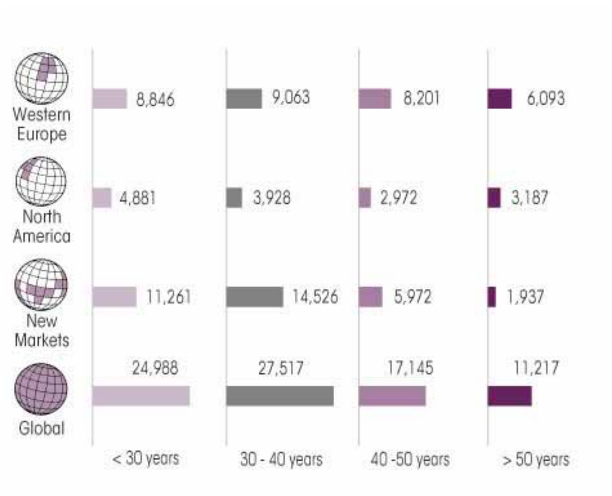
Distribution of workforce [1]

BY GEOGRAPHIC ZONE

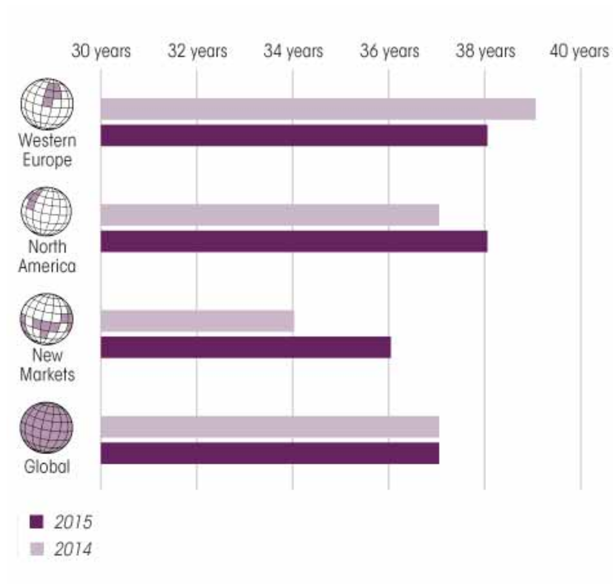
BY GENDER AT 12.31.2015



BY AGE GROUP AT 12.31.2015



AVERAGE AGE BY GEOGRAPHIC ZONE



(1) Excluding recent acquisitions. See methodological note p. 179

NUMBER OF DEPARTURES

Number of departures: (resignations, agreed terminations, dismissals)(permanent contracts) – excluding The Body Shop	10,068
Number of dismissals (permanent contracts) – excluding the Body Shop	2,386

To achieve the objective of sustainable growth which is the best guarantee it can offer its employees, L'Oréal has to continually adapt to its environment. This may lead to restructuring, particularly in light of the current difficult economic climate. Nevertheless, any decision that may affect the working life and jobs of employees is made after in-depth consideration and is the subject of clear, regular communication with regard to employees and an ongoing dialogue with the employees themselves and their representatives, in accordance with L'Oréal's values of integrity and transparency.

ABSENTEEISM RATES

Total absenteeism rate (%)	4.70%	B/(A+B)
Absenteeism rate related to diseases (% of total absenteeism)	2.24%	C/(A+B)

(A) Number of days effectively worked by all employees with contracts, including training days.
(B) Number of days of absence (sick leave, occupational diseases, maternity leave, accidents in the workplace and/or travel-to-work accidents or any other absence not provided for by contract).
(C) Number of days of sick leave (excluding occupational diseases, maternity leave, accidents in the workplace and/or travel-to-work accidents.)

3.1.2.2. Priority given to employee training throughout their careers

Within the scope of the Group's universalisation strategy, the mission of the *Learning* teams is to contribute to L'Oréal's competitive advantage by developing talents, by anticipating the skills required to enable the Group to remain one step ahead, by accompanying the Company's transformations and by ensuring the cohesion of the teams all over the world through dissemination of the corporate culture.

L'Oréal has always considered the development of its employees as one of the main drivers of its performance and its transformation. This postulate has now acquired a universal dimension. To prepare tomorrow's leaders, the Group's ambition is to provide all its employees throughout the world with the best possible response in terms of training.

The vision of "Learning for all"

For L'Oréal, *Learning for all* is a question of social responsibility. Therefore, within the scope of the Sharing Beauty With All programme, L'Oréal made the commitment that by 2020, every employee will have access to at least one training session per year wherever they are in the world.

72.6% of the Group's employees followed at least one training course in 2015

To achieve the ambition of *Learning for all* aimed at enabling the largest possible number of employees to develop, L'Oréal has set up a training system open to everyone without distinction as to employee professional level, jobs or countries. This system makes it possible to:

- promote the global dissemination of the corporate culture and the integration of new employees;
- help to develop each person's potential;
- accelerate the transmission of know-how and develop strategic professional skills.

MYLEARNING.COM: A NEW PORTAL DEDICATED TO EMPLOYEE TRAINING

The mylearning.com portal aims to offer a whole range of innovative development resources to the largest possible number of employees, for continuous interactive learning that is accessible at any time. The portal exists in 11 languages and is deployed in all the countries in which L'Oréal is present.

Whatever their job, their duties or their country, each employee is encouraged to be an active agent of his own development. The mylearning.com portal offers a wealth of more than 4,000 pedagogical resources, organised around the following 3 objectives:

1. Communication of the knowledge related to L'Oréal's core business (marketing, sales, operations, research and innovation, etc.);
2. Managerial development (leadership, collaborative networking, agility, etc.) In this respect, L'Oréal received an award in 2015 from Brandon Hall for the excellence of its "*Leadership development*" training programme on MyLearning;
3. Support for all the international programmes concerning responsible business conduct (ethics, *Sharing Beauty with All*, antitrust law, information security, etc.).

Results in 2015: 33,000 active users, 195,000 training modules followed, 2 hours 15 minutes of online training on average per user.

Training at the service of the Group's performance

Training is at the centre of the major challenges related to the Company's development, such as, for example, acceleration of the Group's digital transformation.

To handle business challenges, several training solutions have been developed with, for example, the creation of online training programmes, workshops dedicated to important digital marketing issues, or reverse mentoring initiatives in which young employees contribute to the training of their older colleagues.

L'Oréal ensures the global consistency of its main programmes and their suitability for the needs of each geographic zone thanks to an international network of *Learning* managers. The local teams contribute to the preparation of new training offerings with a co-development principle. These training programmes are essential to understanding the Group's strategy and building a feeling of belonging by developing both an internal and international network.

The training offering is structured into fields of expertise (marketing, commerce, research, operations, management, personal development, etc.).

Employees benefit from 2 individual interviews per year with their manager, one of them being dedicated to identifying development needs. Personal training paths are built on the basis of these discussions, with the help of Training managers.

Employees then have access to a whole set of development resources offering a mix of in-room training, training videos, digital and social experiences and coaching in the work situation. They can thus build their own training experience, while sharing their practices with colleagues all over the world. Finally, all the training actions include a system of assessment which makes it possible to measure the impact on performance and managerial skills.

L'Oréal's training policy awarded

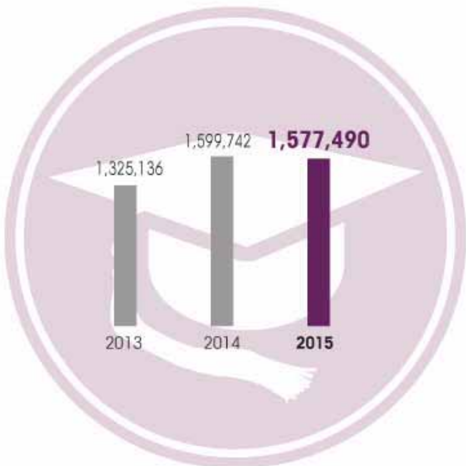
In 2015, L'Oréal received an award from EFMD (the European Foundation for Management Development) for its "*Leaders for change in Emerging Europe*" programme developed in conjunction with the CEDEP (European Centre for Executive Development).

The EFMD is an institution reputed throughout the world as an accreditation authority for Management Education programmes offered both by Business Schools and Corporate Universities. The "*EFMD Excellence in Practice*" award recognises that L'Oréal is a connected company providing training, that enables its managers to acquire excellence in skills.

NUMBER OF EMPLOYEES TRAINED IN 2015

	Western Europe	North America	New Markets	Globally
Number of employees trained	26,107	9,538	23,378	58,683
Training hours	680,565	178,313	746,649	1,577,490

NUMBER OF TRAINING HOURS



3.1.2.3. Remuneration policy

The principles

The goal of L'Oréal's remuneration policy is to contribute to achieving the Group's objectives and is an integral part of its development strategy. L'Oréal wants to attract and foster the loyalty of talented employees, propose motivating career paths and encourage performance and commitment by its employees, while accompanying the changes in professions and the business. For L'Oréal, social performance and economic performance are indeed closely linked.

The Group wishes to offer each and every one of its employees a remuneration policy that combines external competitiveness with internal equity, and which rewards both individual and collective performances.

To do so, external surveys are conducted every year with specialist firms to ensure that L'Oréal's positioning is appropriate as compared to the local market. A "total remuneration" approach is also adopted, which proposes a very competitive system of remuneration for each employee, consisting of monetary and non-monetary components. The Group furthermore undertakes to associate its employees with the Company's results through incentive profit sharing systems set up all over the world.

Finally, L'Oréal's ambition is for every employee to understand his/her remuneration and how it is determined. Accordingly, the Group makes sure that it communicates clearly and transparently on this subject to everyone. L'Oréal's remuneration policy is based on an annual performance assessment system (MAP) for employees applied in all the Group's subsidiaries. It makes it possible to communicate on the rules for determining remuneration, the process and the decisions made. Furthermore, the Group's subsidiaries are encouraged to give employees once a year a document showing the increases in their remuneration and its various components with the aim of clarity and transparency.

PERSONNEL COSTS (INCLUDING PAYROLL COSTS)

€ millions	2013	2014	2015
TOTAL	**4,387.3**	**4,623.4**	**5,223.0**

The comparison between the three years takes into account the foreign exchange impacts and is not representative of the real changes in personnel costs.

Plans for the Conditional Grant of Shares to Employees (ACAs)

L'Oréal sets up long-term incentive plans in favour of its employees and executive officers in an international context, based on the grant of performance shares.

The objective of these grants is twofold:

- motivating and associating those who make big contributions with future increases in the Group's results;
- increasing solidarity and helping to instil a group spirit among its managers by seeking to foster their loyalty over time, notably internationally, in a context of stronger competition for talents.

The acquisition of these shares is subject to the achievement of performance targets. In order to ensure consistency with the Group's strategic objectives, the choice of tools, beneficiaries and performance criteria is the subject of a precise policy (see section 6.4 "*Long-term incentive plans*"). The Board of Directors decides, after receiving the opinion of the Human Resources and Remuneration Committee, on the opening of these plans and the applicable rules.

Nearly 3,500 employees representing 12% of the managers on a worldwide basis, including 62% in the international subsidiaries, are beneficiaries of at least one stock option or ACAs plan. 47% of the beneficiaries of the April 22nd, 2015 plan are women.

Worldwide profit Sharing, Incentive and Mandatory Profit Sharing schemes

For many years, L'Oréal's policy has been to associate employees with the results of the Company with the aim of strengthening their sense of belonging to the Company and enhancing their motivation.

€260 million were redistributed to L'Oréal's employees in 2015, on the basis of the results for 2014.

In 1968, a mandatory employee profit sharing agreement ("participation") was signed in France, followed by another incentive profit sharing agreement ("intéressement") in 1988, and these agreements have been constantly renewed since then.

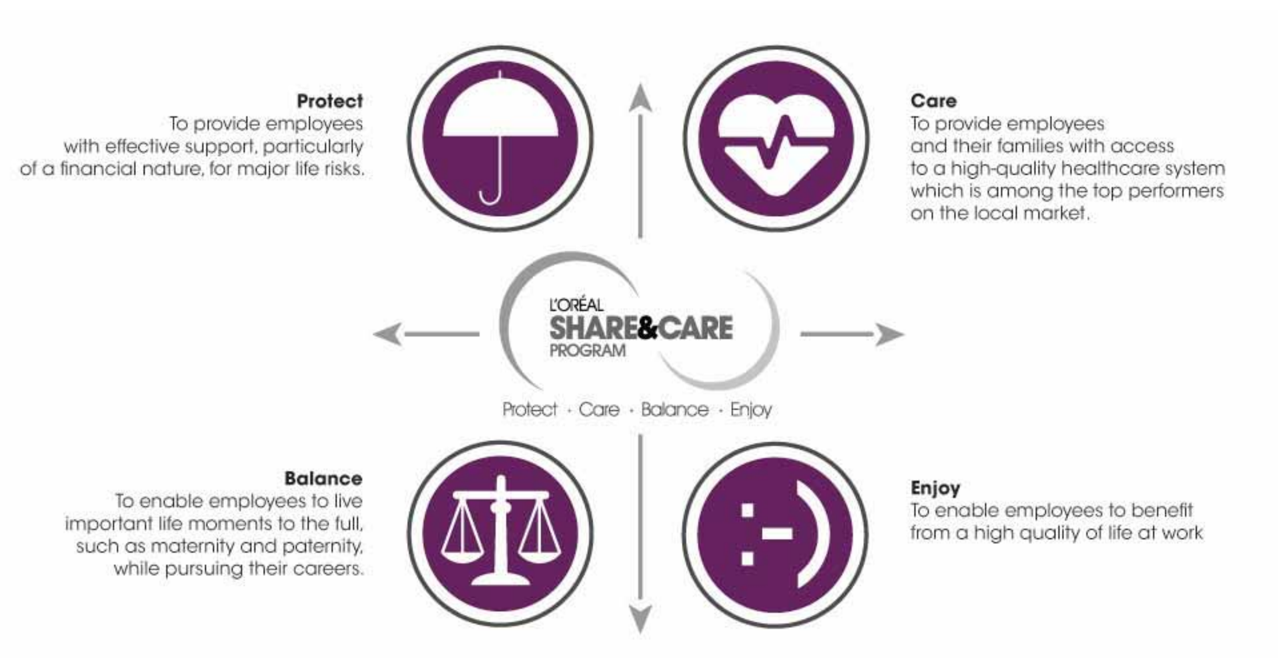
L'Oréal has implemented a Worldwide Profit Sharing Program – WPS since 2001 in all the Group's subsidiaries in which the employees do not benefit from profit sharing arrangements provided for by law. The amounts paid within this framework are calculated locally on the basis of the sales and profits of each subsidiary, as compared to the budgeted targets.

AMOUNTS PAID UNDER THESE PROGRAMMES

€ millions	2013	2014	**2015**
TOTAL*	**236**	**244**	**260**

* *Incentive Profit Sharing, Mandatory Profit Sharing, Additional Employer Contributions, Worldwide Profit Sharing.*

3.1.2.4. L'Oréal's Share & Care program: an accelerator of social progress



Throughout its history, L'Oréal has set itself the target of offering its employees security and protection to enable them to work with peace of mind. L'Oréal's *Share & Care* programme follows on from this long tradition of social progress and attention to the individual. L'Oréal is spurred by the conviction that the Company makes, and will continue to make a difference by putting people at the centre of its concerns, its organisation and therefore its development.

The Group has thus adopted the objective of creating a work environment in which all employees can thrive both from at a professional and personal level.

With its *Share & Care* program, L'Oréal is now universalising its social model, in a manner that is completely consistent with its global dimension: this is a strong commitment which reflects the Company's vision, whereby sustainable growth necessarily goes hand in hand with a global vision and a high level of social performance.

This programme, which was launched in 2013 and put in place in collaboration with the countries, has an ambitious objective: implementing a common set of social benefits, *i.e.* minimum universal social protection measures in all countries, and becoming one of the top performers on each local market, by introducing additional measures that exceed those in the common set whenever local best practices offer better cover.

At the end of 2015, the essential components of the L'Oréal *Share & Care* program had been deployed in all the countries in which L'Oréal has subsidiaries *.

The 4 pillars of the L'Oréal Share & Care program

This large-scale social programme consists of commitments revolving around 4 pillars put in place in all countries*: social protection, health, parenthood and quality of life at work.

PILLARS OF THE L'ORÉAL *SHARE & CARE* PROGRAM	OBJECTIVES	MAIN COMMITMENTS ACHIEVEMENTS AT END 2015 IN ALL COUNTRIES [(1)]*
Protect (social protection)	Providing employees and their families with effective support of a financial nature in the event of unexpected life events	A capital sum, or an pension, equivalent to 24 months' salary in case of natural or accidental death. A capital sum, or a pension, equivalent to 24 months' salary in case of total permanent disability. A social protection scheme aligned with the best practices in each country.
Care (healthcare)	Providing employees and their families with access to a high-quality healthcare system	In the event of major risks (hospital stays, surgery, drugs for chronic and serious conditions) at least 75% of the medical costs are reimbursed. Prevention and information actions with regard to individual health (medical check-up, online risk assessment, etc.) and also collective health (melanoma, HIV, diabetes, obesity, etc.) are implemented depending on local priorities.
Balance (parenthood)	Enabling all employees to live important life moments to the full, such as maternity and paternity, while pursuing their careers	A minimum of 14 weeks' maternity leave with full pay. The Group ensures that women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the Company. A minimum of 3 days' paternity leave with full pay.
Enjoy (quality of life at work)	Offering high standards of quality of life at work and contributing to professional fulfilment of all the Company's employees.	Flexible working arrangements (telecommuting, flexible working hours). New premises are accessible, particularly *via* public transport and offer pleasant, collaborative working spaces. Training programmes in workstation ergonomics are provided to all employees. Training programmes for managers with regard to stress prevention have been put in place or are being developed.

* *Except in Korea where implementation is scheduled for 2016.*

(1) *The Group's permanent employees (Cosmetics and The Body Shop) except, in certain countries, part-time contracts < 21 hours a week, beauty advisors and store employees, by noting that the integration of recent acquisitions and new subsidiaries only takes place gradually.*

In addition to the measures that are common to all the countries, the L'Oréal *Share & Care* program aims at making each country a social innovation laboratory, by encouraging them to develop initiatives that correspond to the wishes of their employees.

EXAMPLES OF SOCIAL INNOVATION BY COUNTRY

The *Share & Care* program encourages each country to promote social innovation by putting in place measures that are suited to local specificities.

- In Pakistan, medical cover has been put in place for employees' parents;
- The United States have decided to go further than the shared set of global measures with 3 days' paternity leave by offering 10 days' leave at full pay;
- Peru offers a medical check-up for employees' children;
- Spain provides financial assistance for schooling for employees' children;
- Malaysia and Dubai have set up a space dedicated to mothers in the Company;
- Turkey offers mothers coaching when they return from maternity leave.

The assessment tools with regard to deployment of the L'Oréal Share & Care Program

In order to ensure transparency, the entire programme is regularly subject to a system of measurement and assessment, in order to verify that it has been implemented in accordance with the objectives:

- Self-assessment and definition of the plan of action through a reporting tool: the *Follow-up-Tool*, completed by each country every year.
- Internal Audit: verification of implementation of the programme was included in the Internal Audit plans in the countries.
- External audit: certain key indicators are audited within the scope of the external audit pursuant to Article 225 of French law No. 2010-788 of July 12th, 2010.

The Advisory Board for the L'Oréal Share & Care Program

In order to cast a critical eye over the programme, to provide an analysis of the main social trends and to study best practices in the major regions of the world, L'Oréal has set up an Advisory Board chaired by Jérôme Tixier, Executive Vice-President Human Resources, and composed of personalities from outside the Group representing different geographic zones, and consisting of academics, trade union officials or members of international organisations.

The Advisory Board met in 2014 and 2015 with the aim of providing support for developments in the L'Oréal *Share & Care* program over the next few years.

The International Labor Organization associated with the L'Oréal Share & Care programme

Preparation of the L'Oréal *Share & Care* program attracted the attention of the ILO (International Labor Organization) in the context of its study on the contribution by large companies to broader social protection all over the world.

Close collaboration was developed and enabled the ILO to launch the *Global Business Network for Social Protection Floors* in October 2015 which aims to act collectively and mobilise companies in order to create a basic set of social protection measures for everyone. L'Oréal is a founding member of this new business network created by the ILO to promote social protection all over the world.

Currently, nearly 73% of the world's population [1] does not have access to minimum social protection. However, some companies, like L'Oréal, have set up social protection systems for their employees world-wide. On the strength of these initiatives, the ILO has chosen to get major international companies together so that they can provide their contribution and support the creation and extension of a basic set of global social protection measures.

3.1.2.5. Employee Benefit and Pension schemes

L'Oréal wants to make sure that its employees benefit from competitive pension and benefit schemes in all countries. In accordance with the legislation and practices in each country, the Group contributes to the funding of pension schemes, pre-retirement arrangements and employee benefit schemes offering a variety of additional coverage for its employees.

Since 2002, a Supervisory Committee for Pension and Employee Benefit schemes ensures the implementation of these schemes in the subsidiaries and the monitoring of L'Oréal's Pension and Employee Benefits policy as defined by the Executive Committee.

This policy provides for general principles in the following areas: definition and implementation of schemes, relations with employees, financing and cost of the schemes, and management of the schemes. Approval must first be obtained from the Supervisory Committee prior to the introduction of any new scheme or the modification of any existing scheme. The Supervisory Committee works closely with the operational management of the Divisions and zones.

L'Oréal's commitments with regard to benefit cover are part of the "*Protect*" pillar of the L'Oréal *Share & Care* program. In all countries [2], as from January 1st, 2016, L'Oréal guarantees the payment of a capital sum, or equivalent pension, equal to a minimum of 24 months' salary in the event of death or total permanent disability, or more where local practice is better.

The characteristics of the pension schemes and other pre-retirement benefits offered by the subsidiaries vary depending on the applicable laws and regulations as well as the practices of the companies in each country.

(1) ILO, World Social Protection Report 2014/15.
(2) Except in Korea where implementation is scheduled for 2016.

In 80% of the countries in which L'Oréal is established, the Group participates in establishing additional retirement benefits that exceed the minimum benefits provided for by social security for its employees (*e.g.*: United States, the Netherlands, Belgium, Canada, South American countries). This policy is carried out through defined benefit and/or defined contribution schemes. In some cases, the defined benefit schemes have been closed to new recruits who are offered defined contribution schemes (Germany, Belgium, the Netherlands and the United Kingdom).

In defined contribution schemes, the Company's commitment mainly consists in paying a percentage of the employee's annual salary (into a pension plan) each year.

Defined benefit schemes are financed by payments into specialist funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main funds established, as well as the financial stability rating of the custodians, are regularly reviewed by the Supervisory Committee.

L'Oréal does not propose company pension schemes in countries which do not have an appropriate legal framework or a long-term investment instrument and in countries where there is satisfactory public social security coverage. The Supervisory Committee continues to be attentive to changes in local situations and, when required, additional Employee Benefit schemes are put in place.

Focus France

Overview of the Pension and Employee Benefit schemes in France

Pension schemes

In order to supplement the pensions provided by the compulsory French social security pension scheme, the ARRCO or the AGIRC (mandatory French supplementary pension schemes), L'Oréal has implemented the following supplementary pension schemes:

Defined contribution scheme (RCD L'Oréal)

In September 2003, L'Oréal set up a "defined contribution pension scheme".

Since January 1st, 2015, all categories of employees are the beneficiaries of this scheme, which is financed jointly by L'Oréal and the employee, and which makes it possible for everyone to create pension savings, with a contribution on "Tranche A" as from 2015, being specified that the remuneration subject to contributions is capped at 6 times the French annual social security ceiling.

This scheme grants entitlement to the payment to the beneficiary retiree, after he/she has applied for his/her pension entitlements from the compulsory French social security pension scheme, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a Surviving Spouse Pension, if this option was chosen at the time of triggering of the annuity.

The Life Annuity is calculated on the basis of the capital formed by the contributions paid and the financial income on such contributions at the end of the employee's career. The employer's commitment is limited to the payment of the contributions stipulated.

SUMMARY TABLE FOR L'ORÉAL'S DEFINED CONTRIBUTION PENSION SCHEME (RCD L'OREAL)

€ millions	12.31.2013	12.31.2014	**12.31.2015**
Number of members	13,823	14,092	12,747
TOTAL NET CONTRIBUTIONS	**9.51**	**10.2**	**13.5**

Defined benefit pension schemes

L'Oréal has also set up several differential or additional defined benefit schemes with conditional entitlements, in order to take into account the important developments with an impact on these schemes and with the aim of arriving at a coherent system between the different pension schemes that exist in the Company.

The "Supplementary pension scheme for Former Senior Managers" ("*Retraite supplémentaire des Retraités Anciens Cadres Dirigeants*") concerns retirees who have held the responsibilities of senior managers (within the meaning of Article L 212-15-1 of the French Labour Code) for a minimum of 10 years, hired or promoted to this position as from January 1st, 2016, and who end their career in the Company. This is an additional defined benefit pension scheme which grants entitlement to payment of a life annuity. The reference salary taken into account for calculation of the rights is the fraction of the salary which exceeds 6 times the French annual social security ceiling. The basis for calculation of the supplementary pension is the average of the revalued reference salaries for the best three full years of activity out of the seven calendar years prior to the end of their career. The supplementary pension would be 1.36% of the calculation base per year of service within the Group, up to a maximum of 25 years. Any retiree who so wishes will be able to choose an option of a surviving spouse pension.

Access to the "Retirement Income Guarantee for former Senior Managers" ("*Garantie de Ressources des Retraités Anciens Cadres Dirigeants*") was closed on December 31st, 2015. This scheme, created on January 1st, 2001, was open to former L'Oréal Senior Managers who, in addition to fulfilling the requirement of having ended their career with the Company, met the condition of having had the status of Senior Manager within the meaning of Article L. 3111-2 of the French Labour Code for at least ten years at the end of their career.

This scheme provides entitlement to payment to the beneficiary retiree of a Life Annuity, as well as, after his/her death, the payment to the beneficiary's spouse and/or ex-spouse(s) of a Surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation base for the Income Guarantee is the average of the salaries for the best three years out of the seven calendar years prior to the end of the Senior Manager's career at L'Oréal. The Income Guarantee is calculated based on the beneficiary's number of years of professional activity in the Company, assessed at the date of the end of his/her career at L'Oréal, and limited to a maximum of 25 years, each year leading to a steady, gradual increase of 1.8% in the level of the Guarantee. At that date, the gross Income Guarantee may not exceed 50% of the calculation base for the Income Guarantee, or exceed the average of the fixed part of the salaries for the three years used in the calculation base. A gross annuity and gross Lump Sum Equivalent are then calculated, taking into account the sum of the annual pensions accrued on the date when the beneficiary applies for his/her pension as a result of his/her professional activity and on the basis of a beneficiary who is 65 years of age. The Life Annuity is the result of the conversion into an annuity at the beneficiary's age on the date he/she applies for his/her pension of the gross Lump Sum Equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday, and less all salaries paid under any early retirement leave, if such Lump Sum Equivalent is the result of these operations. Around 370 Senior Managers are eligible for this scheme, subject to their fulfilment of all the conditions after having ended their career with the Company.

Access to the "Pension Cover for Members of the *Comité de Conjoncture*" ("*Garantie de Retraite des Membres du Comité de Conjoncture*") has been closed since December 31st, 2000. This former scheme granted entitlement to payment to the beneficiary retiree, after having ended his/her career with the Company, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a Surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation base for the Pension Cover is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The Pension Cover is calculated on the basis of the beneficiary's number of years' service and limited to a maximum of 40 years, it being specified that at the date of closure of the scheme, on December 31st, 2000, the minimum length of service required was 10 years. The Pension Cover may not exceed 40% of the calculation base for the Pension Cover, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries for the three years used in the calculation base. Around 120 Senior Managers (active or retired) are eligible for this scheme subject to the proviso, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

Collective Retirement Savings Plan (PERCO)

Since 2003, L'Oréal has proposed to employees who so wish to create savings with a view to their retirement within the scope of the PERCO, through investment of the Mandatory Profit Sharing amount, to which L'Oréal has added an additional employer contribution of +50% every year since 2004. The Additional Employer Contribution to the Profit Sharing invested, as from 2016, in the PERCO will be 100% for the first gross amount of €1,000 invested and 50% over and above such amount. The investment of days' holiday in the PERCO gives rise to an additional employer contribution of +20%.

Once the employee has retired, it is possible to have access to the retirement savings in the form of a capital sum or a life annuity.

Pre-retirement arrangements

L'Oréal pays close attention to the retirement conditions of its employees and pre-retirement arrangements that have been in force for a number of years were confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3rd, 2009.

The existing arrangements are, in particular:

- the early retirement leave (CFC): this pre-retirement arrangement consists of exempting employees from the requirement to perform their activities. However, during this period, they remain employees of L'Oréal and continue to receive their remuneration (within the limit of €9,280 gross/month) as well as mandatory profit sharing, incentive profit sharing payments and paid leave;
- retirement indemnities (IDR): a new scale of indemnities at L'Oréal was implemented by a company-level agreement as from 2011. It is more favourable than the French National Collective Bargaining Agreement for the Chemical Industries.

  Thus, when he/she retires, an employee may benefit from retirement indemnities ranging from 2 months' salary for 5 years' service to 8 months' salary for 40 years' service.

  In order to increase the special leave prior to retirement, the employee may opt to convert his/her retirement indemnities into time, or he/she may choose to receive payment of the retirement indemnities which will be made at the time when he/she leaves the Company.

	12.31.2013			12.31.2014			**12.31.2015**		
	Men	Women	Total	Men	Women	Total	**Men**	**Women**	**Total**
Early retirement leave	81	183	264	78	191	269	81	165	246
Compulsory retirement on the Company's initiative	2	0	2	0	0	0	0	0	0
Voluntary retirement	80	150	230	94	188	282	75	160	235

Source: HR France statistics for 2013, 2014 and 2015.

These commitments are guaranteed partly by external financial cover aimed at gradually building up funds resulting from premiums paid to external organisations.

The commitments net of funds invested and the actuarial differences are booked as a provision in consolidated balance sheet liabilities.

The evaluation method used to calculate the retirement and pre-retirement benefit commitments is the retrospective method based on estimated calculations of the final salary.

These commitments take into account the employer's contribution to the healthcare schemes for retirees.

€ millions	12.31.2013	12.31.2014	**12.31.2015**
Provision for pension commitments in consolidated balance sheet liabilities	621.3	1,049.4	376.5

Employee Benefit schemes in France

In addition to the compulsory guarantees provided for by the collective bargaining agreements, L'Oréal has set up, in France, under an agreement, an Employee Benefit scheme providing additional collective guarantees to its employees.

All these guarantees are based on the gross income up to 8 times the French annual social security ceiling, except for the Education Annuity which is limited to up to 4 times the ceiling. They are generally financed on Brackets A, B and C of income as defined by the French social security, except for the Education Annuity which is based on Brackets A and B, and the Surviving Spouse Pension which is based on Brackets B and C.

This Employee Benefit scheme provides guarantees in the event of:

- Temporary disability: for all employees, 90% of their gross income limited to 8 times the French annual social security ceiling, net of all deductions, after the first 90 days off work;
- Permanent disability: for all employees, a fraction, depending on the extent of the disability, ranging up to 90% of their gross income, limited to 8 times the French annual social security ceiling, net of all deductions;
- Death:
  - **a)** for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death,
  - **b)** for executives and comparable categories of employees, the payment of a Spouse Pension to the surviving spouse. This ensures the spouse has an income similar to the Surviving Spouse Pension that would have been paid by AGIRC if death had occurred at the age of 65,
  - **c)** for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

The capital for the Spouse Pension is the first to be applied, followed by the Education Annuity; the balance of the basic scheme is then used to calculate the Lump Sum Death Benefit, possibly increased by the minimum guaranteed Lump Sum Death Benefit.

€ thousands	12.31.2013	12.31.2014	**12.31.2015**
Net Employee Benefit Contributions for the financial year	11,985	12,468	13,000 (1)

(1) Estimated.

Minimum guaranteed Lump Sum Death Benefits

Since December 1st, 2004, and January 1st, 2005 for sales representatives, L'Oréal has put in place an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefits to the extent of three years' average income. A maximum limit is set for this guarantee.

The total amount of the capital at risk needed to fund the surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is also capped.

Healthcare expenses

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries. Employees have the option of including their family members in these schemes. Contributions are generally individual. The contribution by the employee is partly financed by the Company.

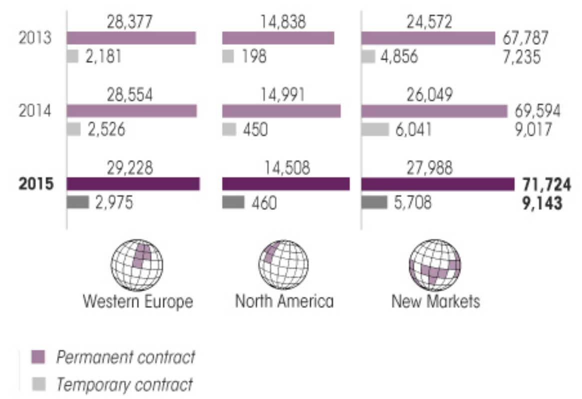
3.1.2.6. Work organisation

Work organisation is established, in each subsidiary, depending on the local environment and business activities, in accordance with the statutory and contractual obligations. In several subsidiaries, both work organisation and working time are the subject of company-level agreements. In addition, the Group has made a flexible work organisation one of the key components of the "*Enjoy*" pillar of the L'Oréal's *Share & Care* program. Thus, each Group subsidiary has put in place at least one programme that provides for flexibility in the following areas: flexible working hours, adjustment to working hours at the time of specific events, time-off in compensation of additional working hours (banking of hours), and telecommuting if the work organisation allows it (see below).

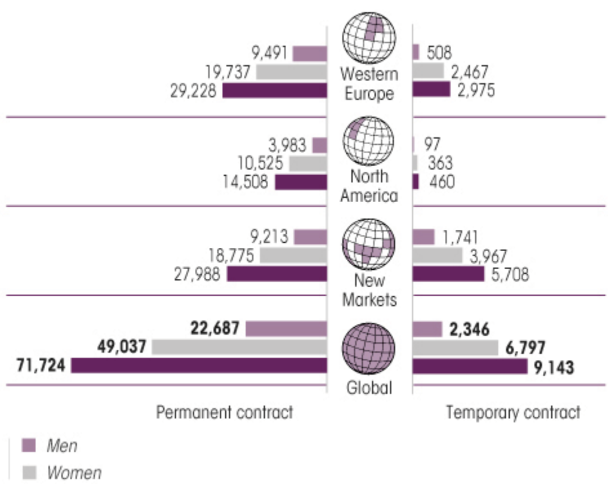
With regard to part-time work, the employees who have chosen this possibility come from all staff categories.

There are 10,840 part-time employees, of whom 10,171 are women and 669 men.

BREAKDOWN BY TYPE OF CONTRACT BY GEOGRAPHIC ZONE OVER 3 YEARS



BREAKDOWN BY TYPE OF CONTRACT BY GEOGRAPHIC ZONE AND BY GENDER



Focus on telecommuting

Within the framework of L'Oréal's *Share & Care* program, the Group has made a commitment to promoting initiatives for flexible work arrangements everywhere in the world. This involves setting up flexible systems of work according to the different local and business requirements.

More and more countries are developing innovative programmes, in the form of telecommuting in particular, that are often associated with other forms of flexibility, with the aim of improving the quality of life at work and attracting and retaining the best talents.

In France, a system of telecommuting has existed since 2009.

Internationally, the United States were the first to adopt such arrangements with the "*Flexible Working Time*" programme, launched in 2006, which enables employees to work outside established working hours, and the "*Work From Home*" programme, launched in 2009, which offers the possibility for employees to work from their home within the limit of 2 days a month.

In 2014, the United Kingdom, Italy and Germany also launched flexible working programmes:

- in the United Kingdom, a highly innovative programme called "*Work Smart*" enables employees to adapt their working hours as they choose and to work remotely;
- in Italy, "*Be Smart, Work Smart*" enables employees to work from a location other than their normal place of work for up to 2 days a month. This is in addition to the flexible working hours which have been put in place for several years, with greater flexibility after giving birth;
- in Germany, the "*Flexi work programme*" includes the "*Home office*" programme, which enables employees to work from home, the "*Summer working hours*" programme which enables employees to leave work at 1 p.m. on Fridays and the "*Flex-time*" programme which consists of several reduced working time arrangements.

3

A FEW EXAMPLES OF FLEXIBLE WORK SCHEMES IN 2015:

- L'Oréal Austria, in order to improve the work-life balance, has set up the "*Home office*" programme, which allows employees to work at home 2 days a month. In the spirit of the L'Oréal *Share & Care* programme, this flexibility is increased by 1 day a week, one month before and one month after maternity leave.
- L'Oréal Canada, to link up individual needs and the Company's business requirements, has launched the "*Work Smart*" program, which gives all eligible employees the possibility to work remotely 2 days a month, or 24 days a year. This is a practical solution which provides the necessary flexibility to respond to temporary or occasional changes in their work organisation.
- L'Oréal India, which also aims to offer all its employees a working environment which is more suited to their requirements, is setting up the "*Work from home*" programme as from January 1st, 2016. This programme offers employees the possibility of working remotely 2 days a month.
- L'Oréal Netherlands, to respond to the demand for greater flexibility in work organisation which came to light in their opinion poll, now proposes flexible daily working hours, as well as the possibility of telecommuting which enables employees to work at home up to 1 day a week.

Other countries are in the process of thinking up their own flexible working solutions to improve the systems that already exist or introduce other arrangements.

An active social dialogue with employees and their representatives

The quality of the social climate at L'Oréal is the fruit of an ongoing dialogue between management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.

Employee representative institutions have been set up in most of the European subsidiaries, in several Asian subsidiaries (China, Indonesia, India, South Korea, etc.), in Africa (South Africa, Morocco, Kenya, etc.), and in North and South America (the United States, Canada, Mexico, Brazil, Argentina, etc.), and also in Australia and New Zealand.

In total, 79.9% of the Group's employees work in subsidiaries where there are employee representative institutions. 43.1% of the Group's employees are covered by a collective agreement, and in almost all cases (94.1%), these are company-level agreements.

In the cases where there is no employee representative institution (often in subsidiaries with a small workforce), the dialogue is conducted directly with the employees, in complete compliance with the principles of transparency and trust that are applied uniformly throughout the Group.

THE *INSTANCE EUROPÉENNE DE DIALOGUE SOCIAL* / EUROPEAN WORKS COUNCIL

An agreement signed in 1996 between L'Oréal and French and European trade unions (FECCIA and EMCEF) led to the establishment of the Company's *Instance Européenne de Dialogue Social*/European Works Council (IEDS/EWC). The initial agreement has been regularly updated, in particular in 2009 to introduce a new information and consultation procedure which applies to transnational projects involving local consultation procedures. This procedure is implemented with the Liaison Secretariat extended to include members from the countries concerned or with the entire IEDS/EWC, depending on the geographic and strategic dimensions of the transnational project. This process allows for the possibility of an opinion from the IEDS/EWC. This revision of the agreement represented an important advance which aims to reinforce social dialogue at L'Oréal while remaining a step ahead of changes in legislation. The agreement has been renewed, unchanged, for the period 2013-2016.

The IEDS/EWC leads discussions and formal meetings with its members about the Group's current situation and future prospects, on the basis of an agenda prepared with the Liaison Secretariat following a one-day preparatory meeting with the members of this body.

It has 30 members, who receive regular training on economic and social issues.

Today, the IEDS/EWC covers approximately 33,700 employees in 27 countries which are part of the European Economic Area; among whom the 16 countries with more than 150 employees are directly represented.

Number of company-level agreements

The social climate at L'Oréal permits the signature of a certain number of company-level agreements in the subsidiaries every year. In 2015, 176 agreements were signed in France and 81 agreements were signed in the rest of the world. In total, the number of agreements in force at December 31st, 2015 was 797, of which 483 are in France.

These agreements mainly concern work organisation, remuneration and working conditions.

Information on company-level agreements in force with regard to health and safety

L'Oréal's health and safety standards are very strict and often exceed the statutory obligations in the various countries concerned. The Health and Safety Committees and their activities do not necessarily lead to the signature of specific agreements, but rather to shared monitoring on this subject (application of statutory and L'Oréal standards, analysis of situations, etc.) in accordance with the principle of continuous improvement.

24 agreements in force outside France were nevertheless identified as of December 31st, 2015, which totally or partially concern health and safety.

3.1.2.7. Diversity and equal opportunities

Managing diversity is strategically important to succeed in reaching the target of gaining more than one billion new consumers through universalisation, meaning globalisation in the respect of differences. L'Oréal needs to explore and consider the infinite diversity of styles, habits and expressions of beauty all over the world in order to be able to develop and market the products that are the most suited to the needs and desires of its customers, with consideration and respect.

L'Oréal's teams mission is to continuously develop new solutions for its consumers, rethink its brands and its products and challenge the way we operate. As the world's leading beauty company, L'Oréal always aspires to do even better. As such, creativity is based on the mosaic of differences and similarities which characterise our employees and makes it possible to get closer to consumers and to think outside the box. The alliance between these individuals in an inclusive working environment stimulates innovation and performance.

To succeed in this demanding challenge, L'Oréal has been engaged, for over 10 years, in an innovative, ambitious Diversity & Inclusion (D&I) policy. The Group has set itself three global priorities:

1. gender equality;
2. inclusion of persons with disabilities;
3. inclusion of persons of different social and ethnic origins.

A network of Diversity coordinators present in all of the Group countries☑ conducts initiatives by adapting D&I policy to the local context in each country.

In 2004, L'Oréal was a founding member of the first Diversity Charter in France. The Group has now signed 12 charters in total (Germany, Austria, Belgium, Hungary, Italy, the Netherlands, Poland, Spain, Finland, France, Czech Republic and Sweden), certain of which were created at L'Oréal's initiative.

Gender equality

Because complementary viewpoints and diversity are an essential source of creativity, innovation and performance, L'Oréal has the conviction that gender balance is of a major strategic importance.

Because complementary viewpoints and diversity are an essential source of creativity, innovation and performance, L'Oréal has the conviction that gender balance is of a major strategic importance. As such L'Oréal insures that all jobs are accessible to women and men both at the level of recruitment and with regard to career development possibilities up to top-level responsibilities. A significant amount of work is still being done to create a real ecosystem of favourable conditions for the careers of all the Group's men and women, with particular attention to the pivotal periods of parenthood (see § Share & Care – Balance).

L'ORÉAL AND GENDER EQUITY IN 2015

Women account for (at 31st December 2015):

- 69% of the total workforce
- 61% of executives
- 41% of expatriates in place
- 41% of Group key positions(1)
- 59% of the brands are managed by women
- 31% of the Executive Committee members
- 38.5% of the members of the Board of Directors

Certifications in Europe

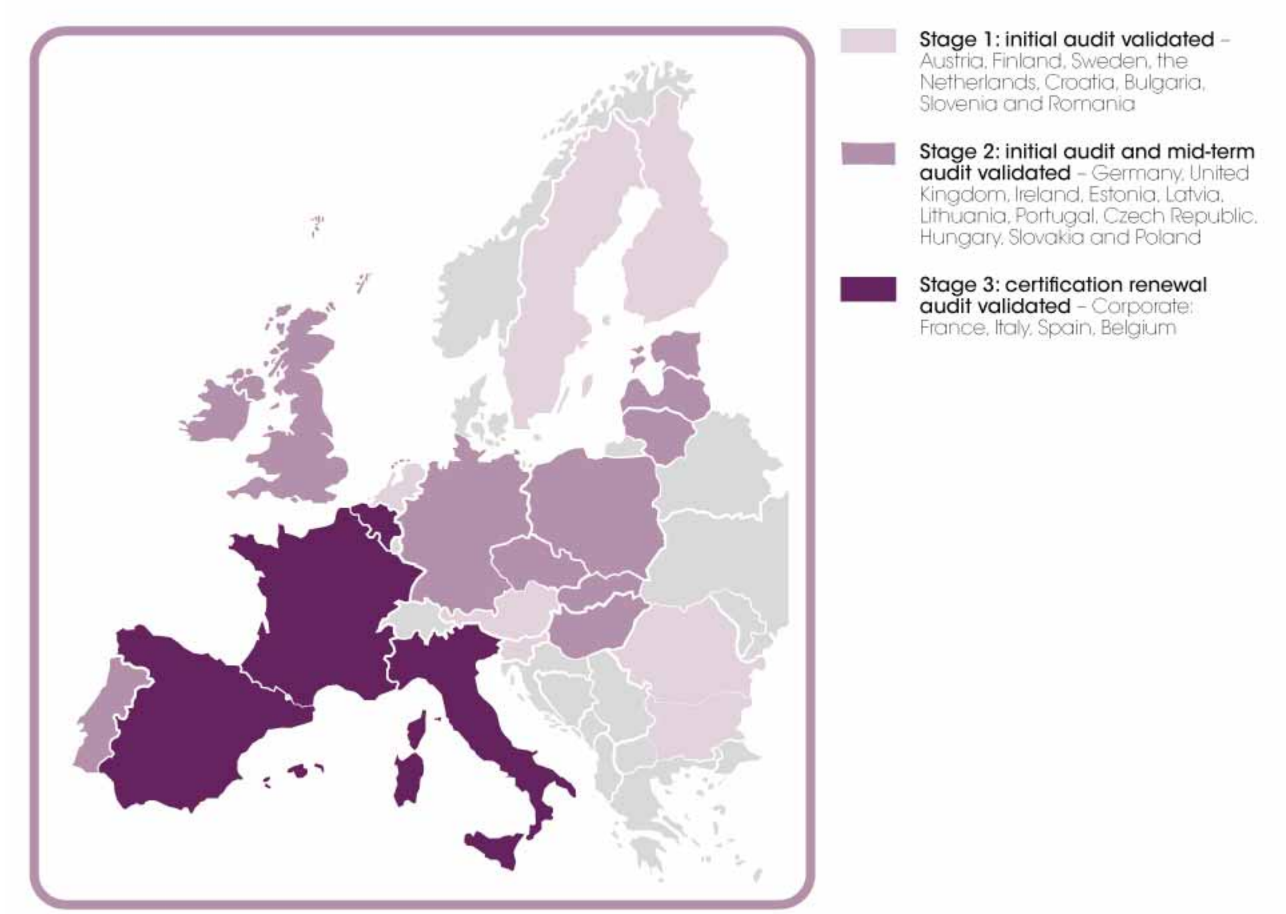
For its entities in Europe, L'Oréal has been awarded since 2010 the first European label, the Gender Equality European Standard (GEES). This label is awarded to the companies which meet six key criteria on gender equality (action plan, management awareness training, gender balance, pay practices, work-life balance, social dialogue). In 2015, L'Oréal Corporate and 23 European subsidiaries ☑ have been awarded the GEES label and are audited regularly to measure their progress (see map on the next page).

These efforts have been recognised by the Arborus Fund, the founding organisation of the GEES certification. In November 2014, L'Oréal received a special mention for the most extensive certification network in Europe.

(1) Group key positions: Positions that are identified as key for the Group and followed directly on an international level by the members of the HR Executive Committee (approximately 1200 positions

☑ The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.

L'ORÉAL CORPORATE AND 23 EUROPEAN SUBSIDIARIES☑ HAD OBTAINED THE GEES LABEL IN 2015



For the other entities (or subsidiaries) outside Europe, L'Oréal relies on the *Economic Dividend for Gender Equality* (EDGE) certification process. To obtain this certification, the audited subsidiaries must provide three sources of information on gender equality (gender statistics, policies & practices questionnaire and an employee survey).

L'Oréal USA was the first subsidiary to obtain the label in 2014 and in 2015, 6 other subsidiaries ☑ finalised the certification process (Australia, Brazil, Canada, India, Philippines and Russia) including for the first time countries in Asia and Latin America.

In 2015, 30 subsidiaries were certified (EDGE + GEES), representing 58% of the total workforce.

The other certifications

L'Oréal France has also received the French Equality label.

Furthermore, in 2014, L'Oréal obtained the Vigeo prize for its actions in favour of women and L'Oréal USA was recognised as one of the "*Top 10 Champions of Global Diversity*".

Inclusion of people with disabilities

L'Oréal has developed it's global policy since 2008 to include people with disabilities within the company (see also 3.2.4.1. "*Developing sustainably with our surrounding communities*"). In this manner, 773 disabled employees (with permanent or fixed-term contracts) worked for L'Oréal at December 31st, 2015 (1). The Disability&Inclusion policy focuses on five global priorities:

- Recruitment: L'Oréal promotes the recruitment of people with disabilities in all countries, whether or not there is a legal obligation.
- Job retention: One of the objectives of the Disability&Inclusion policy is to enable any employee with a documented disability to keep his/her position by making adjustments to the workplace if necessary, and to allow the employee to develop his/her skills and evolve in the company.
- Physical accessibility to premises and digital accessibility to information: Improving accessibility of workplace premises for employees with disabilities is an important objective and all new buildings now have to fulfil it. Certain countries have worked with independent auditors y to evaluate the changes needed to improve the accessibility of their

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*
(1) *This indicator only takes into account employees who wanted to declare their disability and have it recognised, as all the employees concerned do not systematically wish to do so.*

premises. L'Oréal is also working on improving the accessibility of digital tools.

- Raising the awareness of employees: Internal communication and training are closely related to the success of the Disability&Inclusion policy conducted by L'Oréal with the main objective beingto raise the awareness of employees about the integration of employees with disabilitites.
- Partnerships with experts: L'Oréal works in close collaboration with both international and local experts (associations and not-for-profit organisations, NGOs, etc.) in order to continuously learn and improve the Group's Disability&Inclusion policy.

International initiatives and awards obtained

To accelerate the mobilisation of its subsidiaries, L'Oréal has conducted, since 2008, an internal competition known as "Disability Initiatives Trophies" which reward concrete actions to include people with disabilities. These trophies, which are awarded every two years, make it possible to showcase and share the best p ractices of the various L'Oréal entities. In 2014, 65 countries☑ in the Group showed their commitment to Disability&Inclusion by submitting 80 projects.

In 2015, L'Oréal was one of the first companies to sign the Global Business and Disability Network Charter by the ILO (International Labor Organizations) , aimed at promoting and including people with disabilities in the company.

For the International Day of persons with disabilities declared by the United Nations, a communication kit was sent to all the Group's subsidiaries at the end of 2014 in order to help them organise awareness-raising events on disability. In 2015, more than halfof the subsidiaries organised a "Disability Awareness Days" to increase the awareness of their employees on this subject. Within this framework, L'Oréal Greece received the "Gold Award" in the "Disability Diversity Program" category for the organisation of their Disability Awareness Day, presented by the "HR Professional" magazine and "Boussias communication" in Greece.

In 2015, L'Oréal obtained the "Disability Matters" award in Europe and the United Stations for its actions on the inclusion of people with disabilities.

Inclusion of persons from different social and ethnic origins

L'Oréal's ambition is to reflect the society in which the Group operates, at all levels and in all functions. Particular attention is therefore paid to the diversification of recruitment sources, to insuring equal opportunities for career development, and to raising the awareness of employees and management on this subject.

By diversifying the source of their recruitment channels, L'Oréal aims to enable all talented individuals to take on high-level responsibilities within the Company, whatever their origins. In 2015, 17 countries focused part of their diversity strategy on social and ethnic origins.

L'Oréal hosted the European conference on Origins in its head office in partnership with ENAR (European Network Against Racism) for the first time in October 2013. In 2014 and 2015, L'Oréal once again hosted the ENAR conference in order to explore best practices to address the question of social and ethnic origin in the workplace.

Training

In order to support D&I policy, , L'Oréal offers its employees "Diversity Training Workshops". The aim of this one-day in-class training session is to raise the awareness of participants on Diversity&Inclusion, in particular through discussions and role playing.

As of the end of 2015, more than 18,000 employees have taken part in "Diversity Workshops"

DIVERSITY REPORT

Every 5 years, L'Oréal publishes the "Diversity Report" in order to share the achievements of its Diversity policy. In 2015, L'Oréal published its first International Diversity report. www.diversityreport.loreal.com In parallel, a digital reporting tool with key Diversity indicators was rolled out in all the subsidiaries in order to monitor their progression.

3.1.3. THE L'ORÉAL GROUP'S ENVIRONMENT, HEALTH AND SAFETY (EHS) POLICY

A pioneering, socially responsible company, L'Oréal applies an ambitious policy with regard to the Environment (E), Health (H) and Safety (S) in order to minimise its environmental impact and guarantee the health and safety of employees, customers and the communities in which L'Oréal performs its business activities.

This has been reflected, for a number of years, in the desire to systematically control the risks related to the safety of people and the environment, that are inherent in the Group's business activities. Any establishment or renovation of a site, any launch of new equipment or manufacturing processes, any changes in industrial processes give rise to a risk assessment and action plans that make it possible to reduce their potential impacts.

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*

This commitment has led to deployment of the Group's EHS policy over the entire spectrum of its business activities, but also beyond it. Indeed, in the area of safety, the Group ensures compliance with the regulations and observance of its own standards on its sites (industrial or administrative sites, research laboratories, stores), and makes sure that its subcontractors and suppliers ensure the safety of persons and the environment through a specifically dedicated audit programme.

As for the environment policy, it covers the entire value chain for products: from design (eco-design of packaging and formulas, reduction of the impact of formulas on ecosystems, etc.) and sourcing of raw materials (respect for biodiversity, fight against deforestation, etc.), to production, distribution and transportation. It also incorporates the Group's real estate assets.

3.1.3.1. An EHS system built over many years

	2015	Fulfilment of the "0 waste to landfill" target for the factories
Achievement of the target of -50% of CO2 emissions vs. 2005 baseline for factories and distribution centres Launch of ISO 50001 certification of the factories	2014	
	2013	Launch of the SBWA programme and new commitments for the reduction of the environmental footprint of Operations Launch of Waterscan Deployment of the EHS manual
Creation of the EHS function in the L'Oréal stores	2012	
	2011	Launch of the Ergonomic Attitude programme
Creation of EHS Culture Audits	2010	
	2009	1st response to the CDP The Group's first environmental commitments -50% in its CO_2 emissions, water consumption and waste generation between 2005 and 2015 Launch of MESUR and SIO tools for Safety
Group Carbon Assessment	2008	
	2007	Measurement and report of CO_2 emissions (Scope 1 & Scope 2)
1st environmental objective for the Group (reduction in energy consumption)	2004	
	2003	14001 certifications of the factories Creation of the EHS functions on the R&I and Administrative Sites Creation of the first procedures for R&I
Reinforcement of EHS Audits through the presence of external local experts	2001	
	2000	Organisation of global EHS governance: a Corporate team and an EHS Director by zone Launch of SHAP tools and root cause analysis
1st EHS Audits	1996	
	1993	Creation of the Internal EHS Awards
1st EHS seminar Launch of on-site fire prevention inspections	1992	
	1991	Creation of the "Industrial Risks" department in the Operations Division and the ETNEHS function on the sites Creation of the first EHS procedures and EHS reporting

SHAP: Safety Hazards Assessment Procedure

CDP: Carbon Disclosure Project

MESUR: Managing Effective Safety Using Recognition and Realignment

SIO: Safety Improvement Opportunity

Waterscan: a tool that makes it possible to quantify possible savings of water used in a plant

3.1.3.2. The fundamentals of the Group's EHS policy

The Group's EHS policy is based on a set of stringent standards, compiled in an EHS manual which is a reference work for all the sites all over the world. If knowledge of, and compliance with, these procedures are fundamental, the lasting improvement of the safety results and environmental performance essentially requires the dissemination of a sustainable EHS culture to each and every one of the Group's employees. A dedicated training programme has been built for this purpose with the aim of passing on this EHS culture at every level of the organisation. In a manner consistent with this entire approach, a new audit system, which combines both a "Risk" and a "EHS Culture" evaluation, makes it possible to assess both compliance with the Group's standards and the residual risks, and the level of dissemination of the EHS culture.

EHS on-site

EHS organisation and reference manual

The Group's EHS organisation has been structured to match the global organisation of the Operations Division: it consists of a central corporate department, similar organisations in each geographic zone and managers on each site.

Within this organisation, the EHS manual is the reference tool for the Group's operational sites. It is essential to the improvement of their performances and the pursuit of the main EHS objectives: zero accident for the Group and 60% reduction in the environmental footprint of the Operations Division between 2005 and 2020. It defines the EHS management system and the responsibilities shared at all levels of the organisation, up to the operational responsibilities.

Executive Vice-President Operations	The Executive Vice-President Operations, who reports to the Group's Chairman & Chief Executive Officer, is responsible for safety, health and the environment.
Factory managers and distribution centre managers	They are responsible for the deployment and effective implementation of the policies defined. Their remuneration is partly linked to their performances in the areas of safety, health and the environment.
EHS managers	Managers dedicated to compliance with the EHS policy ensure the implementation of the rules, Group procedures and the associated performance objectives in all the Group's entities.

The EHS manual furthermore determines the measures to be applied to control the facilities and activities, in particular to reduce the risks of injury to persons and damage to property and the environment to a minimum. It covers the following areas in particular:

- the safety of persons and property;
- fire safety;
- maintenance and work;
- risks of accidental pollution;
- efficiency of the use of resources, water and energy consumption;
- greenhouse gas emissions, discharges of waste water, waste generation and treatment.

This policy is accompanied by the monthly reporting of detailed indicators which make it possible to monitor changes in the results with regard to each of these areas and thus to identify anomalies and incidents.

This EHS manual is rolled out at all the industrial sites and is in the process of deployment at the Group's research centres and administrative sites.

Training in EHS policy and practices

Training sessions devoted to L'Oréal's EHS policy and practices have been provided for at all levels and in particular for all managers. They constitute one of the cornerstones for implementation of the measures aimed at reducing the Group's environmental impact and the health and safety risks.

Objectives of the training sessions

- defining and sharing EHS vision, challenges and values across the Group;
- enabling managers to implement EHS policy effectively within their entities;
- identifying the risks inherent in a role, task, behaviour or the use of equipment and adopting appropriate preventive and corrective measures;
- enabling managers to identify, in their activities, the actions that could help to improve the EHS performance of their site.

Training courses provided

TRAINING	OBJECTIVE	PROFILES CONCERNED	2015 RESULTS
EHS expertise	Guaranteeing a high level of expertise for EHS managers in the Group	EHS teams	**46** persons trained worldwide
EHS Safety & Leadership	Training managers in the "environment, health and safety" culture of their unit	Top managers	**48** persons trained worldwide
EHS Operations & Labs		Managers and operational supervisors	**183** persons trained worldwide
Ergonomic Attitude Programme	Training in the health and safety issues specific to the Operations Division sites	Experts, managers and employees	**42** experts and **806** employees trained (managers, technicians, etc.)

In addition to these specialist training sessions, all new L'Oréal employees receive general and specific training at their workstation including the Group's EHS rules before taking up their positions.

A worldwide audit programme

In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been set up since 1996, and was reinforced in 2001 with the presence of external auditors, who are experts in the local context and regulations. These audits take place regularly at all L'Oréal sites: every 3 years for production sites, every 4 years for the distribution centres, administrative sites and research centres. If the result of the audit does not meet the standard required by the L'Oréal benchmarks, a specific interim audit is scheduled for the following year.

There are various grids for the audits called "risks", "culture", or "combined risk and culture", used depending on the maturity and type of activity at the sites. They assess in particular:

- compliance of practices and facilities with the Group's rules and procedures;
- progress in environmental, health and safety performances;
- any risks that the sites may present from an EHS standpoint;
- the level of management and deployment of EHS culture on the sites.

L'Oréal also shares with its subcontractors the objective of improving environmental, health and safety performances. Audits are carried out by third parties for this purpose on subcontracting sites for production, in accordance with criteria defined by the Group which are similar to those used by the Group's entities.

Since 2015, logistics subcontractors are also concerned by this type of audit.

TYPES OF AUDITS CONDUCTED IN 2015

	OBJECTIVES	METHODOLOGY	2015 AUDITS
Risk Audits	Ensuring that the technical equipment, processes and operating methods implemented by management and used by employees do not carry risks of damage to their health, safety or the environment. Ensuring that the sites comply with all the legal obligations to which they are subject. Giving the Group's General Management objective knowledge of the risks in the areas of EHS on the L'Oréal sites and providing the assurance that they are under control.	For 3 years, these audits have covered all international operations. They are carried out by independent experts.	In 2015, risk audits were carried out at 4 factories, 5 distribution centres, 2 administrative sites and 1 research centre.
EHS Culture Audits	Measuring and developing management's leadership and internal EHS culture so that EHS is at the heart of the responsibilities of all operational managers.	All the Group's sites are subject to regular EHS culture audits. These audits are carried out by internal EHS specialists through group interviews with 20-30% of the site's workforce.	In 2015, EHS culture audits were carried out at 1 factory, 2 distribution centres, 1 administrative site and 2 research centres.
Combined Risk and Culture Audits	Combination of the risk and culture audits.	This single audit is carried out with the help of an outside firm as regards risks and by internal teams with regard to culture.	In 2015, combined risk and culture audits were carried out at 9 factories, 11 distribution centres and 1 research centre.
Real estate audits	Checking that the buildings are in 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.	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.	In 2015, 8 sites in various countries were audited.
Subcontractor audits	Verifying the production conditions of the Group's industrial subcontractors (manufacture of products, particularly aerosols, inflammable products, etc.)	As necessary, action plans validated by an external expert company are defined and a follow-up audit is scheduled.	In 2015, 47 sites were audited.

In addition to these audits, loss prevention inspections are carried out regularly by experts within the scope of the Group's Fire and Environment insurance policies. In 2015, 7 factories, 2 distribution centres and one R&I site were inspected in 5 countries with regard to environmental risks (Canada, France, Italy, Mexico and Turkey) and 30 sites with regard to fire prevention in 13 countries (South Africa, Germany, Belgium, Brazil, Canada, China, Egypt, France, Great Britain, Mexico, Poland, Turkey and the USA).

Integrating acquisitions into all these EHS processes

The Group regularly acquires new industrial sites. A formal integration process then makes it possible to provide these sites with extra support and assistance in order for them to be brought into compliance with all the EHS requirements defined, and to bring under control the potential risks in terms of safety and the environment.

3

The purpose of this integration process is to enable these sites to rapidly achieve the performance level expected by the Group. It comprises:

1. A regulatory compliance audit carried out by a third party within 6 months of the acquisition;
2. Deployment of the EHS processes described above (EHS manual, EHS reporting, training, audit programme);
3. Monitoring of its integration within the Group.

3.1.3.3. The Group's Health and Safety policy

A shared ambitious policy

L'Oréal undertakes to develop, produce, distribute and sell innovative products of the highest quality, while having an ethical conduct and looking after, in particular, the health and safety of employees, consumers and the communities in which the Group performs its activities. The Health (H) and Safety (S) policy is defined and implemented in order to fulfil these requirements. It is a priority objective of the Group's general policy and constitutes one of its main managerial pillars. Each manager is assessed with regard to his/her ability to deploy the policy, and with regard to his/her health and Safety results.

"Zero accident" is the ambitious target that L'Oréal has set itself with regard to the safety of its employees. To achieve this target, the Group has put in place comprehensive programmes aimed at reducing the risks and ensuring constant improvement in results. This safety culture has led to setting high standards and involving employees at all levels of the Company.

PERFORMANCE SUMMARY FOR FACTORIES AND DISTRIBUTION CENTRES SINCE 2006 (TFC)

Priority focuses for deployment of the Health and Safety policy

The main EHS focuses and orientations relate to the 8 following areas:

1. Definition and deployment of strategy and action plans to achieve the target for 2020: TFc [(1)] (Conventional Frequency Rate) <0.5 for all the Group's sites;
2. Commitment and visible participation by management;
3. Initiatives to deal with the most frequent incidents, including in particular a global economics programme and a specific programme to prevent falls and hand injuries;
4. EHS organisation and practices in line with the Group's standards with OHSAS 18001 accreditation for all Operations sites;
5. Specific training programme for managers, EHS managers and operators/technicians;
6. Ongoing improvement of the Health and Safety management systems at all sites;
7. Active participation by employees;
8. Sharing of resources, feedback and best practices.

Frequency rate – Number of accidents in the workplace in 2015 *

Overall, the 2015 results are in continuity with those for previous years for the whole Group, even if they are slightly worse than for 2014. 168 lost-time accidents (L'Oréal staff and temporary employees) were reported in 2015, representing a conventional frequency rate (TFc)[(1)] of 1.32* (1.1 in 2014) and an enlarged frequency rate (TFe) of 1.41* (1.28 in 2014)[(2)].

* *These rates may be subject to a rate of inaccuracy of 5% maximum due to the local interpretation of the rules; work to improve the accuracy of these indicators is currently in progress.*

(1) TFc = Number of lost-time accidents per million hours worked for L'Oréal staff.

(2) TFe = Number of lost-time accidents (L'Oréal staff and temporary employees) + number of non-lost time accidents with adjustments to tasks (L'Oréal staff) per millions hours worked.

The 168 lost-time accidents (L'Oréal staff and temporary employees) registered in the Group in 2015 lead to the following frequency rates per entity:

SITES	TFc 2015	VARIATION IN TFC VS. 2014	TFe 2015	VARIATION IN TFE VS. 2014
Factories and distribution centres	1.20 ☑	+85%	1.33 ☑	+13%
Administrative sites	0.54	-30%	0.55	-16%
R&I sites	1.22	-37%	1.46	-36%
Sales forces & Stores	3.35	+55%	3.99	+37%
Group: all sites	1.32	+19%	1.41	+10%

Accident severity rate

The accident severity rate is identical to that for 2014 for the Group. It stands at 0.03 for the Group and 0.04 ☑ for the factories and distribution centres in 2015.

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*

A global programme dedicated to improving safety

L'Oréal has equipped itself with the necessary tools and programmes to attain excellence with regard to safety:

Close involvement of all employees	EHS Monitoring Committees	The Management Committee of each site carries out a general review of the action plans and the effectiveness of the EHS programmes.
	SIO (Safety Improvement Opportunities)	This programme incites employees to inform their direct managers of situations considered as involving risks in order for corrective measures to be taken.
	Constructive Challenge	This framework programme aims at improving individual safety culture so that each and every employee plays a proactive role both in his/her own safety and that of others. The objective of this programme is to cover 100% of the sites in 2020.
A programme to improve the ergonomics culture	Ergonomic Attitude	This programme, which is intended to be extended to all the Group's sites by 2020, has been based since 2015 on a roadmap consisting of 4 levels which enable the sites to systematically improve their ergonomics culture and determine their individual action plans.
Safety control tools	MESUR (Managing Effective Safety Using Recognition and Realignment)	These are periodic on-site safety visits by a manager. In 2015, the programme was also deployed on certain administrative and research sites. In 2015, 22,752 MESUR visits were conducted on all the L'Oréal Group's sites.
	Group EHS audits	The "Combined Risk and Culture Audits" carried out as from 2014 fully include the evaluation of EHS culture and risk management, the assessment of the visible commitment by managers and employees and the process of ongoing improvement through action plans.
Dedicated training sessions.	Safety Training for management	In 2015, 48 top managers (managers of factories or distribution centres, Management Committee members etc.) attended the *Safety and Leadership* seminars, held at the CEDEP, the European Centre for Executive Development on the campus of INSEAD in France. Since the start of this programme, over 300 senior managers have been trained. The main objectives of these seminars are to raise the awareness of top managers to safety issues, to increase their leadership ability to have safer behaviour adopted and maintained over the long term.

In 2014, an "Ergonomic Attitude" Governance Committee was launched with the Group's senior managers (from Operations, R&I, Marketing, IT, HR and the EHS teams). This committee's role is to determine the vision, objectives and actions to be deployed within the Group and to ensure that this programme provides effective support for L'Oréal Share & Care *programme*. The committee has defined a roadmap and, since 2015, it meets twice a year to oversee its deployment.

3.1.3.4. The Group's environmental policy

L'Oréal, which has long been committed to reducing its environmental footprint, has stepped up its ambition with the Sharing Beauty With All programme. Deployment of the Group's growth strategy, which aims at winning a billion new consumers, provides at the same time for acceleration of the reduction of the environmental impact of its activities.

The Group's global policy thus provides for all the sites to systematically combine operational performance and environmental performance in carrying out their activities and the deployment of their projects.

Reducing the environmental footprint of industrial operations

Whether it involves building a new factory, the purchase of new equipment, or the definition of new processes, each industrial development is an opportunity for reducing the environmental footprint. It is the fruit of a longstanding commitment; as from 1992, the construction of a site performance measurement and reporting system with regard to water and energy consumption and waste generation made it possible very early on to monitor the sites' environmental results on a monthly basis, and as from 2009, to set pioneering targets with regard to the scope of the Operations Division scope: a reduction of – 50% in CO_2 emissions in absolute terms, in water consumption in litres per finished product and in waste generation in grams per finished product by 2015 from a 2005 baseline.

Within the scope of the Sharing Beauty with All programme, the Group has increased these initial commitments by raising the reduction targets from 50% to 60% by 2020 from a 2005 baseline. The Group also pledged by 2020 to no longer send any industrial waste to landfill and to reduce CO_2 emissions from transportation of its products by 20% per sales unit per kilometre from a 2011 baseline (transportation under the control of L'Oréal).

These targets have led to:

- the implementation by each site of detailed improvement plans, the effectiveness of which is assessed at the time of the Group's EHS audits;
- continuous improvement in the sites' environmental performance for several years, notably *via* the definition and dissemination of best practices in terms of energy efficiency, consumption of resources and waste reduction and treatment;
- major developments and technological innovations in each of the 3 areas (CO_2, water, waste), going as far as the implementation of completely integrated solutions taking into consideration all the environmental impacts. Certain plants, like those in Libramont or Burgos, now have facilities on their sites making it possible to produce renewable energy (from biomethanation or biomass), to treat and recycle part of the industrial water, and to reduce waste generation at source while promoting waste recovery.

See also paragraph 3.2.2. "*Producing sustainably*" p.163.

2015 RESULTS[4]

	CO_2 emissions [1]	Water consumption [2]	Waste generation [3]
Targets for 2015	- 50%	- 50%	- 50%
Results for 2015	- 56%	- 45%	- 31%
Targets for 2020	- 60%	- 60%	- 60%

(1) in absolute value
(2) in litres per finished product
(3) in grams per finished product
(4) from a 2005 baseline

Managing risks and controlling the impact of sites on their environment

As soon as a project for a new site is being considered, an overall environmental impact study is required immediately during the design phase. The objective is to minimise the project's impact on the environment and to adapt the project to local conditions at the site where it is to be located. In the same way, at the time of the purchase of land or buildings, L'Oréal conducts a due diligence review which includes, in particular, a review of the environmental aspects.

Ground use

With regard to operation of the sites, the preventive measures described in the internal procedures must be complied with in order to avoid all pollution (ground, groundwater, underground water, etc.). These measures are verified at the time of EHS audits and inspections by insurers.

L'Oréal's policy with regard to ground use is as follows:

- 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.

Noise pollution

L'Oréal's industrial activities are not particularly noisy. The sites comply with the noise standards to which they are subject. The internal environmental reporting system informs L'Oréal regularly of any non-compliance on this subject.

Provisions for environmental risks

The amount of the provisions booked for environmental risks is not material. Two sites have set aside a provision for the treatment of their soil. Most of this provision corresponds to land which does not require any treatment for the activities which are currently carried out on the site (see note 13.4. of the Consolidated financial statements in Chapter 4).

Implementation of a continuous improvement process

In order to make environmental performance a lasting part of industrial processes, L'Oréal has embarked since 2003 on the process of ISO 14001 (Environmental Management) certification of all its factories. As of the end of 2015, 82% of the factories are ISO 14001 certified, *i.e.* 36 factories out of 44. Over the next 3 years, the last plants acquired or built recently will be ISO 14001 certified. The Group has also defined processes and guidelines making it possible to achieve levels of excellence in all the business units.

Furthermore, in 2015, the Group launched an ISO 50001 (Energy management) certification programme with the objective of certifying all its factories by 2020, according to a defined roadmap. As of the end of 2015, 11% of the factories have been ISO 50001 certified, namely 5 factories, out of which 3 are in France, 1 in India and 1 in Germany.

Deploying the environmental policy beyond the industrial sites

Reducing the environmental impact related to transportation

L'Oréal has pledged, within the scope of the Sharing Beauty With All programme, to reduce by 20% the CO_2 emissions per sales unit per kilometre generated by the transportation of its products between 2011 and 2020. The Group has initiated a thought process into optimisation of its distribution channels while engaging a dialogue with the transport companies that are our partners to use less polluting means of transport.

Deploying the environmental strategy on the administrative sites and in the research centres

The processes making it possible to apply the environmental policy on the industrial sites are gradually being rolled out to the administrative sites and the research centres. Audits (risk, culture, combined risk and culture, real estate audits) are carried out there in particular, EHS training courses are now accessible to EHS managers of these sites, and more and more define CO_2, energy, water and waste action plans. The environmental indicator reporting requirement has now been extended to these sites in order to be able to measure, monitor and manage their performance more precisely.

Working alongside suppliers and subcontractors

Above and beyond its strict requirements with regard to its own sites, L'Oréal has for a number of years deployed an environmental policy all across the value chain of its products and its activities.

Indeed, L'Oréal works in partnership with its suppliers to improve the environmental profile of its products *via* the eco-design of packaging and formulas.

L'Oréal also makes available to its suppliers training tools aimed at promoting the Group's best practices. The CDP Supply Chain, the CO_2 emission reporting programme for companies *via* which the Group has invited 253 suppliers to participate in 2015, is in particular one of the ways to support them in the development of their environmental strategy and to monitor the improvement of their performance year after year.

The Group also ensures control of the environmental risks associated with the activities of its subcontractors, focusing on compliance with local environmental laws and the verification of the absence of risk for the environment, by means of EHS audits (see section 3.1.3.2). Where a difficulty is identified, an improvement plan is then defined and progress checked regularly.

Adaptation to the consequences of climate change

Conscious of the consequences of climate change, the L'Oréal Group assesses and integrates these risks in its global risk management process in order to choose the most suitable solutions.

The main risks identified are as follows:

- increase in the frequency and intensity of rainfall, in particular in river areas, may momentarily interrupt or slow production and distribution processes;
- episodes of extreme drought may affect the availability of resources;
- cyclones, hurricanes and typhoons may damage facilities, hamper the supply chain and potentially threaten employee safety.

In order to manage these risks, to lessen their impact and to guarantee business continuity, L'Oréal has implemented a certain number of measures:

- a business continuity plan and a crisis management plan;
- a safety policy making it possible to manage the consequences of extreme climate events, in particular on the Group's information system, and its data centers;
- programmes to assist in preserving resources in areas affected by drought.

These risks and their consequences may also represent a financial risk for the Group. Certain global insurance programmes have been put in place to cover them. (See section 1.9.8. "*Insurance*" of this document).

3.1.4. THE L'ORÉAL GROUP'S SOCIETAL COMMITMENT

Beyond its economic performance, L'Oréal is committed to civil society. *Via* the Sharing Beauty With All programme, the Group has reaffirmed its commitment to responsible growth shared with its employees, its suppliers and the surrounding communities.

The Group's societal commitment extends well beyond its philanthropic activities and it maintains an ongoing dialogue with its stakeholders and continually interacts with the local social and economic fabric. Furthermore, L'Oréal applies the strictest measures in terms of consumer safety, anti-corruption measures and respect for Human Rights.

3.1.4.1. Conducting a constant dialogue with stakeholders

L'Oréal attaches great importance to the dialogue with its stakeholders, namely with all those whose actions are likely to have an impact on L'Oréal and all those who are concerned by its activities.

Within the framework of an ongoing dialogue and as part of a process aimed at making continual progress, L'Oréal endeavours to take account of stakeholder expectations in its strategy.

For this purpose, the Group has defined and developed a method of *ad hoc* interaction, that it considers the most efficient and appropriate, with all those involved.

A strategy of an evolving dialogue

The dialogue conducted by L'Oréal with its stakeholders has taken place in three phases:

1st phase: upstream of the definition of the Group's sustainable development commitments for 2020, L'Oréal engaged a dialogue between 2011 and 2013 with 754 organisations, including a physical dialogue with 232 of them, through forums organised by the Group in 8 key countries, and also with internal experts (think tank). In order to establish the priority focuses of its sustainable development strategy, the Group launched a "materiality analysis" as from 2012. This made it possible to identify 29 topics for attention shared by the stakeholders with regard to the Group. L'Oréal was then able to compare stakeholder expectations with the definition of its own CSR strategy.

The materiality analysis took place in 4 phases:

- identification and prioritisation of stakeholder expectations;
- identification and prioritisation of sustainable development challenges for L'Oréal;
- establishment of materiality;
- revision of CSR strategy and L'Oréal's indicators.

Thanks to this process, L'Oréal is able, at regular intervals, to revise the priorities of its CSR strategy, assess the relevance of its indicators and adapt its reporting by communicating on the most "material" topics, namely those at the heart of the concerns of the stakeholders and the main challenges for the Group.

2nd phase: the Group set up in 2013 a dialogue platform hosted on the loreal.com website making it possible to continue this dialogue on-line, offering the possibility for NGOs, associations and not-for-profit organisations to interact with the Group's experts,

3rd phase: since 2013, L'Oréal has set up special-purpose panels and consultations with regard to various topics in order to include the views of NGOs, associations, not-for-profit organisations and experts in its thought process and its projects.

A few initiatives in 2015

	RELATIONSHIPS MAINTAINED	A FEW INITIATIVES
Employees	L'Oréal sets up a large number of dialogue arrangements with its employees to ensure their health, safety and well-being at work while listening to their concerns.	Over 50% of the Group's employees took part in Ethics Day in 2015, and more than 4,100 questions were raised worldwide. In 2015, this webchat was enhanced with a crowdsourcing on the *Sharing Beauty With All* sustainable development programme, that made it possible to receive more than 1,400 ideas from 58 countries.
Suppliers	L'Oréal maintains an extensive dialogue with its suppliers and shares with them its ambitions in the area of sustainable development.	During annual Business Reviews, L'Oréal discusses 5 main subjects with its suppliers: quality, innovation, competitiveness, delivery /supply chain and CSR. 183 Business Reviews took place in 2015.
Consumers	L'Oréal is heedful of both current and future needs and concerns of its consumers, in particular with regard to sustainable development.	For example, on its Facebook page, the Biotherm brand enables consumers to calculate their water consumption and gives them advice to keep it to a minimum.
Shareholders	To guarantee the relationship of confidence between L'Oréal and its shareholders, the Group maintains the dialogue thanks to regular meetings and a whole range of multimedia tools.	◆ Publication of the 1st Digital Activity Report in 2015; ◆ Participation in 2015 in the Actionaria Stock Market Fair for the 12th year running; ◆ Holding of ten or so Shareholder Meetings in France and Belgium; ◆ Sending of shareholders' letters and newsletters.
Customers (distributors)	As it does with its suppliers, L'Oréal builds close relationships with its distributors by involving them in the preparation of joint sustainable development projects.	In 2015, the Consumer Products Division conducted an experiment on recycling with Auchan in France, and a project for a responsible POS advertising campaign with Leclerc.
NGOs, associations and not-for-profit organisations	The *Panel of critical friends* is an external governance body, which reviews the progress made on the Sharing Beauty With All programme every year, casts a critical eye over the actions conducted, suggests improvements and challenges L'Oréal's sustainable development ambition.	In September 2015, the panel met in the presence of Jean-Paul Agon in Rio de Janeiro, in Brazil.
	Since 2013, L'Oréal sets up panels and launches consultations on various topics in order to include the views of NGOs, associations and not-for-profit organisations in its reflection process and its projects.	In 2015, the Group held a dialogue with: ◆ Thirty or so associations, not-for-profit organisations and NGOs within the framework of the *Carbon balanced* project; ◆ 7 international experts worked with the Group to develop a methodology for assessment of the social impacts of a cosmetic product. 4 meetings were held in 2015; ◆ 10 international experts in connection with the development of the tool for the environmental and social assessment of its products.
	Once a year, all L'Oréal's employees are invited to spend a day on voluntary actions for associations and not-for-profit organisations, on public utility projects and supporting the surrounding communities, while continuing to receive their salary.	In 2015, for the 7th edition of Citizen Day, nearly 25,000 employees took part in the event in 75 countries.
Extra-financial rating agencies and investors	L'Oréal guarantees the transparency of its information and discusses CSR topics regularly with both extra-financial rating agencies and with investors.	L'Oréal is in contact, in particular, with Vigeo, OEKOM, the CDP etc. to discuss extra-financial performance and identify areas for improvement.
The scientific community including researchers and academics	Research and Innovation are an integral part of the identity of L'Oréal which maintains close links with researchers.	◆ Through the L'Oréal Foundation's *For Women in Science* programme, the Group rewards scientists and awards scholarships to young female researchers; ◆ L'Oréal is a member of the Strategic Orientation Council of the FRB, the Foundation for Research on Biodiversity.
The public authorities	At local, national or international level, L'Oréal maintains close relationships with the public authorities in particular *via* professional associations.	L'Oréal is a member of many associations all over the world, including: Cosmetics Europe, the US cosmetics industry association, CAFFCI (China Association of Fragrance Flavour and Cosmetic Industries), ISTMA (Indian Soap and Toiletries Mfrs Association), etc.
Students and young graduates	L'Oréal has been identified as one of the most attractive companies for students.	◆ Organisation of Business Contests in 2015, 13,000 students from all over the world registered for the Brandstorm competition; ◆ Support for various chairs, like the marketing chair at the Saïd Business School, Oxford University or the Leadership & Diversity Chair at the ESSEC business school in France.

3.1.4.2. The dynamism of L'Oréal's corporate philanthropy activities

L'Oréal has always been committed to worthy causes and to the surrounding communities. First created in 2007, the purpose of the L'Oréal Corporate Foundation is to coordinate all the corporate philanthropy initiatives developed all over the world through the Group's subsidiaries and its brands. This commitment to good corporate citizenship now plays a strategic role in its development.

Under the chairmanship of L'Oréal's Chairman and CEO, the L'Oréal Foundation's Board of Directors has 15 members, including 8 personalities from the Group and 7 from outside the Company, chosen for their expertise in the Foundation's areas of intervention.

The commitments of the L'Oréal Foundation centre round two major thematics which are part of the Group's DNA: science and solidarity beauty. Thanks to its "*For Women in Science*" action, the L'Oréal Foundation generates vocations from young women students in secondary schools, encourages women researchers and recognizes excellence in an area where women should be even more represented. L'Oréal Foundation also carries out humanitarian programmes to assist severely disadvantaged populations, particularly women who suffer from cancer or isolation or have precarious living conditions. It helps them to enjoy renewed self-confidence and restore their damaged femininity, notably through a vast education and beauty profession training programme, "*Beauty for a Better Life*".

"L'Oréal-UNESCO For Women in Science": A commitment maintained for more than 17 years

To fight against the under-representation of women in the scientific world, the L'Oréal Foundation created the L'Oréal-*UNESCO For Women in Science* programme with UNESCO in 1998 (known as L'Oréal-*UNESCO Pour les Femmes et la Science* in France). This international programme is born of one conviction: because the world needs science, science needs women. This is why it identifies, rewards, encourages and showcases every year women from all continents who, through their discoveries, contribute to advancing knowledge.

2,250 women in science

from over 110 countries who have received awards and been rewarded since 1998

Two of the 87 prize-winners who have received the L'Oréal-UNESCO award, Elizabeth Blackburn and Ada Yonath, were Nobel Prize-winners in 2009.

Research scholarships are thus awarded on a national, regional and international scale to encourage women pursuing doctoral or post-doctoral studies, with promising talent, to pursue their scientific careers.

236 Research scholarships

on a worldwide basis including 20 in France in 2015

The L'Oréal Foundation launched in France in 2014, a new programme dedicated to young girls, L'Oréal For *Girls in Science or L'Oréal (*Pour *les Filles et la Science), marking a* new stage in the commitment by the Foundation. Intended to encourage more scientific vocations among girls at secondary schools and to fight against pre-conceived ideas relating to science and women in science, this programme was the subject of an agreement with the French Ministry of National Education, Higher Education and Research in 2015.

Programmes to assist people in great difficulty

"Beauty for a Better Life": beauty to feel better and live better

Convinced of the physical and psychic benefits of a personalised approach to aesthetic care for vulnerable women, the L'Oréal Foundation promotes the integration of beauty care and well-being treatments in medical and social contexts. It works in particular with specialist cancer treatment centres such as the *Institut Gustave Roussy* or associations like *Joséphine pour la beauté des Femmes* or *Emmaüs Solidarité*.

5,500 beneficiaries
of beauty care and well-being treatments in 2015

"Beauty for a Better Life": training in beauty professions for the most vulnerable populations

The Foundation has developed a free education and training programme that relies on the L'Oréal Group's know-how, in areas such as hairdressing and make-up. The beneficiaries are vulnerable women experiencing social or economic problems, young people who have left home or who have dropped out of school or victims of conflicts or domestic violence.

The objectives of the programme: to help these women who are in a situation of great distress to regain motivation and recover their self-esteem and give them the possibility of professional reintegration through high-quality training provided by professionals, long-term support adapted to each pupil, and a diploma developed together with the local authorities.

2,700 people in a very difficult living situation
trained in the beauty professions in 2015 within the framework of the "Beauty for a better life" programme

The *Beauty For a Better Life* training programme is the result of a solid partnership in 20 countries (France, China, Indonesia, Vietnam, Cambodia, Colombia, etc.) between the L'Oréal Foundation, the Group's subsidiaries and recognized local players such as NGOs and government authorities.

The L'Oréal Foundation also supports *Médecins du Monde* association's reconstructive surgery operations (*Opération Sourire* or "Give me a smile"). The L'Oréal Foundation enables children who suffer from congenital malformations to recover their dignity and be accepted back into their community. More than 1,400 children were operated on in over 10 countries.

1,400 children operated on in 2015
(Opération sourire)

3.1.4.3. Rolling out initiatives locally in favour of the communities

In addition to the large programmes initiated by the Foundation and rolled out across the world, each and every L'Oréal entity is encouraged to take local actions in relation with the situations in their particular countries. In 2015, L'Oréal thus supported several hundreds of projects throughout the world, involving actions in the fields of solidarity, education, culture or the environment.

Citizen Day

L'Oréal's employees throughout the world are able to carry out voluntary work for associations, on public utility projects and projects providing support to their surrounding communities, while receiving their normal remuneration for the day from the Company. Citizen Day enables the L'Oréal Group to involve all its teams in its citizenship initiatives, armed with the conviction that each and every one of its employees has the ability to play a role, and persuaded of the collective impact of the action taken together. The teams are offered a very wide choice of social or environmental actions conducted with hundreds of partner associations across the globe, or developed with municipal and local authorities close to the Group's sites.

This leads to a wealth of initiatives based around six main themes: young people, the fight against exclusion, the environment, the disabled, professional reintegration and intergenerational solidarity. The programme includes: cleaning beaches, picking up waste, renovating schools, acting as blood donors, visiting orphanages and retirement homes, going to meet people who live on their own or are in a fragile situation and a host of other initiatives.

In 2015, nearly 25,000 people in 75 countries all over the world took part in the 6th edition of this event, which has become a real, federating and meaningful occasion for the Group's employees.

Pursuing local initiatives in favour of employment

L'Oréal is a leading economic player in all the geographical zones where it is established. On this basis, it contributes to local employment and thus participates in regional development. Within the scope of its policy for the professional integration of people who are having great difficulty finding work, the Group has undertaken a large number of local initiatives.

In 2015, the Group continued with its initiatives in several countries with the following examples in particular:

The Soprocos factory (France, Aisne)
The Soprocos site has linked up with an ESAT called l'Envol (an establishment offering assisted employment for disabled workers and aimed at their social insertion or reintegration). In order to continue this partnership and extend it in the region, Soprocos has had this structure integrated into the HR Club in the town of Gauchy. This has enabled the ESAT L'Envol to obtain new contracts and to place more mentally handicapped people.

Soprocos has also been a partner for many years of the Fondation de la 2nde chance, an association which provides support to people who have had an accident which has made it difficult for them to resume employment. Three new files were processed in 2015 (the financing of two training projects and the creation of one business at the time of 2015 Citizen Day).

The factory in Settimo (Italy):
The factory in Settimo has made a commitment in favour of the disabled. It works actively with the national autism support organisations (Angsa and Fondazione TEDA) in order to help autistic people to come and work in the factory. From 2011, nine personn suffering from autism carried out internships in the offices and production facilities.

The Burgos factory (Spain):
The site has developed several initiatives in order to help people having difficulty finding work to get a job:

- the partnership with the *la Rueda* association enables women who have suffered domestic abuse to be trained and integrated into the working world and to regain self-sufficiency. Two of these women were hired in 2015;
- the partnership with the secretaries' association *Gitan* made it possible to integrate women of gypsy origin (3 women hired) and to provide support, with the *Incorpora* programme, for gypsy youths in order to show them various jobs;
- mentoring of young people to create businesses with the *RRHH para los nuestros* programme. This is an internal programme in the factory which has been developed by the Human Resources team. Its objective is to provide support to young people from employees' families who have been unemployed for a long time, through workshops (résumés, preparation for interviews, etc.). In 2015, 24 people received support, 6 of whom found work.

Furthermore, L'Oréal will have to pay an amount of €26 million for the territorial economic contribution (CET) in respect of the 2015 financial year.

Supporting training for young people

A socially involved company, L'Oréal is gambling on young people by investing in training for the new generations. Indeed, the Group has already developed close partnership with primary and secondary schools but also universities and leading graduate management, engineering and research schools. Its objective: offering students the possibility to discover the Company during their cursus, by proposing to them internships every year and, for over 20 years, apprenticeship contracts or contracts offering work experience across all its businesses and for all employment positions. A qualitative assessment of the apprentice training centres (*Centres de Formation d'Apprentis* or "CFA") is made every year.

For 2015, L'Oréal will have to pay an amount of €5,023,681 in France in apprenticeship tax.

Through its sites and its subsidiaries, the Group undertakes a host of initiatives to support training for young people:

- the Sao Paulo factory (Brazil) engages in training young people in a situation of vulnerability who live near the factory. With the launch of the "L'Oréal Fabrication Academy", nearly 70 voluntary workers from the factory have engaged in a movement aimed at the social and economic integration of these young people. This project was developed in collaboration with *Formare Program* and the IOCHPE Foundation which provides support, through education, to young people from vulnerable social and economic environments who have difficulty in finding work. The first class of 20 teenagers received their diplomas in December 2015. The training path consists of 800 hours of theoretical coursework and over 160 hours of practical training. The teachers, who are voluntary employees, have been trained by instructors in the method developed by the IOCHPE Foundation;
- the factory in Burgos (Spain) enables several young people to continue their studies through contracts offering work experience, these young people have to spend 340 hours in various departments of the factory in order to pass their examination. In 2015, 12 people were able to benefit from this support;
- *Capital* Filles: since 2011, L'Oréal has been a partner of *Capital Filles*, a programme which acts to combat stereotypes by providing support to young girls in their last year of secondary school. Female employees of the Group, who act as their mentors, help the girls to discover the different jobs on offer at L'Oréal, and advise them with regard to their future education. In 2015, 120 mentors from L'Oréal accompanied 120 young girls in secondary schools and the programme was extended to Romania where 29 mentors from L'Oréal have volunteered;
- the Baddi factory in India is committed to providing support to young people from their territory and to helping them to have access to schooling. In collaboration with the NGO Nirmala Niketan, the factory has sponsored the creation of a primary school in a poor district of Baddi, thus enabling nearly 200 underprivileged pupils to go to school. The aid provided by the factory made it possible to finance part of the infrastructure of the building, buy uniforms for the pupils, and train and pay the teachers.

725 young people on work and training contracts

(350 apprenticeship contracts and 375 contracts offering work experience) were present in the Group in France at 12/31/2015, 353 of whom were at L'Oréal S.A.

3.1.4.4. Fair business practices

The L'Oréal Group wishes to act in all circumstances in accordance with the ethical principles that it has set and to comply with the laws and regulations in force in all the countries where it is present.

Actions taken to prevent all forms of corruption

L'Oréal, a signatory of the United Nations Global Compact

L'Oréal has been a member of the United Nations Global Compact since 2003 and supports the fight against corruption. The Group is commited to comply with the United Nations Anti-Corruption Convention of October 31st, 2003 and to apply all the applicable laws, including anti-corruption laws.

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

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

L'Oréal's Code of Ethics and the practical anti-corruption guides

L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption which applies to all employees, corporate officers, Directors and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages, and in French and English in Braille, it is distributed to all employees worldwide.

L'Oréal has moreover published a more detailed corruption prevention policy available on loreal.com.

With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and fighting against corruption:

- *Specific anti-corruption guide:* rolled out throughout the Group as a whole since 2013, it covers the relationships with each of L'Oréal's stakeholders, in particular with the public authorities and intermediaries. This practical guide is intended to specify the Group's standards and to help employees to handle situations that they might encounter in the performance of their duties.

It reaffirms L'Oréal's anti-corruption policy which was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors. This policy posted online on L'Oréal's website (www.loreal.com) restates the following principles:

- the zero-tolerance policy on corruption;
- the prohibition on facilitation payments;
- the prohibition on all contributions to political parties or politicians with the aim of obtaining a commercial advantage;
- the prohibition on giving and accepting gifts and/or invitations that might influence or be perceived as influencing a business relationship;
- communication of the commitment to preventing corruption to business partners;
- compliance with these commitments by intermediaries or agents representing L'Oréal, particularly in countries where there is a high corruption risk.

- *Employee guide - Gifts / Invitations:* distributed in 2014 on a groupwide basis to specify the rules with this regard.
- *"The Way We Buy"*: a practical and ethical guide for the purpose of governing the relationships between suppliers and all employees involved in purchasing decisions. This document has been translated into 12 languages.

The involvement of everyone in preventing corruption

Executive Committee	It regulary reviews the anti-corruption policy presented to the Board of Directors.
Director of Risk Management and Compliance	is iin charge of developing the corruption prevention programme.
Country Managers	Are responsible for the proper deployment of the corruption prevention programme and the respect the anti-corruptionprevention policy.
Employees	They may contact their management, their Legal Director, their Administrative & Financial Director, their Internal Control Manager, their Ethics Correspondent or the Director of Risk Management and Compliance and, ultimately, the Senior Vice-President and Chief Ethics Officer if they have any questions about compliance with this commitment. The aim is to ensure that all the situations encountered are thoroughly examined and, where applicable, that the appropriate steps can be taken.

Sharing the corruption prévention policy with the Group's partners

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. It moreover reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

Group-level risk assessment	The risk of corruption is included in the Group-level risk assessment. A tool enables Country Managers to assess and analyse possible local ethical risks (including corruption) and to take the necessary prevention measures.
Specific Human Resources procedures	An "Obtains results with integrity" ethical competency is included in the annual appraisal system for all employees.
L'Oréal's "Open Talk" policy	This enables employees to express any concerns they may have, including with regard to corruption, namely directly via a secure website to the Group's Senior Vice-President and Chief Ethics Officer.. Any allegation raised in good faith is examined in detail and approrpiate measures are taken, where necessary, in the event of non-compliance with the corruption prevention policy.
Internal Control within the scope of the control procedures for operational activities	The Group's Internal Control system provides for control procedures for operational activities and in particular with regard to separation of tasks. L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during Internal Audit assignments, through individual interviews with regard to Ethics. These interviews include questions specifically concerning corruption and are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.
Due diligence prior to proposed acquisitions	The answers to the "ethics questionnaire" submitted to target companies are intended to identify whether corruption risk prevention has been taken into account by such companies.

A group supporting Human Rights

L'Oréal, signatory of the United Nations Global Compact

L'Oréal has been a member of the United Nations Global Compact since 2003 and is committed to respecting and promoting Human Rights. This includes, in particular, the Fundamental Conventions of the International Labor Organization even though these conventions have not all been ratified by all the countries where L'Oréal is present. This commitment is supported at the highest level of the Company by its Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

Commitment of all employees in respect for Human Rights

- The Senior Vice-President and Chief Ethics Officer is in charge of overseeing the respect of Human Rights. This mission has been entrusted to him by L'Oréal's Chairman and Chief Executive Officer, to whom he reports regularly. He informs the Board of Directors and the Executive Committee.
- Country Managers are in charge of implementing the Human Rights policy in their country. The Group's Senior Vice-President and Chief Ethics Officer meets systematically with each new Country Manager and Country Human Resources Director in order to raise their awareness on Human Rights issues.
- The Human Resources teams are responsible for respect for Human Rights with regard to employees.
- The Purchasing teams are responsible for respect for Human Rights at the sites of suppliers and subcontractors.
- Employees may contact their management, their Human Resources Director, their Legal Director, their Purchasing Director, their Ethics Correspondent and, ultimately, the Senior Vice-President and Chief Ethics Officer if they have any questions about compliance with this commitment.

L'Oréal's Code of Ethics and other policies in favour of Human Rights

The L'Oréal Spirit	Main commitments with regard to employees (health, safety and security, diversity, sexual and moral harassment, privacy).
	The Group's commitments to the abolition of child labour and forced labour, the selection of suppliers and to the contribution to the community.
Code of Ethics	L'Oréal's commitments to respecting and promoting Human Rights, with reference in particular to the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. L'Oréal also supports the United Nations Women's Empowerment Principles.
"The Way We Buy"	A practical guide intended to specify the Group's standards and to help employees handle situations that they could encounter in the performance of their duties in relationships with suppliers.
Ethical Commitment Letter	Suppliers and subcontractors are asked to comply with the ethical commitment letter that refers to compliance with the Fundamental Conventions of the International Labor Organization as well as local laws.
"Child Labour at our Suppliers / Subcontractors"	Description of the main commitments concerning child labour by suppliers/subcontractors.

Actions implemented in the Group in favour of Human Rights

Risk assessment	**Risk assessment** with regard to Human Rights is based namely on the Maplecroft indexes [(1)] **A tool** enables Country Managers to assess any local ethical risks (including with regard to Human Rights). Since 2013, 87% of the countries have carried out an ethics self-assessment. The precise analysis of supplier and subcontractor risks is carried out by the Purchasing Department, namely through social audits. **An annual ethics reporting system** enables monitoring of the implementation of the ethics programme, particularly with regard to Human Rights. The countries are informed of their potential areas for improvement by the Office of the Chief Ethics Officer. 100% of the countries completed their annual ethics reporting in 2015.
Ongoing communication	**Ethics Day**: an annual day on ethics has been organised since 2009. A live webchat with L'Oréal's Chairman and Chief Executive Officer enables all the Group's employees to ask questions and exchange on the application of L'Oréal's Ethical Principles on a day-to-day basis, including concerning respect for Human Rights. Ethics chats are also organised locally with each Country Manager. In 2015, over 50% of the Group's employees took part in this dialogue and over 4,100 questions were asked worldwide. The Senior Vice-President and Chief Ethics Officer **regularly visits the Group's entities** all over the world to meet employees at all levels of the Company. In 2015, within this framework, he visited 22 countries, making a total of 48 countries visited since the end of 2013. 97% of the Countries have communicated on at least one topic related to Human Rights. The employees also have access to a dedicated intranet site which provides additional information on ethics, including on Human Rights.
Training	**A specific, compulsory e-learning** on ethics covering namely Human Rights issues is currently being rolled out in all countries. ◆ As of December 31st, 2015, 75% of the employees with access to the online module had completed this course; ◆ 16 in-room training sessions were provided to 364 employees, representing 1,921 hours of training in 2015; ◆ In 2015, 51 purchasers were trained in responsible purchasing practices. This training is compulsory for any new purchaser; ◆ 90% of the Group's countries included subjects related to Human Rights in their local training programme.
Specific Human Resources procedures	The ethical competency "Acts/Leads with Human Sensitivity" is integrated in the annual appraisal system for all employees.
Operational procedures	In accordance with its commitments to compliance with the principles of the Convention on Biological Diversity, in 2005, L'Oréal included in its sustainable sourcing policy for renewable raw materials compliance with **the rights of indigenous peoples**, which is based on obtaining a prior agreement, and the guarantee of a fair return to the local populations. When **choosing a site** to be purchased or at the time of an off-plan lease agreement, L'Oréal ensures that the seller became the owner and paid compensation to any occupants/users in compliance with international guidelines. The agreement of the Group's Security Department is required before choosing a new security services provider or renewing an ongoing contract with such a service provider. Where it is locally possible, L'Oréal gives preference to security service providers who have adhered to the International Code of Conduct for Private Security Service Providers. The subsidiaries enter into contracts locally for property security services and check on the skills, official accreditations and training of security guards.
Due diligence prior to proposed acquisitions	The answers to the "**Ethics and Human Rights questionnaire**" submitted to target companies are intended to identify whether the risks related, *inter alia*, to failure to respect Human Rights (abolition of child labour and compulsory and forced labour, etc.) have been taken into account by such companies.
L'Oréal's "Open Talk" policy	This enables employees to express any concerns they may have, including with regard to Human Rights, in particular to the Group's Senior Vice-President and Chief Ethics Officer directly *via* a secure website. Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the Human Rights policy. ◆ No allegation of any Human Rights violation, and in particularly the violation of the rights of indigenous peoples, was reported to the Group's Senior Vice-President and Chief Ethics Officer in 2015.

(1) Maplecroft is an internationally renowned risk analysis and strategy consulting firm, which provides a wide spectrum of risk analyses, including risks related to Human Rights.

Promotion and compliance with the ILO conventions

Even though no L'Oréal sites have been identified as presenting a substantial risk of incidents of non-compliance with the principles of freedom of association and/or the right to collective bargaining, forced labour, child labour or discrimination, all L'Oréal sites, wherever they are in the world, are subject to control in the form of compulsory annual reporting, *via* the Annual Ethics Reporting platform and the Country reporting intranet system for the collection of Human Resources data.

All social audits of suppliers cover the questions of freedom of association and the right to collective bargaining, forced labour, child labour and discrimination. In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

	WITHIN THE COMPANY	SUPPLIER SOCIAL AUDITS
Respect for freedom of association and the right to collective bargaining	The measures taken are described in paragraph 3.1.2.6 "Social relations". In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal ensures that other modes of dialogue exist with its employees enabling them to report any concerns they have.	2.2% ☑ of the instances of non-compliance noted related to the issue of freedom of association. Most of the cases of non-compliance concerned the absence of trade union elections or formation of the workers' committee in countries where this is a local requirement.
Elimination of all forms of forced or compulsory labour	Recourse to prison labour is possible when it is voluntary within the scope of a professional reinsertion programme, and paid at market price. Suppliers/ subcontractors must request the authorisation of L'Oréal before they have recourse to this form of labour. Furthermore, all Group entities are required to ensure that none of their employees are subject to the retention of identity papers or travel documents, or are obliged to pay recruitment fees or to deposit money affecting their ability to leave their employment.	5.6% ☑ of the instances of non-compliance noted related to the issue of forced or compulsory labour. Most of the cases of non-compliance concerned the retention of identity papers, abusive contracts or payment of a sum of money to get a job.
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 Labor Organization. In light of their young age, employees who are between 16 and 18 years old are subject to specific conditions. They may not do night work, overtime, work involving the use of hazardous substances or tools or for carrying heavy loads. They benefit from a reinforced training programme, appointment of an internal "tutor" and inclusion on a special register. In 2015, 725 employees aged between 16 and 18 worked within the Group's entities.	None ☑ of the social audits conducted in 2015 of suppliers and subcontractors who currently work with the Group revealed a case of child labour. At the time of a prospective audit in China, a decision was made not to work with a new supplier in particular due to the risk of child labour.
Elimination of all forms of discrimination	The measures taken are described in paragraph 3.1.2.7. "Diversity and equal opportunities".	1 % ☑ of the instances of non-compliance noted related to the issue of discrimination.

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*

3.1.4.5. Measures adopted with regard to consumer health and safety

Guaranteeing the quality and safety of products all over the world

Protection of consumer safety is an absolute priority for L'Oréal: Safety assessment is at the centre of development of new products and a prerequisite before any product is launched on the market.

The same safety requirements are applied to all our products so that consumers from all over the world have access to the same quality of products.

The L'Oréal Group has set up a global entity (Worldwide Safety Evaluation, WSE) consisting of nearly 100 employees across 3 continents whose role is to assess and guarantee the safety of the products developed by the Group.

Assessing Product safety

L'Oréal has set up a process to ensure that all products developed by the Group, whatever the geographical location of the laboratory in charge of the project, are subject to the same level of rigorous safety evaluation. Thus, the evaluations by this entity (Worldwide Safety Evaluation, WSE), based on a multidisciplinary scientific approach, are carried out at all stages of the product life cycle. This approach enables L'Oréal to meet the safety requirements of the national regulations of all the countries in which its products are put on sale, testifying to their safety of use. A safety report is issued for each cosmetic product launched on the market.

The product safety evaluation is based on the evaluation of each ingredient that enters into the composition of the product and the finished product itself. It is carried out on the basis of existing safety data and the latest medical and scientific knowledge. If necessary, L'Oréal conducts additional safety studies in qualified laboratories all over the world. The results of these studies are interpreted by experienced scientists who are specially trained in safety issues with regard to cosmetic ingredients and products.

Furthermore, L'Oréal's ethical principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances on the basis of new data.

L'Oréal's added value, in terms of the safety assessment of its ingredients and finished products, lies in its investment for over 20 years in the development of predictive methods and tissue engineering. For many years, the Group has thus been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to progress the development of alternative cross-disciplinary solutions in the field of safety assessment.

This longstanding commitment means that the Group no longer carries out animal testing in laboratories for any of its products or ingredients, anywhere in the world. The Group also does not delegate responsibility for doing so to anyone else. An exception could be tolerated if a national supervisory authority so requires within the framework of its arsenal of laws and regulations.

In fact, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

Cosmeto-vigilance and impact on safety assessment

Finally, after the product is launched on the market, L'Oréal continues to evaluate the use and tolerance of its products sold *via* the international cosmeto-vigilance network. This network collects, validates and analyses, using recognised rigorous methodologies, the adverse effects related to the use of a product.

This organisation makes it possible to identify any potential exceptionally "unusual" intolerances on the market. In such cases, supplementary investigations may be proposed to the consumers concerned. The product dossier is then re-examined in order to identify the cause of the intolerance and take appropriate measures where required. If necessary, a change may be made in the composition of the formula.

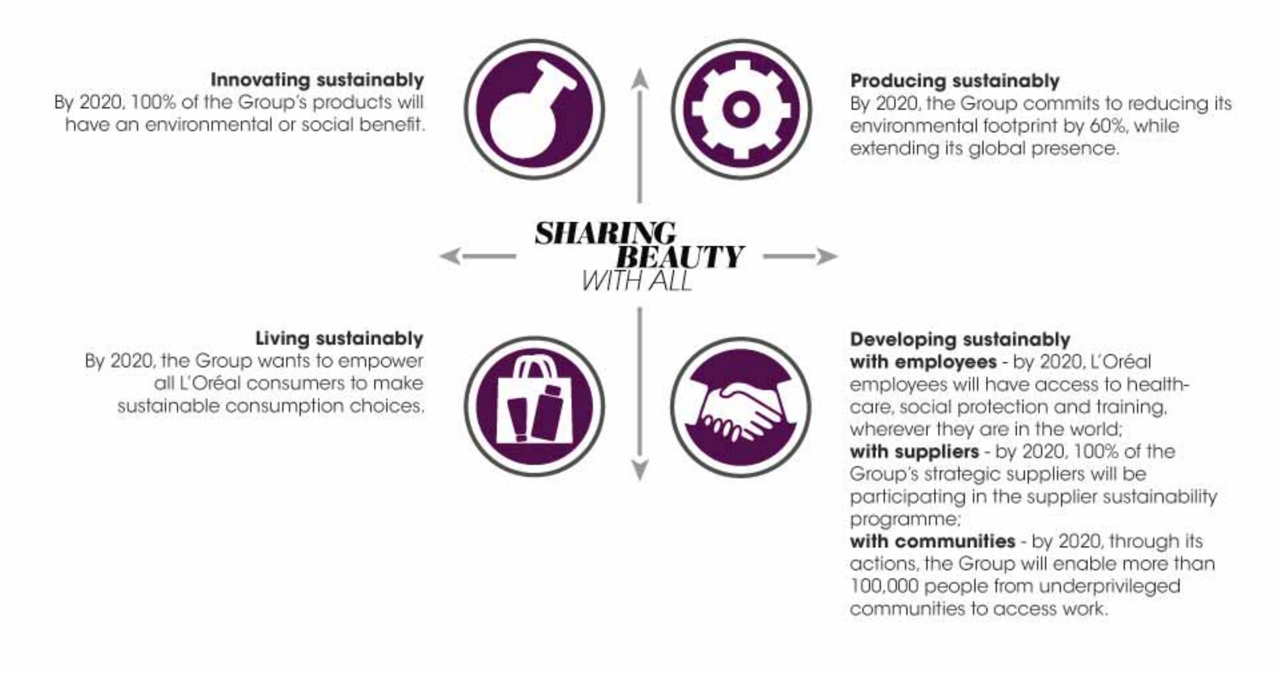
This information is used to update the corresponding cosmetic product dossiers.

3.2. THE SHARING BEAUTY WITH ALL PROGRAMME

An objective of sustainable growth

The Sharing Beauty With All programme presents the targets that the Group has set itself for 2020 with the aim of reducing its environmental impact and increasing its social and societal commitments, while sharing its growth with the surrounding communities.

This programme, the results of which are reviewed and challenged every year by a panel of independent international experts (*the panel of critical friends* [1]) is based on four pillars:



(1) *The panel of critical friends chaired by José Maria Figueres (Former President of Costa Rica, President of the Carbon War Room, strongly committed to environmental topics). Sze Ping, CEO of WWF China. Mehjabeen Abidi-Habib, Pakistani researcher in human ecology, natural resource management specialist. HRH Celenhle Dlamini, a South African who is one of the Directors of the Ubuntu Institute. Analisa Balares, the American Founder and CEO of Womensphere™, which develops media tools and online communities, and presents an award to inspire and encourage women wanting to make a difference in the world. Christian de Boisredon, French creator of the "impact journalism" concept through Sparknews, to spotlight positive initiatives all over the world. David Jones, former Havas Global CEO, Founder of One Young World and the author of Who cares wins. Khalid AlKhudair, CEO and Founder of Glowork, an organisation engaged in the emancipation of women in Saudi Arabia through employment. Invited in 2015: Helio Mattar, President of the Brazilian Akatu Institute for Conscious Consumption.*

3.2.1. INNOVATING SUSTAINABLY

"By 2020, 100% of the Group's products will have an environmental or social benefit."

2020 TARGETS	2015 RESULTS
100% of the Group's products will have a positive environmental or social benefit. Every time it invents or updates a product, its environmental or societal profile will be improved against at least one of the following criteria:	**74%** of new products that have been screened have an improved environmental or social profile (1).
◆ the new formula uses renewable raw materials that are sustainably sourced or raw materials derived from green chemistry;	**22%** of new or updated products have an improved social/environmental profile due to a new formula including sustainably sourced renewable raw materials or raw materials respecting the principles of green chemistry.
◆ the new formula reduces the environmental footprint, particularly with regard to water;	**22%** of new or updated products have an improved environmental profile due to a new formula with a reduced environmental footprint.
◆ the new packaging has an improved environmental profile;	**43%** of new or updated products have an improved environmental profile due to improved packaging.
◆ the new product has a positive societal impact.	**14%** of new or updated products have an improved social profile thank to a positive social impact.

(1) These are new products, i.e. products for which new formulas have been developed and which are produced for the first time in the Group's factories or products for which packaging was updated in 2015.

2020 target: 100% of the Group's products will have an environmental or social benefit.

On an everyday basis, formulators are encouraged to use raw materials with a favourable environmental profile. Raw materials without any foreseeable impact on the aquatic environment, or sustainably sourced renewable raw materials or raw materials respecting green chemistry principles, are given preference as from conception of the formulas.

3.2.1.1. Giving preference to the use of sustainably sourced renewable raw materials

The Group's constant in the sourcing of its raw materials is, over and above quality considerations, to guarantee the sustainability of resources.

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya protocol, aimed at regulating access to the genetic 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 Nagoya protocol came into force and since 2005 has continuously striven to secure its supply chains to respond to the issues of sustainable use of biodiversity. For this purpose, the Group gives preference, in particular, to the use of renewable raw materials, namely those whose carbon content is mostly of plant origin, and ensures that they are responsibly sourced.

Responsible sourcing: the Sharing Beauty With All programme has increased the Group's ambitions in all areas of sustainable development. Thus, in 2020, 100% of the renewable raw materials must be sustainably sourced. In this respect, they must:

- be traceable with an identified botanic and geographic origin;
- integrate the main sustainable development challenges all across their supply chain (including respect for Human Rights in accordance with the ILO principles, preservation of biodiversity and social development).

In 2015, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and contribution to socio-economic development in the territories from which they originate.

Out of the 300 plant species which are the source of the renewable raw materials used by the Group, less than 10% (in number) involve significant Biodiversity issues (protection measures, impact of production on natural environments) depending on their geographic origin and their extraction or production method. They are the subject of specific action plans entered into 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.

At the end of 2015, 94% of the renewable raw materials representing the Group's largest volumes of purchases, and derived from species identified as the most sensitive, are the subject of improvement plans or actions with the suppliers concerned in order to ensure sustainable sourcing (this is the case, for example, for 100% of purchases of palm oil and derivatives).

L'Oréal has defined "sustainable sourcing risk" indicators making it possible to assess the initiatives taken in favour of the use of renewable and sustainable raw materials. The ecological, social and societal criteria are taken into consideration. "Plant Information Sheets" have, for example, been prepared for all the plant species that may be used. The Group updates the information collected regularly.

Green chemistry promotes the development of ingredients made from renewable plant raw materials, minimising the number of synthesis stages and reducing solvent and energy consumption and waste production.

USE OF BOLIVIAN QUINOA HUSKS, OR HOW BIODIVERSITY BECOMES A SOURCE OF INNOVATION

Considered as a residue, the quinoa husk (which protects the grain) has never been used up to now. L'Oréal's researchers have shown that the saponins and polyphenols that it contains have exfoliating properties. In 2015, the Group set up a responsible procurement project for quinoa husks in Bolivia, thereby offering a new outlet for this crop which be of benefit to 250 families. With its local partners, L'Oréal contributes to training producers in low-carbon farming practices. Renewable, sustainably sourced, obtained through a green chemistry process and biodegradable, the quinoa husk is an exemplary raw material in L'Oréal's sustainable innovation programme.

2015 results

More than 50% (in terms of volume) of the raw materials used by L'Oréal are renewable, namely around 1,400 ingredients from nearly 300 species of plants from over 80 countries.

31% (in terms of number) of the Group's newly registered raw materials are renewable and 47% of those raw materials respect green chemistry principles.

L'Oréal finalised the traceability campaigns launched with all its suppliers, thus making it possible for 100% of plant-based ingredients to now be traced to their country of production, or even as far as the biomass production site.

Certain of the products sold in 2015 have a percentage of raw materials in excess of 90%.

- Matrix Biolage Advanced Repair Inside Shampoo;
- L'Oréal Paris Extraordinary Oil Rebalancing Facial Oil;
- Ushuaia biologique lin organic deodorant spray;
- The Body Shop Drops of Youth Concentrate;
- Sanoflore, Nuit des Reines.

ASSOCIATING THE GROUP'S SUPPLIERS WITH ITS QUEST FOR PROGRESS

L'Oréal has defined a process to make progress which will make it possible to attain the Sharing Beauty With All programme targets. The global scale of the programme has encouraged the Group to share its initiative with its renewable raw material suppliers. L'Oréal is attentive to four criteria: traceability, conformity, consideration of critical issues and acceptability.

An in-depth investigation into the supply chains is initiated with certain suppliers for the most sensitive raw materials. It starts with a document analysis and goes as far as an on-site investigation conducted by an independent third party. The investigation varies according to the nature and level of the environmental and social risk. In 2015, this method was subject to several critical reviews by external stakeholders. These made it possible to recognise the relevance of this management system for the sustainable sourcing of renewable raw materials.

In the event of a variance compared to the Group's sustainable sourcing targets, corrective action plans are undertaken in cooperation with suppliers and with the systematic support of independent external third parties.

The Group also integrates environmental and social issues relating to the industrial operations of its suppliers in other initiatives (the *Buy & Care* responsible purchasing programme).

Fighting against deforestation

Within the scope of its commitment to "zero deforestation", L'Oréal deploys an innovative strategy for the traceability of its palm oil derivatives, in partnership with all the stakeholders (small-scale growers, NGOs and suppliers):

- 100% of purchases of palm oil and palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (*www.rspo.org*) since 2012;
- 50% of the main derivatives come from sources are identified (as far as the mills).

L'Oréal, a responsible, innovative company

L'Oréal consumes less than 1,000 tonnes of palm oil every year, but nevertheless consumes 60,000 tonnes of derivatives of palm oil (which come from the palm fruit pulp) and palm kernel oil (extracted from the palm fruit kernel). These two oils are used to produce glycerine, fatty acids and fatty alcohol which form part of the composition of its products.

Continuing the efforts made at certification

100% of the volumes of palm oil used by L'Oréal meet the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO), *via* one of its most demanding traceability models, the SG (Segregated) model. Concerning the derivatives, which are also 100% certified, L'Oréal has increased the proportion of its physically certified purchases to reach a "Mass Balance" of 26% at the end of 2015, as against 11% in 2014 (the remainder continues to be covered by the RSPO "Book & Claim" model).

Ensuring the traceability of derivatives as far as the mills

Within the framework of its "Zero deforestation" commitment made in 2014, the Group pledged to trace the main palm and palm kernel derivatives that it uses as far as the mills by the end of 2015. This is a difficult task as the process for transformation of the derivatives involves a large number of players and many branches of the supply chains.

An initial phase involving a survey was conducted in 2014, with the support of a firm of independent experts, of L'Oréal's strategic suppliers, who supply more than half its palm and palm kernel derivatives. In 2015, L'Oréal continued to enhance its data collection by extending the scope to cover all its suppliers in order to be able to trace and identify the origin of 100% of its main palm and palm kernel derivatives. The results of this work show that Malaysia and Indonesia are the main countries from which supplies are obtained, and that 79% of these volumes of palm and palm kernel derivatives could be traced to the refineries (nearly 30 refineries identified) and 48% as far as the mills (nearly 600 mills identified).

The Group has also begun verifications with regard to the products identified that have been traced as far as the mills, to ensure that they are not linked to deforestation. A second investigation phase was launched in May 2015, with the remainder of suppliers of palm and palm kernel derivatives. The results will be available in 2016.

Malaysia: supporting small-scale palm growers

Small-scale independent palm grows represent approximately 40% of the world's palm oil production. With poor knowledge of agricultural practices, they are sometimes forced, in order to increase their low output, to extend their palm plantations illegally. In Malaysia, L'Oréal has launched a project called SPOTS (Sustainable Palm Oil & Traceability with Sabah small producers), a completely new initiative on the palm derivatives market, in which traceability of production up to the plantation does not exist. In partnership with three of its suppliers, all committed to the project on a long-term basis, and with the support of Wild Asia, a social enterprise, L'Oréal has agreed to purchase the RSPO-certified production of 500 small-scale palm growers for 5 years. These growers are thus given fairer, long-term access to the international market, which enables them to improve their agricultural practices and their living conditions and thereby avoid deforestation.

At the end of 2015

- 100% of supplies of palm oil and derivatives are RSPO-certified;
- 50% of the main palm oil derivatives come from an identified source (mills).

But also:

- 100% of soya oil purchases from Brazil are certified as organic and obtained from fair trade sources;
- 100% of the paper used for product leaflets and 99.8% of the cardboard used for boxes are from sustainably managed forests (FSC or PEFC);
- 83% of office paper used by the Group is FSC-certified. If the other certifications and recycled paper are included, 91% of office is sustainably sourced.

100% of palm oil purchases are certified as sustainable in accordance with RSPO criteria

3.2.1.2. Reduction of the environmental footprint particularly with regard to water

L'Oréal opened its first eco-toxicology laboratory as early as 1995 to anticipate and reduce its environmental footprint. Through this initiative, the Group has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments. It assesses the raw materials included in the formulation of its products right from the design phase, thus making a strict selection of ingredients.

ASSESSING THE INGREDIENTS

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

- innovative methods for early measurement of the aquatic eco-toxicity of raw materials and formulas were developed in the environmental research laboratory;
- in 2004, the Group initiated the assessment of its entire raw materials portfolio according to three criteria: persistence, *i.e.* the resistance of the molecules to natural biological degradation, bioaccumulation, the ability of organisms to absorb and concentrate chemical substances, and environmental toxicity;
- in 2013, an index was developed making it possible to measure the environmental performance of a cosmetic formula. To do this, a calculation method for the Water Footprint specific to cosmetic products was also applied (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and aquatic eco-toxicity) to the entire portfolio of formulas.

2015 results : 40,000 formulas were assessed on the basis of the foregoing criteria.

Measuring the environmental impact of formulas and improving their biodegradability

For several years, L'Oréal has carried out life cycle assessments of its products in order to identify and evaluate their impacts on the environment. These studies show that one of the main environmental impacts is related to the quantity of water withdrawn and the quality of water discharged, during the phase of use.

In order to minimise this impact, the Group makes efforts to measure and increasing the biodegradability of its formulas and reduce their water footprint [1].

A new eco-design tool created at the end of 2015

To classify the products according to the benefits offered to the consumer, all the 19 types of products manufactured by the Group (shampoos, hair care products, shower gels, skin care products, cleansers, hair colours, styling products, deodorants, sun care products, make-up, perfumes, etc.) were analysed. After having defined 143 product categories and screened more than 40,000 formulas between 2014 and 2015, an eco-design tool was created at the end of 2015, to guarantee that all new formulas are developed with the goal of an improved environmental profile with identical benefits for the consumer,. Thus, all the teams of product formulators have access to this information to assess the biodegradability and water footprint at the time of creation of new products.

Among the new products launched in 2015, products with biodegradability levels of between 97 and 99% can be found across L'Oréal's Divisions: Men cleanser/Armani; Hibiscus bio deodorant/Ushuaïa; Baby shampoo with honey/Cadum; Booster Discipline hair care/Kérastase; cranberry body scrub/The Body Shop.

EXAMPLE

L'Oréal Paris launched an anti-dandruff shampoo (silicone-free *Transparent AD SH-Extra Fresh and AD SH-Extra Moist with anti-dandruff active ingredient Octopyrox) in China* which has an improved environmental profile with:

- biodegradability that is 92% higher than the average for the product category; and
- a water footprint that is at least 80% lower than the average for the category of "Anti-dandruff shampoos for normal, natural or greasy hair".

In 2014, L'Oréal increased the average percentage of biodegradability of its shampoos to 90% and that of its shower gels 90% [2].

3.2.1.3. Improving the environmental profile of packaging

Packaging represents a significant part of the environmental impact of cosmetic products. The reduction in the environmental footprint of packaging is therefore naturally part of the "Innovating sustainably" commitment under the Sharing Beauty With All programme.

In 2007, L'Oréal launched a Packaging and the Environment policy based on 3 pillars, called the "3Rs":

- Respect: respecting consumers, the environment and biodiversity;
- Reduce: designing packaging articles and finished products with an optimised weight and size;
- Replace: substituting for non-renewably sourced materials alternative materials such as recycled materials or bio-sourced materials.

(1) *The improvement in the biodegradability and water footprint of the new formulas put into production as from 2015 will be assessed using as a baseline the average values for the formulas sold in 2013 with the same cosmetic benefits and the previous formula for those formulas that are updated.*
(2) *Average biodegradability: it is calculated on the basis of sales volumes, which is why reporting is made for 2014; the consolidated sales figures for 2015 will be available mid-February and the overall analysis of biodegradability of the products sold in 2015 will be made for March 2016.*

These pillars apply well ahead of the launch, right from the marketing brief and are orchestrated *via* a global, systematic eco-design process for packaging. This progress is enriched with documents and tools all the time. Conscious of the fact that sustainability is a consumer expectation and a source of innovation, the Packaging & Development teams are fully implicated in the Sharing Beauty With All programme.

This approach has been extended to POS (Point-of-Sale) advertising display stands. An eco-design process based on 20 best practices and key performance indicators has been put in place. A pilot process was launched in 2015 and at the beginning of 2016 and has been deployed in 5 operational entities. L'Oréal also participated in the committees for validation of the certification of the first five POP advertising companies to be audited according to the ÉCO POPAI standards (for the eco-design of POP advertising).

Respect: materials vigilance and respect for resources

L'Oréal requires food quality level for all the materials used in packaging in contact with its products. The Group also takes a proactive approach with its suppliers in order to ensure that packaging does not contain any sensitive substances. Audits are conducted regularly in order to ensure the conformity of the packaging items delivered.

The Group has also pledged to remove PVC from all its packaging. Except for the recent acquisitions, in 2015, PVC represented less than 0.3% of the plastic used in the Group, and the quantity of PVC used in 2015 was 51% lower than in 2014.

Control of the source of the materials used in the packaging is a major issue which requires responsible sourcing. L'Oréal has set itself the target of using, for its packaging, paper, cardboard or wood from responsibly managed forests, exploited with respect for the populations and forest ecosystems and ensuring the maintenance of biodiversity. The paper and cardboard used for packaging come from forests that are preferably FSC or PEFC certified (or have obtained any other certification recognised by PEFC International). In 2015, 100% of the paper used for product leaflets and 99.8% of the cardboard used for boxes are certified as being from sustainably managed forests This certification process is also used for POS advertising (cardboard stands, graphic printing): in 2015, 82% of the paper/cardboard used in POS advertising is certified (this figure covers 80% of the expenses in this category). Since 2010, L'Oréal has been a member of the *Forest Stewardship Council* (FSC) in France and the FSC branding is the only one claimed on packaging for L'Oréal products.

Beyond certification of the source, L'Oréal asks its printers to have their entire activity scope certified in order to guarantee traceability of the certified product. At the end of 2015, 88% of paper printers and 98.4% of cardboard box printers have obtained this certification

Reduce: systematic optimisation of the resources used for packaging

Weight and volume reduction in packaging, an integral part of design, is a major driver for improvement in the environmental profile of products. Every year, L'Oréal launches new initiatives aimed at reducing the quantity of materials used in packaging. They are then recorded through indicators.

4,200 tonnes of packaging materials were saved between 2008 and the end of 2015 due to actions to reduce them at source.

To illustrate the progress made, the following initiatives were taken by the packaging teams in 2015 to lighten the weight or reduce the volume of packaging:

- 11% reduction in the weight of aluminium deodorant cans in the Americas zone for the Garnier brand, representing aluminium savings of 36 tonnes;
- 11% reduction in the weight of the Phoenix shampoo and conditioner bottles of the L'Oréal Paris brand in Asia, representing 36 tonnes of plastic saved;
- 16% reduction in the weight of the transport box for Excellence hair color kits, representing savings of corrugated cardboard of 4.8 tonnes;
- savings of 17 tonnes of cardboard by replacing the transport boxes for mascaras produced in the factory in Yichang (China) with shrink film.

As there are no harmonised international regulations, L'Oréal has defined its own procedures aimed at limiting the volumes of packaging for finished products. In addition, L'Oréal makes available to its design centres a Life Cycle Assessment (LCA) software application for finished products and a tool to help in reducing the environmental impacts of transport packaging, packing items and finished products.

Replace

Aware that non-renewable resources will not last forever, the Group seeks to replace them with recycled materials or biomass-based materials. Several brands include up to 100% of recycled plastic in their bottles (Kiehl's, Sanoflore), or recycled glass in their jars.

4,947 tonnes of recycled materials made it possible to save the equivalent quantity of virgin materials in 2015 (20% more than in 2014). Examples: Kiehl's, The Body Shop and L'Oréal Professionnel plastic bottles, Lancôme, Vichy, L'Oréal Paris, Garnier, L'Oréal Professionnel glass bottles or jars, etc.

In mid-2015, the new bottle for the L'Oréal Professionnel "Profiber" range was launched with 25% of recycled plastic for the whole range in PET, thus saving 10 tonnes of virgin plastic over 6 months. The Body Shop "Spa of the World" range bottle contains 30% of recycled plastic, making it possible to make savings of 145 tonnes of virgin plastic for one year.

At the end of 2015, the Matrix "Biolage" range was launched in Brazil in bio-sourced plastic, bio-PE, produced from sugar cane.

4,947 tonnes of recycled materials
used in the Group's packaging

3.2.1.4. Demonstrating a societal benefit

The objectives of the Sharing Beauty With All programme express L'Oréal's conviction that the reduction of the environmental footprint of its products has to be accompanied by an improvement in their societal benefit. By using fair trade for its procurement of raw materials, L'Oréal responds to this requirement. It contributes to the social integration of people in difficulty while guaranteeing environmentally friendly sourcing.

Equity in business has gradually become a major pillar of the Group's *Solidarity Sourcing* programme launched in 2010 (1).

- 2015 Results

14% of new or updated products have an improved social profile thanks to the *Solidarity Sourcing* programme.

94% of The Body Shop products contain ingredients from the *Community Fair Trade* (CFT) programme.

22,400 people benefited in 2015 from fair trade-sourced raw material purchases

For example, in 2015:

- 100% of the Group's shea butter purchases were made through the *Solidarity Sourcing* programme, thanks to which the women gathering shea nuts in Burkina Faso receive in April-May, at the end of the dry season when stocks of food have been almost used up, pre-financing for their crops and a purchase price that is higher than the market price;
- 100% of soya oil supplies come from a fair trade source in Brazil;
- 100% of sesame oil purchases are from fair trade sources and more than 500 product formulas containing sesame oil from fair trade sources were manufactured.

(1) See Solidarity Sourcing paragraph 3.2.4.3

3.2.2. PRODUCING SUSTAINABLY

"By 2020, the Group commits to reducing its environmental footprint by 60%."

The Group produces nearly 90% of the finished products that it sells in its own factories. Within the scope of the Sharing Beauty With All programme, L'Oréal has undertaken to improve its production conditions to reduce its environmental footprint by 60% in 2020 from a 2005 baseline. In all its factories and distribution centres, the Group strives to reduce its greenhouse gas emissions, its water consumption and its waste generation. It also pledges to reduce the footprint from transportation of its products and to no longer send waste to landfill.

2020 TARGETS	2015 RESULTS
Reducing CO_2 emissions at our plants and distribution centres by 60% in absolute terms, from a 2005 baseline.	The percentage of achievement is already a **56%** reduction in CO_2 emissions from a 2005 baseline (1).
Reducing our water consumption by 60% per finished product unit, from a 2005 baseline.	A reduction of 45% in water consumption from a 2005 baseline (2).
Reducing waste generated by 60% per finished product unit, from a 2005 baseline.	A reduction of 31% in waste generation from a 2005 baseline (3).
Sending zero waste to landfill.	**2.2%** of waste was sent to landfill (4). In December 2015, our plants achieved the target of zero waste to landfill (excluding regulatory obligations).
Reducing CO_2 emissions from transportation of products by 20% per sales unit per km) from a 2011 baseline.	**289,244** tonnes of CO_2 emissions in 2015 from transportation of products, which represents **0.021** g CO_2/ sales unit /km (5).

(1) *The calculation of CO_2 emissions concerns scopes 1 and 2 of plants and distribution centres. The reduction percentage is calculated in absolute value from a 2005 baseline.*

(2) *The water consumption calculation is based on plants and distribution centres. The reduction percentage is calculated in litre/finished product, from a 2005 baseline.*

(3) *The calculation of waste generation is based on plants and distribution centres. The reduction percentage is calculated in grams of waste per finished product from a 2005 baseline. This indicator includes transportable waste with returnable packaging at source excluding returnable packaging rotation.*

(4) *The percentage of waste sent to landfill is calculated for the given year, by dividing the quantity of waste sent to landfill (2,891 tonnes) by the quantity of transportable waste excluding returnable packaging (90,066 tonnes) and returnable packaging rotation (41,878 tonnes).*

(5) *The calculations are made for the Group scope with the exception of NYX Professional Makeup , The Body Shop and Niely.*

3.2.2.1. reducing greenhouse emissions by 60% from a 2005 baseline

As the cosmetics industry has a relatively low energy demand and relatively low CO_2 emissions as compared with other industrial sectors, L'Oréal's production sites are not subject to the carbon emission quotas provided for by the European regulations. However, L'Oréal, a company that is invested in the fight against climate change, conducts a particularly proactive policy for the reduction of its CO_2 emissions.

The Group moreover set itself ambitious targets as from 2009: reducing greenhouse gas emissions at its plants and distribution centres by 50% in 2015 from a 2005 baseline. This objective was fulfilled in 2014 even though production volumes increased by 21%. This performance continued for 2015: the reduction of 56% in CO_2 emissions was achieved while production has increased by 26% since 2005. Within the scope of its commitments under the Sharing Beauty With All programme, the Group now aims at reducing its CO_2 emissions by 60% in 2020 from a 2005 baseline.

In order to limit its impact on climate change and to fulfil its objective of reducing greenhouse gas emissions, L'Oréal has deployed a strategy based on two areas:

1. Reducing its energy requirements by improving energy efficiency across all its facilities (buildings, equipment, etc.);
2. Making increased use of renewable energies.

Reducing energy consumption

For over twenty years, the Group has been endeavouring to reduce its energy consumption. These efforts essentially concern two areas:

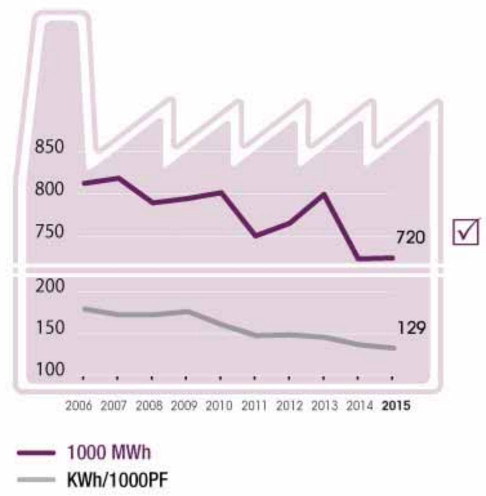
- ongoing improvement of industrial processes and the performance of associated equipment;
- optimisation of energy consumption in the buildings. In this respect, any new Group building has to comply with the strictest standards.

This policy made it possible to reduce the consumption of plants and distribution centres in kWh per finished production by 33% between 2005 and 2015.

IMPROVING ENERGY EFFICIENCY THANKS TO BUS

The BUS (Better Utilities For Sustainability) project implemented in 2010 on a Group-wide basis makes it possible to identify methods, technical solutions and good practices for cleaning, cooling and air compression processes. To date, 11 good practices contribute in particular to improving energy efficiency; they are accompanied by technical recommendations and rolled out throughout the Group.

TOTAL ENERGY CONSUMPTION IN KILOWATT-HOURS



DATA RELATING TO CONSUMPTION WITH AN IMPACT ON GLOBAL WARMING

	2014	2015
Electricity (MWh)	380,986	381,699 ☑
Gas (MWh)	278,039	258,838 ☑
Fuel oil (MWh)	8,859	11,614 ☑
Others (MWh)	51,513	67,391 ☑
Energy consumption (MWh)	**719,398**	**719,543** ☑

In order to anchor this performance durably in the industrial management processes, the Group has undertaken ISO 50001 certification of its plants since 2014. Its objective is the certification of 100% of its production sites by 2020. As of the end of 2015, 11% of the plants are ISO 50001 certified.

Use of renewable energies

L'Oréal has defined a strategy involving the use of renewable energies which is based on the potentialities offered by each local context.

To this effect, over the last few years, several large projects have been rolled out on certain of the Group's sites, enabling them to produce their own renewable energy directly and thereby significantly reducing their CO_2 emissions.

- the French sites of Rambouillet and Roye and those in Burgos in Spain and Turin in Italy receive their energy supplies from the installation of biomass boilers which are fuelled exclusively by local resources;
- the Belgian plant in Libramont covers almost all its energy needs through biomethanation, also using local resources, which allows for the combined production of heat and power;
- in China, in the United States and in Spain, several plants are equipped with photovoltaic panels.

Other sites have chosen to procure renewable energies according to the local offerings. This is the case, for example, of the Chinese plant in Yichang which has chosen to cover all its energy needs by connecting to the hydroelectricity produced from the dam located nearby.

2015 results

Thanks to these projects and a longstanding investment in renewable energies, 9 of the Group's sites achieved carbon neutrality by the end of 2015.

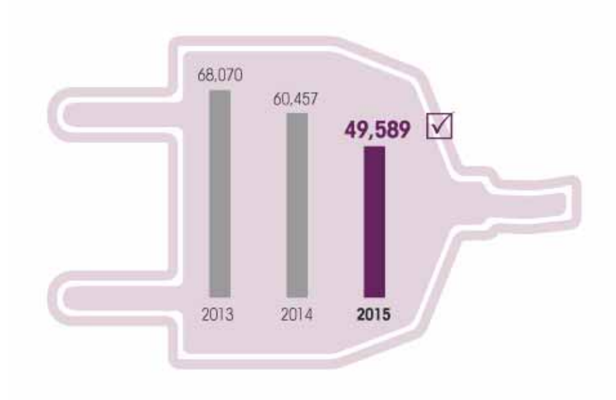
In 2015, 42% of the energy consumed by the factories and distribution centres came from renewable sources ☑.

☑ *The Auditors have issued a reasonable assurance report with regard to this indicator.*

The Group's greenhouse gas emissions

TONNES OF DIRECT CO_2

TONNES OF INDIRECT CO_2 RELATED TO THE ENERGY USED



2015 results

GREENHOUSE GAS EMISSIONS

- 56%

Greenhouse gas emissions (in absolute value, tonnes of CO_2 with a constant scope, according to the GHG Protocol)

The Group's emissions, excluding greenhouse gas

(in tonnes)	2014	**2015**
SO_2 (t)	1.8	6.3
VOCs (t)	139	150
Ozone depleting substances	Negligible*	NA*

* Reporting on the emissions from the refrigeration units used on the Group's sites is in progress.

☑ *The Auditors have issued a reasonable assurance report with regard to this indicator.*

CARBON BALANCED PROJECT: TOWARDS A LOW-CARBON COMPANY BY 2020

At the end of 2015, L'Oréal shows a reduction of 56% in carbon emissions related to its industrial activities for production that has increased by 26% from 2005. This is a major signal: the Group has proved that it is possible to decorrelate economic growth from carbon emissions.

In light of the urgent climate situation and within the framework of the COP 21, the 21st United Nations conference on climate change, organised in France in December 2015, Jean-Paul Agon, the Chairman and Chief Executive Officer of L'Oréal, wanted to go even further. On September 3rd, he announced that the Group was going to balance its residual CO_2 emissions (scopes 1 & 2, downstream transport of its finished products) by 2020, in order to become a "Carbon balanced" company.

This new ambition reinforces L'Oréal's low carbon strategy and it now applies a twofold approach in order to reduce its carbon footprint:

1. 60% reduction in absolute terms of CO_2 emissions related to its industrial activities by 2020 compared to 2005, through increasing use of renewable energies and by improving energy efficiency at its industrial sites;
2. Reaching a balance, by 2020, in the remainder of those emissions by reducing carbon emissions from its sustainable sourcing of raw materials, in partnership with its suppliers.

Through this new ambition, L'Oréal wants to avoid carbon emissions in an equivalent quantity to these residual greenhouse gas emissions (approximately 400,000 tonnes of CO_2 *per annum*, in 2014). This innovative programme will be rolled out *via* various projects structured around three main areas of focus in line with the methodologies developed by international standards and the Kyoto protocol:

- improvement in energy efficiency;
- promotion of more productive, low-carbon agricultural practices;
- development of forest management projects.

To evaluate and accompany this new process, L'Oréal has set up a committee of independent experts, who are all specialists in carbon, chaired by Christian de Perthuis, Professor at the Paris Dauphine University and founder of the Climate Economics Chair.

Example in Indonesia: sustainable agricultural practices

L'Oréal uses patchouli in the composition of its perfumes. On the Island of Sumatra, in Indonesia, the Group is developing a completely new, sustainably certified model of growing patchouli in conjunction with the production of cinnamon. The objective is to optimise use of agricultural land and to thus generate regular additional revenue for the 300 patchouli growers concerned. This project makes it possible to avoid the extension of arable land and thus to combat deforestation.

Reducing emissions related to transportation of products

In parallel with the measures taken in its operations, L'Oréal has initiated the reduction in greenhouse gas emissions engendered by the transportation of its products and has set itself a target of a reduction of 20% per sales unit per kilometre by 2020 from a 2011 baseline. The scope concerns all downstream transportation of goods under the control of L'Oréal, from plants to distributors. To achieve this objective, a large number of action plans for transportation are being deployed all over the world.

The Consumer Products Division (CPD) Europe, for example, has increased its use of multimodal freight from 3% to 16% between 2009 and 2015, with the start-up in Turkey in 2015. This solution, which consists in using several different means of transport for the delivery of products to the Group's distribution centres, makes it possible to limit CO_2 emissions, by partially replacing road transport by rail transport.

The CPD Europe also limits delivery vehicle traffic by guaranteeing an extremely high fill rate, of over 95% in 2015.

The creation of an industrial logistics hub in Poland, which handles flows of products for the Russian, Ukrainian, Kazakh and Polish markets, has made it possible, through the transportation of higher volumes from the Group's plants in this region, to reduce CO_2 emissions per finished product sold by 10%.

Furthermore, monitoring of the actions taken has been improved, by putting in place specific reporting tools. The frequency of reporting of indicators has been stepped up, thereby contributing to providing operational leadership for the countries with regard to their CO_2 commitments.

2015 results

289,244 tonnes of CO_2 emissions in 2015 from the transportation of products, which represents 0.021 g CO_2/sales unit/km.

3.2.2.2. Reducing water consumption per finished product by 60% from a 2005 baseline

Water is used at each stage of production of the products, first of all by the Group's suppliers for the preparation of the raw materials and packaging, then in its plants and finally by consumers at the time of their use. The Group is therefore endeavouring to reduce its water footprint throughout the life cycle of its products, and more particularly during production.

L'Oréal implements its industrial programme by systematically applying simple principles aimed at preserving the resource through respectful use of water, using the minimum for its needs, and taking into account its local availability

Since 2005, L'Oréal has slashed absolute water use by its plants and distribution centres by 31%, while production (excluding raw materials plants) has increased by 26%. This led to a 45% reduction in water consumption in litres per finished product at the end of 2015. Within the framework of the Sharing Beauty with All programme, the Group has pledged to augment this performance to 60% between now and 2020.

Water strategy is based in particular on the following main principles:

- mapping and reduction in consumption;
- reuse of industrial water, before treatment, for a different purpose;
- recycling of its waste water during certain stages of the production process (washing, cooling) after specific treatment.

SETTING OBJECTIVES FOR THE REDUCTION OF WATER CONSUMPTION

A standard tool for analysis and exhaustive mapping of water consumption is now deployed in each of the Group's factories – the "Waterscan tool". This tool makes it possible to categorise the different uses of water (washing, cooling, sanitation, etc.) and to identify consumption in each of these categories. The best performances for a given use are established as a Group standard, and are then set as a target for each factory. The projects making it possible to achieve these targets are identified and quantified for each site and the completion of such projects scheduled over time. This forms the Group's "Water roadmap", performance on which is monitored on a monthly basis.

Reducing water consumption in industrial processes

L'Oréal has worked more particularly on reducing consumption of the water used for cleaning production equipment and packaging lines at its factories. This operation, which is necessary in order to maintain very strict hygiene standards, indeed represents 35% of total water use by the industrial sites. Firstly, the quantity of water used for these operations is reduced to a minimum, without affecting product quality. A very complex optimization of use of cleaning water is determined on the basis of the formula for each product manufactured and the specific equipment used. Secondly, improvements with regard to the equipment have made it easier to wash the facilities. Training in best cleaning practices is provided to the operational teams all over the world.

The Group also ensures that the water used for cleaning and the other industrial processes is tested and treated if necessary before being discharged to municipal sewage treatment plants.

Promoting recycling and on-site treatment

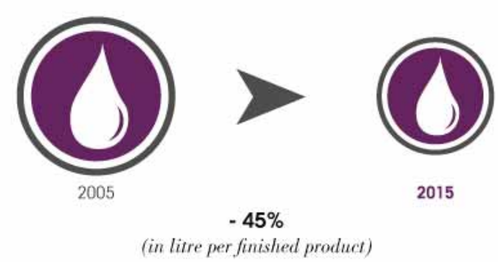
In addition to the efforts made to reduce water consumption, L'Oréal is carrying out more and more projects for the recycling of waste water.

The principle consists in re-treating waste water when it leaves the site's waste water treatment plant using various different technologies (ultra-filtration, reverse osmosis, etc.). These treatment operations make it possible to obtain water that conforms to the Group's quality standards for reuse in certain industrial processes. The water treated in this manner can be reused to clean production equipment or for cooling the equipment, for example.

By the end of 2015, 10 of the Group's plants have recycling installations of this kind, forerunners in the cosmetics industry, which enable them to reuse water. The Group is continuing to deploy these technologies on its production sites.

2015 results

WATER CONSUMPTION



The reduction in water consumption (in litres per FP) should exceed the objective of 50% in 2016, after the time required for the recycling installations to reach full capacity.

Water consumption in the plants and distribution centres per finished product has decreased by 14.5% compared to 2014.

Total water consumption in the plants and distribution centres was 2,213 [(1)] thousand m^3 in 2015, representing a 11% decrease *versus* 2014.

(1) *The Auditors have issued a reasonable assurance report with regard to this indicator.*

Treatment of industrial wastewater

Approximately half of L'Oréal's factories have on-site wastewater treatment plants, which are essential prerequisites for recycling. These use a range of methods, including physical, chemical and biological processes, adapted to the characteristics of the wastewater and local discharge conditions.

2015 results

WASTEWATER QUALITY INDEX

	2014	2015
Accidental spills (m^3)	0	0
Wastewater discharge (m^3)	1,442,560	1,211,294
Tonnes of COD	4,819	4,669

In 2015, total chemical oxygen demand for the Group's wastewater (in tonnes of COD), after on-site treatment has fallen by 38%. It amounts to 0.8 g of COD per finished product, representing a decrease of 51% compared with 2005.

L'Oréal is continuing to install on-site wastewater treatment facilities, like, for example, the new facility installed in South Africa in 2015.

THE WATER DISCLOSURE PROJECT: AN INITIATVE IN FAVOUR OF TRANSPARENCY OF INFORMATION ON WATER

Since 2010, L'Oréal has taken part in the Water Disclosure Project, of which it is one of the Founding Responders. This programme is aimed at encouraging companies to publish every year their water management strategy, their results and the projects they have launched to improve their performances. It was launched by the Carbon Disclosure Project (CDP). This important, independent not-for-profit organisation promotes transparency and environmental information reporting with regard to several topics: global warming, water, deforestation, etc.

In 2015, for the third edition of the Water Disclosure Project, L'Oréal moreover contacted 28 of its suppliers in order to involve them in this process. These suppliers were chosen on the basis of the following 3 criteria: technology that uses a lot of water, location of the production sites in water stressed areas, and significance of the volumes of purchases by L'Oréal. By the end of 2015, 22 of them had agreed to take part in the programme.

3.2.2.3. Reducing waste generation per finished product by 60% from a 2005 baseline

For many years, L'Oréal has followed an ambitious waste management policy that goes far beyond regulatory compliance and the prevention of risks. Within the framework of the Sharing Beauty With All programme, the Group has raised its ambition by pledging to reduce the waste generated by its plants and distribution centres by 60%. An ambitious challenge, in light of L'Oréal's exacting definition of waste. Indeed, any solid discharge that is not a finished product that comes from a site is considered as waste, even if it is recovered. This includes, for example, raw material packaging or packing items, wastewater treatment plant sludge, broken pallets, etc.

Reducing waste generation at source

L'Oréal's commitment concerning waste reduction requires the involvement of a large number of players. It is an environmental performance indicator, first and foremost for its industrial sites but also all across the Group's value chain:

- from packaging, in which the teams are mobilised through an eco-design process for transport packaging (reduction of weight or volume, optimisation, reuse, etc.) aimed at reducing waste as from the design of packaging;
- to the purchasing teams, the privileged contacts with suppliers who are the main producers of transport packaging for raw materials and packing items received in the Group's plants;
- through all the industrial teams involved in the quest for ongoing improvement of the manufacturing and packaging processes, in order to reduce losses;
- and up to the whole of the supply chain for which the reduction in obsolete inventories is essential for the reduction of waste related to activities.

Reduction of waste generation by the industrial sites is therefore a cross-disciplinary, managerial and organisational challenge.

2015 results

GENERATION OF TRANSPORTABLE WASTE

(grams per finished product, excluding reusable packaging rotation, including the accounting of reusable packaging at source)

The decrease in the quantity of waste at the end of 2015 is the result of a large number of medium- and long-term projects, all across the value chain of operations. The completion thereof means that fulfilment of the target of -50% will be achieved in the longer term.

Waste generation in the plants and distribution centres per finished product decreased by 11% as compared to 2014.

Waste generation in the plants and distribution centres was 90,587 tonnes in 2015, 7% less than in 2014.

SYSTEM OF RECORDING RETURNABLE PACKAGING ROTATION

L'Oréal records the weight of its returnable packaging in transportable waste as from the first use made thereof. Then, each of the sites endeavours to maximise the number of rotations. This recording at source of the weight of the returnable packaging is a factor that is intended to encourage rotation and contributes, through its reuse, to increasing the useful life of packaging.

	2014	2015
Transportable waste excluding returnable packaging rotation, with reusable packaging accounted at source (tonnes)	97,843	90,587
Returnable packaging rotation (tonnes)	36,698	41,878
TOTAL RECOVERED (TONNES)	**121,640**	**122,476**
Recovery index (%) (1)	**91**	**93**

(1) The recovery index corresponds to the quantity of waste recovered (122,476 tonnes) divided by the total amount of waste generated, including returnable packaging rotation (90,587 tonnes + 41,878 tonnes).

Recovering the waste generated

The reduction of waste generation also reflects the efficient use of resources. The Group's ambition is to pursue this commitment, while associating it with that of recovery of the waste that it has not been possible to avoid. Indeed, the Group makes sure, at the same time, that it treats the waste in the best possible manner, and a very good performance has been obtained for many years.

In 2013, L'Oréal moreover set an objective of zero waste to landfill by 2020 for its industrial sites (excluding regulatory obligations); work was undertaken with specialised companies and the local authorities for the implementation of suitable treatment solutions. Mobilisation of all the sites to meet these targets enabled the plants to no longer send any waste to landfill as from the month of December 2015. Efforts are continuing with all the distribution centres so that they can also meet this target by the end of 2016.

Achievement of the target of "zero waste to landfill" is a stage towards implementation of a more global process of circular savings in which the Group is engaged. The objective is to maximise the recovery of its waste by giving priority to recycling or reuse. Furthermore, L'Oréal seeks to promote as far as possible the local treatment of waste, in order to reduce the environmental impact of the waste and to create potential synergies with other organisations and entities in the territory.

2015 results

93% of waste recovered in 2015, *i.e.* 4% more than in 2005 (14 plants and 15 distribution centres had a 100% recovery rate in 2015).

5.1% of waste destroyed without recovery (incineration without energy recovery), namely 6,549 tonnes.

100 % of the plants send zero waste to landfill since December 2015 (excluding regulatory obligations).

3.2.3. LIVING SUSTAINABLY

"By 2020, the Group wants to empower all L'Oréal consumers to make sustainable consumption choices".

2020 TARGETS	2015 RESULTS
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.	The percentage of brands that provide consumers with information obtained from the Product Assessment Tool in order to allow them to make well-informed consumption choices, and the percentage of new products assessed using the Product Assessment Tool will be available in 2017, once the tool that is currently being developed has been finalised.
All brands will have assessed their environmental and social impact and made commitments to improve their footprint	66.6% of the brands have evaluated their social or environmental impact. *This percentage is calculated on the basis of their share of consolidated sales for 2014.*
Every brand will report on its progress and associate consumers with its commitments.	34.4% of the brands have carried out an action to raise awareness among consumers. *The percentage of brands raising awareness among consumers about sustainable life style choices in 2015 is calculated on the basis of their share of consolidated sales for 2014.*
Our consumers will be able to influence our sustainability actions through a consumer sustainability panel.	Indicator not available this year. The consumer sustainability panel which will help to influence our actions in this field will be set up in 2016.

3.2.3.1. Assessing the footprint of our products

A tool which is currently being developed: the Product Assessment Tool

Since 2014, the Group has put in place a simplified tool that makes it possible to assess, in the form of an index, the social and environmental performance of its products. Four brands (Biotherm, Redken US, Garnier and La Roche-Posay) have been pilots to test this assessment tool over the whole of 2015, and thus assessed the performance of their products on the basis of 11 environmental and social criteria. This tool, which is easy to use, made it possible to mobilise the marketing teams and raise their awareness to possible eco-design drivers. It made it possible, for example, to guide the update to Biotherm's Biosource range, through the inclusion of 25% of recycled plastic in bottles, a reduction in the weight of packaging, making it possible to save 11 tonnes of plastic a year, and optimisation of transport packaging, which enables 480 pallets to be saved every year.

This is the first stage in the development of the Product Assessment Tool, that began in October 2015 and which will make it possible to simulate various design scenarii, to assess their impact on the environment and on the society but also to generate information for consumers.

Developing ongoing improvement plans with the brands

At the same time as the development of the tool, each brand will have assessed its environmental and societal footprint by 2020 and will have made commitments to improve it.

In order to do so, in liaison with the packaging development teams and the CSR team, the laboratories conduct, with the management committees of the international brands, analyses of their portfolios of formulas and their packaging. The aim is to define sustainable innovation plans in order to systematically identify the possible improvement drivers for each range and each product in order to activate them.

In 2015, this work was conducted with 12 of the Group's brands, the result of an analysis of more than 40,000 formulas and nearly 28,000 references in terms of packaging.

This has enabled many of L'Oréal brands to improve the environmental and social profile of their product launches in terms of both formula and packaging. Thus, in January 2015, Redken launched its *Frizz Dismiss* range of shampoos and hair care products by adding to them babacu oil, an ingredient obtained through the Group's *Solidarity Sourcing* programme in Brazil. Matrix *Total Result* shampoo was updated by reducing the weight of the packaging, while increasing the quantity of recycled plastic by 30%.

3.2.3.2. Raising awareness among consumers about sustainable lifestyle choices

Conscious of the ability of its brands to raise the awareness of their stakeholders to major environmental and societal causes, the Group pledged that each brand would identify a cause that it personally wants to defend, in line with one of its challenges, in order to undertake initiatives in this area.

The L'Oréal Professionnel brand, the leading brand on the professional haircare market, works with one million hairdressers all over the world. In partnership with The Bone and Joint Decade, an international network of doctors and researchers, the brand has launched an ambitious program in order to fight repetitive strain injury, which accounts for 75% of professional diseases incurred by hair stylists. All L'Oréal Professionnel training programs now feature a focus on the right posture to adopt at work, through a 3 X 5-minute daily drill. A poster has also been rolled out to encourage on-site practice in hairsalons. L'Oréal Professionnel has trained more than 65,000 hairdressers throughout the world in 2015, and has an objective of training all of their partner hairdressers within the next 3 years. The brand targets 7 million hairdressers - the estimated number of hairdressers worldwide - through the launch of a free mobile application in 2016.

The Armani brand, through its partnership with *Green Cross International*, continued its mobilisation in favour of water. In 2015, the project was subject to new developments in Ghana, the Ivory Coast, Senegal, China, Bolivia, Mexico and for the first time in Argentina, making it possible to guarantee access to drinking water for more than 80 communities in all parts of the world. To raise awareness in a personified manner among its consumers to the valuable nature of water, the brand launched in 2015 the *#1DayOn10Liters Challenge*, intended for influential bloggers, the media and various personalities in the world of beauty and fashion, who are not exposed on an everyday basis to water scarcity, proposing to them an experiment: living with 10 litres of water a day. If, in certain countries, an average of 100 litres of water is used per day, 10 litres of water remain a luxury in other countries. Launched on March 22nd, 2015, World Water Day, this operation made it possible to raise awareness among customers of Armani of the crucial nature of water preservation while having fun at the same time.

The La Roche-Posay brand, which is engaged in the fight against skin cancer, organises screening campaigns in partnership with the main dermatologists' associations, to raise awareness among the general public: information on the risks of skin cancer, advice about correct use of the sun and free personalised screening tests carried out by dermatologists, etc. Conducted globally in 2015, this campaign known as *Skin checker*, made it possible, in Brazil alone, to raise awareness among 7 million people in 4 months.

The Consumer Product Division France launched in 2015 an experiment with retailer Auchan with regard to recycling, intended to raise awareness among consumers with regard to the practice of sorting beauty products. Collection points for shower gel, shampoo and conditioner bottles were installed in an Auchan hypermarket with a view to recycling them and on L'Oréal's site in Saint-Ouen. This service aims at raising the awareness of consumers and employees to the need to sort products in the bathroom, far from a widespread practice at present, and to improve the recycling rate of hygiene and beauty products.

3.2.3.3. Brands that are committed to acting ethically

The L'Oréal Group recognises the importance of responsible advertising and marketing communication as essential means of providing information to consumers with regard to the characteristics and qualities of cosmetic products. In this respect, L'Oréal, a member of *Cosmetics Europe*, signed the charter on responsible advertising and marketing communication in 2012. The purpose of this charter is to set the cosmetics industry common ground towards responsible cosmetics advertising and marketing communication in Europe.

It makes it possible to ensure that advertising and marketing communications:

- comply with the relevant European and national regulations and the applicable self-regulatory framework;
- are sincere, truthful and not misleading;
- allow informed choices by the consumer;
- are socially responsible.

L'Oréal is also a member of the French Union of Advertisers (*Union Des Annonceurs* or "UDA") and contributed to preparation of its charter on responsible communication. The Group reports on its actions in this field every year. Since 2012, L'Oréal has developed a training programme for the employees in its marketing teams in order to keep them apprised of good communication practices.

3.2.4. DEVELOPING SUSTAINABLY

Sharing growth with its stakeholders is one of L'Oréal's priorities. The Group applies its vision of responsible corporate citizenship with its employees, its suppliers and the surrounding communities.

3.2.4.1. … with our employees

"By 2020, L'Oréal employees will have access to healthcare, social protection and training, wherever they are in the world."

2020 TARGETS	2015 RESULTS
Our employees will benefit from healthcare coverage aligned with the best practices of the country they are based in.	86.6% of the Group's permanent employees have access to healthcare coverage reflecting best practices in their country of residence(1).
Our employees will benefit from financial protection in the event of unexpected life events such as death or total permanent disability.	78.4% of the Group's permanent employees benefit from financial protection in the event of unexpected life events, such as death or permanent disability(1).
Our employees will have access to training wherever they are in the world.	72.6% of the Group's employees attended at least one training session in 2015(2).

(1) *Calculated according to the Group's global scope (Cosmetics and The Body Shop), namely **100% of the employees included within the scope of the Share § Care programme** (the Group's permanent employees (Cosmetics and The Body Shop) except, in certain countries, part-time contracts < 21 hours a week, beauty advisors and store employees, with the proviso that the integration of recent acquisitions and new subsidiaries only takes place gradually).*

(2) *Calculated according to the Group's global scope (Cosmetics and The Body Shop).*

Providing all the Group's employees with healthcare coverage and financial protection in the event of unexpected life events

L'Oréal seeks to offer its employees the best levels of social protection and to universalise its social model, in a manner that is completely consistent with its global dimension. This is a strong commitment which reflects the Company's vision, whereby sustainable growth necessarily goes hand in hand with a global vision and a high level of social performance. L'Oréal has made the commitment (see L'Oréal's *Share & Care* programme) that all employees will have access to:

- healthcare coverage which is aligned with best practices in their country of residence;
- financial protection in the event of unexpected life events, such as temporary or permanent disability.

Providing access to one training session per year for all the Group's Employees wherever they are in the world

Training is at the heart of Human Resources strategy. L'Oréal can thus attract the best talents and prepare the leaders of the future. The Group's ambition is to enable its employees, whatever their job, position or country, to have access to development opportunities throughout their working life. This vision is borne out by its training policy called *Learning for All*. The Sharing Beauty With All programme has translated this ambition into a commitment: allowing all employees to benefit from one training action per year by 2020 (See 3.1.2.2.).

3.2.4.2. … with our suppliers

"By 2020, 100% of the Group's strategic suppliers will be participating in our supplier sustainability programme."

2020 TARGETS	2015 RESULTS
All strategic suppliers(1) will be evaluated and selected on social and environmental performance	**51%** of the Group's strategic suppliers(1) have been evaluated and selected on the basis of their environmental and social performance. They represent more than 70% of total direct purchases (raw materials, packaging items and subcontracting). Furthermore, in 2015, 951 social audits were carried out, making a total of 7,080 since 2006.
All strategic suppliers(1) will have completed a self-assessment of their sustainability policy with the Group's support	**74%** of strategic suppliers(1) have completed a self-assessment of their sustainability policy with the Group's support. This percentage is based on the calculation of the number of suppliers who, in 2015, had been assessed on their social, environmental and ethical policies, as well as the application of such policies at their own suppliers, by Ecovadis.
All suppliers will have access to L'Oréal training tools to improve their sustainability policies	The first two "toolboxes" were proposed to suppliers in 2015. All the suppliers who were invited to participate in the CDP Supply chain and the Ecovadis assessment had access to online resources enabling them to better understand L'Oréal's expectations with regard to CSR policy, how to calculate their CO_2 emissions, how to interpret their results, and so on. E-learning modules, videos and other training materials that are currently being prepared will complete this training offering which will be hosted on a platform exclusively dedicated to suppliers as from the beginning of 2016.
20% of strategic suppliers(1) will be associated with our *Solidarity Sourcing* programme.	**4%** of strategic suppliers(1) are associated with the Group's *Solidarity Sourcing* programme.

(1) Strategic suppliers are suppliers whose added value is significant for the Group by contributing to the L'Oréal sustainable strategy by their weight, their innovations, their strategic alignment and their geographical deployment. 80% of the amount of direct purchases will ultimately be covered by this approach. The portfolio of suppliers will therefore solely consist, in 2020, of suppliers with the best CSR results: new suppliers selected on their performances and longstanding suppliers whom the Group continues to use as they are some of the best.

As a socially responsible company L'Oréal includes its entire value chain, including the work carried out by its suppliers, in its sustainable development policy. There are thousands of suppliers throughout the world who cover the Group's needs in terms of packaging, raw materials, subcontracting, production equipment, promotional and advertising items, etc. The global volume of purchases directly related to production represented €4.06 billion in 2015 (Cosmetics scope, excluding The Body Shop).

The Group has decided to use its partners' environmental and social performance as a selection criterion. On this basis, the commitments under the Sharing Beauty With All programme fit in with, and follow on from, those in the Group's responsible purchasing policy initiated in 2002 with the L'Oréal *Buy & Care* programme. This contributes to sharing good practices and the Company's values and standards with its suppliers.

Assessing and selecting the Group's strategic suppliers on the basis of their social and environmental performance

The Corporate Social and Environmental Responsibility (CSR) commitments of suppliers play a significant role in the choice of the Group's partners. L'Oréal's purchasing teams have in this respect defined 5 pillars of performance that make it possible to assess and choose suppliers:

- Competitiveness;
- Quality;
- Supply Chain & Service;
- Innovation;
- CSR.

These pillars form the basis both for daily performance and for long-term strategies. A global scorecard has been deployed for all purchasing fields and makes it possible to precisely measure suppliers' results, in particular their compliance with their environmental, social and societal commitments which represent 20% of the final assessment.

The CSR strategy and action plans of suppliers are fully integrated into their relationship with L'Oréal and are therefore discussed at strategic meetings (Business Reviews). In 2015, 183 business reviews were carried out. The evaluation of suppliers on the CSR pillar is based, in particular, on their social commitment, their compliance with the social audits, the implementation of *Solidarity Sourcing* projects and their results in the *CDP Supply Chain* programme for the reduction of CO_2 emissions.

Suppliers and subcontractors are also asked to comply with the ethical commitment letter that refers to compliance with the Fundamental Conventions of the International Labor Organization as well as local laws, in particular with regard to minimum wages, working time and health and safety (see section § 3.1.4.4. "Respect for the ILO Conventions").

51% of the Group's strategic suppliers were evaluated and selected on the basis of their environmental and social performance.

They represent more than 70% of total direct purchases (raw materials, packaging items and subcontracting).

IDENTIFYING SOCIALLY RESPONSIBLE SUPPLIERS

L'Oréal actively seeks to work with suppliers who share its ethical values and commitments. Its purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy *via* the *Welcome on Board* (WOB) supplier referencing process. This allows it to make sure that the supplier is of real interest and to provide the supplier with all the information, documents and contacts required for it to understand the expectations and processes at L'Oréal. The final objective is to obtain the supplier's commitment to L'Oréal's values.

Ensuring compliance with commitments by subcontractors and suppliers through social audits

The Group's subcontractors and its suppliers of raw materials, packaging, production equipment and POS advertising/Promotional items and materials located in countries where there is considered to be a risk are mandatorily subject to a social audit aimed in particular at ensuring compliance with the applicable laws, Human Rights and labour law. This audit also verifies employee safety and working conditions in the workplace.

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

The initial audits and the re-audits three years later are financed by the Group. Follow-up audits that make it possible to verify the effectiveness of the action plans are paid for by the suppliers.

10 aspects are audited:

- child labour;
- forced and compulsory labour;
- the environment, health and hygiene and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- sexual harassment or a hostile working environment;
- due payment of wages/compensation and benefits;
- working time;
- relations with subcontractors.

L'Oréal's social audit is based to a great extent on the internationally recognised SA 8000 standard. The Group has also decided to set more stringent criteria, particularly with regard to the minimum age for child labour. It is set at 16 years of age for all employees working for suppliers, a higher age limit than the minimum age required by the Fundamental Conventions of the International Labor Organization (ILO).

Suppliers and subcontractors may nevertheless request waivers from the Group Purchasing Director for the use of employees under the age of 16 upon presentation of a complete file (schooling, type of contract, working conditions, type of work). Pursuant to the "Suppliers/Subcontractors and Child Labour" policy, formally laid down in 2011, waivers of this kind are only possible for apprenticeship programmes or for children carrying out light work if this work does not affect their health and safety or their regular attendance at school, where the local law allows it and when the supplier/subcontractor has appointed an internal "tutor" for the children.

Key figures

- 4,600 supplier sites have been subject to social audits since the reporting tool was set up in 2006;
- 951 audits☑ were carried out in 2015, making a total of 7,080 since 2006;
- 59% of the audits in 2015 were carried out in Asia;
- 60% of supplier sites audited for the first time (initial audits) presented major instances of non-compliance. During follow-up audits, there were no longer any major non-compliances for 46% of the suppliers who were initially non-compliant.

THE BODY SHOP, A SOURCE OF INSPIRATION

Since its integration into L'Oréal in 2006, The Body Shop (TBS) has pursued its longstanding programme of social audits. TBS is one of the founding members of the Ethical Trading Initiative (ETI) and has adopted their "Supplier Code of Conduct". The Body Shop has thereby developed a programme enabling them to support their responsible sourcing policy. Working conditions, defined in the "Supplier Code of Conduct", are notably controlled on the production sites of suppliers (94 audits were conducted in 2015). 6 supplier sites are the subject of a focused improvement programme.

Inciting strategic suppliers to reduce their greenhouse gas emissions

L'Oréal has successfully pledged to combat climate change by setting ambitious targets, in particular that of reducing its CO_2 emissions by 60% between 2005 and 2020, for its plants and distribution centres. At the same time, L'Oréal also wants to actively contribute to reducing the greenhouses gases of its supply chain. Approximately 20% of the Group's carbon footprint results from the activities of its suppliers. This is the reason why L'Oréal has associated its suppliers since 2009 with the process for measurement and reduction of its carbon footprint by encouraging them to work with the CDP, within the framework of the CDP Supply Chain programme. This NGO, of which L'Oréal has been a member since 2003, invites companies to publish their environmental impact and provides them with measurement, evaluation and communication tools.

Within the framework of the Sharing Beauty With All programme, participation by L'Oréal's strategic suppliers in the CDP Supply Chain has now been made compulsory and 94% of the suppliers asked to participate have responded positively. They have been selected in the 6 fields of purchase (raw materials, packaging items, production equipment, subcontracting, POS advertising/Promotional items and materials and indirect purchases), all over the world. Those are strategic suppliers involved in industries that generate CO_2, and may be large industrial groups or small and medium-sized businesses. In December 2015 at the time of the COP21, L'Oréal pledged that suppliers representing 80% of direct purchases:

- will participate in the CDP Supply Chain;
- will set targets for reducing their carbon footprint;
- will communicate on their action plans to succeed in reaching this target.

L'Oréal was recognised by the CDP as one of companies that are the most committed to reducing greenhouse gas emissions. The large number of the Group's suppliers who are partners of the CDP testifies to this fact. This commitment results in particular from the strong commitment of L'Oréal's purchasing and environmental teams who transmit results with comments and opportunities for improvement to the suppliers who participated.

The average of supplier scores for 2015 is lower than that for 2014 (76 scores of D as against 67 of C in 2014[1]). This deterioration of the scores can be accounted for, firstly, by worse performances by the companies participating for the first time (45 new participants in 2015), but is also the result of a change in the CDP's rating methodology.

THE GROUP'S SUPPLIERS ASSOCIATED WITH THE WATER DISCLOSURE PROJECT

Within the framework of the Sharing Beauty With All programme, L'Oréal has pledged to reduce its water footprint, which naturally led the Group to join the Water Disclosure Project as soon as it was launched in 2013. This project is aimed at measuring and reducing companies' water footprint. L'Oréal invited 17 of its main suppliers to adhere to this programme and 15 of them responded positively. Following on from this pilot project, 28 suppliers were invited to participate in 2015, and 22 of them agreed.

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*

(1) *For further information on the CDP Supply Chain and its rating methodology, please refer to the following website: https://www.cdp.net/en-US/Programmes/Pages/CDP-Supply-Chain.aspx#members, https://www.cdp.net/en-US/Results/Pages/leadership-index.aspx*

All L'Oréal's strategic suppliers will carry out a self-assessment with regard to their sustainability policy

L'Oréal has initiated a programme for assessment of strategic suppliers and their sustainability policy. In addition to its own assessment, L'Oréal has an evaluation carried out of the sustainable development policies of its suppliers. The purpose of these evaluations carried out by Ecovadis is to refine the analysis of supplier performances and to help them to improve by identifying their areas for progress.

2015 results

More than 430 suppliers had their social, environmental and ethical policies evaluated by Ecovadis as well as the deployment of such policies at their own suppliers in 2015. 137 of them represent 74% of the Group's strategic suppliers.

Associating 20% of the Group's strategic suppliers with the Group's Solidarity Sourcing programme

Using L'Oréal's purchases as a driver for the promotion of social inclusion is the objective of the *Solidarity Sourcing* programme. The Group created this global solidary sourcing and responsible purchasing programme in 2010, which aims to help to give people from economically vulnerable communities durable access to employment and income. In the same way as it shares its environmental commitments with its suppliers, it has set a target within the framework of the Sharing Beauty With All programme of associating 20% of its strategic suppliers with the *Solidarity Sourcing* programme. In 2015, its implementation accelerated on the initiative of L'Oréal and its suppliers.

2015 results

4% of the Group's strategic suppliers were associated with the Group's *Solidarity Sourcing* programme in 2015.

3.2.4.3. … with the communities around us

"By 2020, the Group will enable more than 100,000 people from socially or financially deprived communities to access work through its actions."

2020 TARGETS	2015 RESULTS
100,000 people from socially or financially deprived communities will be able to access work through the following programmes:	Over **60,600** people from socially or financially deprived communities have had access to work.
◆ *Solidarity sourcing;*	**57,200** people accessed work through the *Solidarity Sourcing* programme. The Body Shop's Community Fair Trade programme is part of this initiative and helped 22,400 people access work.
◆ beauty professionalisation;	**2,700** people from an underprivileged environment were trained in beauty professions.
◆ employment of disabled people and people from under-represented socio-ethnic groups.	**773** people with disabilities worked for L'Oréal (1).

(1) This figure takes into account the total number of disabled employees (with permanent and fixed-term employment contracts) as of December 31st, 2015. This indicator only takes into account employees who wanted to declare their disability and have it recognised, as all the employees concerned do not systematically wish to do so.

Due to its many industrial and administrative sites all over the world, L'Oréal is strongly involved, in the vicinity of its sites, in the life of the surrounding local communities. A company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects. As a general rule, L'Oréal's establishments and its subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to share their growth with them.

This ambition led to a commitment in the Sharing Beauty With All programme: enabling over 100,000 people from socially or financially deprived communities to access work by 2020. This means that L'Oréal will support as many people outside the Company as there are Group employees.

Solidarity Sourcing

In 2010, L'Oréal created *Solidarity Sourcing*, a global responsible purchasing programme which aims to open up calls for tenders to companies which employ people from economically vulnerable communities to enable them to have durable access to employment and income, and also to small companies.

Between 2012 and 2015, the number of purchasers managing a *Solidarity Sourcing* project more than doubled, increasing from 56 to 130.

The programme now relies on contacts in all the Group's zones and Divisions. The purchasers work in partnership with the Sharing Beauty With All programme representatives in each country. The Asia-Pacific zone was the pioneer in this initiative to raise awareness and for co-development of *Solidarity Sourcing* projects, and it will soon be extended to other zones.

Within the framework of the *Solidarity Sourcing* programme, 25 new projects were created in 2015 to add to the existing projects, to reach a total of 208 operational projects all over the world. These 208 projects are of benefit to more than 34,800 people all over the world. For its part, The Body Shop *Community Fair Trade* programme offered access to work to over 22,400 people.

In total, more than 57,200 people benefit from this programme today. L'Oréal has pledged that 20% of its strategic suppliers will be associated with the *Solidarity Sourcing* programme by 2020. In 2015, 4% of them applied this programme with regard to their own purchases.

Since 2012, the internal auditors have included the *Solidarity Sourcing* programme in their audit scope with the aim of continuous improvement. Audits have thus been conducted in China, Switzerland, South Africa, Benelux and for raw materials purchases, and for all indirect purchases in Europe.

Solidarity Sourcing: Fair trade cotton at L'Oréal Professionnel hairdressers

At the end of 2014, the Group's purchasers began to deploy a project for the responsible sourcing of cotton, a fibre used to make professional textile accessories. This initiative is based on a partnership with Fairtrade International and the Kédougou cooperative, in south-east Senegal. High-quality cotton is grown in this region, using rainwater only and in an environmentally friendly manner. This cotton is purchased by L'Oréal at a price which guarantees additional income for the cotton producers. The first brand to take part in this partnership, in 2015, L'Oréal Professionnel purchased 62 tonnes of this cotton, which will be used to manufacture the bath towels that the brand offers its hairdresser customers. More than 500 cotton-growers from Kédougou benefited from this first order.

L'ORÉAL SOLIDARITY SOURCING

208 Solidarity Sourcing projects representing 34,800 jobs
throughout the world (excluding The Body Shop).

3.3. METHODOLOGICAL NOTES

3.3.1. SOCIAL DATA

3.3.1.1. Scope of consolidation

The workforce indicated, and the breakdowns in this respect, correspond to the total workforce for the cosmetic Divisions and The Body Shop [(1)]. 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.

3.3.1.2. 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.

3.3.1.3. Data

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 (*i.e.* 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 susidiaries.

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.

3.3.2. HEALTH AND SAFETY DATA

3.3.2.1. Scope of consolidation

The safety indicators set out relate to the Cosmetics and The Body Shop sites: factories and distribution centres but also the administrative sites and research centres.

Safety reporting covers 94% of factories and distribution centres and over 85% of the workforce of the administrative sites and research centres.

The safety 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 and safety reporting systems. In accordance with this rule, the data of 4 sites that recently became part of the Group are not integrated in the Group's EHS reporting for 2015: Magic Holdings Nanshua (China), Magic Holdings Pingshan (China), Decléor (France) and Niely (Brazil).

3.3.2.2. Indicators

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

3.3.2.3. Data

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

The health and safety data are collected using the dedicated site reporting "OKAPI" intranet system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site must validate the accuracy of all the data provided

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.

3.3.3. ENVIRONMENTAL DATA

3.3.3.1. Scope of consolidation

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

The Environment reporting scope is defined in the methodological note at the end of the chapter relating to social data.

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), Decléor (France), Niely (Brazil).

The 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.

3.3.3.2. 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 CO_2 estimates follows the GHG Protocol's rules. With the desire for comparability, the data on CO_2 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 eGrid [1] emission factors, available in 2006, corresponding to IEA factors for 2003 and EPA [2] (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 factor (the 2013 IEA edition for 2015 emissions).

Waste: 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.).

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'Oréal thus records the weight of its reusable packaging at source in transportable waste, with each of the sites being responsible for maximising 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 categorisations for complex waste. They are also subject to increased monitoring (reusable packaging used in rotation, categorisation of wood waste, plastics, etc.).

3.3.3.3. Data

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'Oréal 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.

3.3.4. SOCIETAL DATA

3.3.4.1. Scope of consolidation

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

3.3.4.2. Indicators

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

3.3.4.3. Data

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

- the data relating to Ethics is collected by the Ethics Department using the Annual Ethics Reporting platform. A certain amount of data is collected by the Country reporting intranet system for the collection of Human Resources data (see the Human Resources data reporting methodology described above);

(1) *Emissions & Generation Resource Integrated Database.*
(2) *Environmental Protection Agency.*

- 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).

3.3.5. "INNOVATING SUSTAINABLY" DATA

3.3.5.1. 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".

3.3.5.2. Indicators

Concerning the indicator on the "Percentage of products analysed 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)

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.

3

3.4. TABLE OF CONCORDANCE IN RESPECT OF SOCIAL, ENVIRONMENTAL AND SOCIETAL MATTERS

Page	Grenelle II – French Decree of April 24th, 2012	Global Compact
	PRINCIPLES	
178-180	Scope of reporting	#1 and 2
178-180	*Comply or explain*	
178-180	Data comparability	
178-180	Reference to standards	
186-187	Attestation with regard to the exhaustiveness of information	
186-187	Opinion with regard to the true and fair view given by the information	
	SOCIAL INFORMATION	
	Employment	
119	◆ Total workforce	#3 to 8 and #A, #D
119	◆ Distribution of employees by gender, by age and by geographic zone	
118	◆ Recruitments	
120	◆ Dismissals	
122-123	◆ Remuneration and trends	
	Work organization	
129-130	◆ Organization of working time	#3 to 8
120	◆ Absenteeism	
	Labor relations	
130-131	◆ Organization of the dialogue between employees and management	#3 to 8
131	◆ Situation with regard to collective agreements	
	Health & Safety	
134-140	◆ Health and safety conditions at work	# 3 to 8
131	◆ Status report on agreements signed with trade union organizations with regard to health and safety at work	
138-139	◆ Frequency and severity of accidents at work	
120	◆ Occupational diseases	
	Training	
120-122	◆ Training policy implemented	#3 to 8
122	◆ Total number of hours of training	
	Equality of treatment	
131-132	◆ Measures taken to promote gender equality	#3 to 8 and #A , #D
132-133	◆ Measures taken in favour of employment and professional insertion of the disabled	
131-133	◆ Policy to combat discrimination	
	Promotion & compliance with the ILO conventions	
153	◆ Compliance with freedom of association and the right to collective bargaining	#3 to 8 and #A to D
153	◆ Elimination of discrimination in respect of employment and occupation	
153	◆ Elimination of forced or compulsory labour	
153	◆ Effective abolition of child labour	
	ENVIRONMENTAL INFORMATION	
	General environmental policy	
141-143	◆ Organisation of the Company to take into account environmental issues and, where applicable, environmental evaluation or certification measures	#9 to 11
120-122, 140	◆ Training actions and provision of information to employees with regard to environmental protection	
141-143	◆ The means devoted to prevention of environmental risks and pollution	
142	◆ The amount of the provisions and cover with regard to environmental risks, on condition that this information is not liable to cause serious harm to the Company in a lawsuit in process	
	Pollution and waste management	
163-170	◆ Measures for prevention or reduction of, or to remedy, emissions into the air, water and soil seriously affecting the environment	#9 to 11
168-170	◆ Waste prevention, recycling and elimination measures	
142	◆ Taking into account noise pollution and any other form of pollution specific to an activity	#9 to 11

Page	Grenelle II – French Decree of April 24th, 2012	Global Compact
	Sustainable use of resources	
167-168	◆ Water consumption and water supply depending on local constraints	#9 to 11
156-162	◆ Raw material consumption and measures taken to improve efficiency in their use	
163-165	◆ Energy consumption, measures taken to improve energy efficiency and use of renewable energies	
141-142	◆ Soil use	
	Climate change	
163-166	◆ Greenhouse gas emissions	#9 to 11
142-143	◆ Adaptation to the consequences of climate change	
	Protection of biodiversity	
156-160	◆ Measures taken to preserve or develop biodiversity	#9 to 11
	SOCIETAL INFORMATION	
	Territorial, economic and societal impact of the company's activities	
147	◆ On employment and regional development	#16 to 18 & 21 and #C
148	◆ On neighbouring or local populations	
	Relations maintained with people or organisations who are stakeholders of the Company's activities	
147	◆ Particularly, associations promoting professional insertion, educational establishments, environmental defence associations, consumer associations and neighbouring populations	#2 & 16 to 18
143-144	◆ The conditions for the dialogue with these people or organisations	
145-146	◆ Partnership or philanthropy actions	
	Subcontracting and suppliers	
173-177	◆ Taking into account social and environmental issues in purchasing policy	#2 to 11 and #B
173-177	◆ The importance of subcontracting and taking their social and environmental responsibility into account in relations with suppliers and subcontractors	
	Fair practices	
148-150	◆ The actions taken to prevent corruption	#12 to 14
154-155	◆ The measures taken in favour of consumer health and safety	
151-152	**Other actions taken in favour of Human Rights**	#3 to 5

3.5. TABLE OF CONCORDANCE AND ADDITIONAL REPORTING ON THE BASIS OF THE GRI REFERENCE

This table shows the GRI reference indicators and the other indicators that the Group considers relevant with regard to social, environmental and societal policy. Some of the indicators are not shown in this table and their values appear on the pages indicated.

GRI topic	GRI G4 reference	Pages of RD	Additional indicators	Value for 2015
General Disclosures	G4-1	2-3		
	G4-2	40-48, 117-155		
	G4-3	286		
	G4-4	7-14		
	G4-5	last page		
	G4-6	32, 36		
	G4-7	286		
	G4-8	7-16		
	G4-9	16-31		
	G4-10	119, 129		
	G4-11	129		
	G4-12-13	37, 44		
	G4-14 to 16	33, 43, 131-133, 144, 148, 154-156, 166, 168, 171, 175		
	G4-17	9-12		
	G4-18 to 23	143, 178-180		
	G4-24 to 27	143-144		
	G4-28 to 31	308, 334-335		
	G4-32			Core
	G4-33	186-191		
Governance	G4-34 to 38	50-88, 144		
	G4-39	52- 53		
	G4-40	53-71		
	G4-41	69-71		
	G4-42	71-73		
	G4-43	79		
	G4-44	79		
	G4-45 to 47	71-78, 108-109		
	G4-48	71-75		
	G4-49	143, 152, 308		
	G4-51	88, 96-98		
	G4-53	51, 122, 302-305		
	G4-56 to 58	148-153, 105		
Economic	EC1	16-31		
	EC2	140-142, 157-158, 165, 167		
	EC3	124-127		
	EC4	NA		
	EC5	121-122		
	EC6		Key positions outside France held by local managers (%)	37%
	EC7	39, 144-147, 175-176		
	EC8	172-176		
	EC9	NA		
Environment	EN1-2	156, 162		
	EN3	163-164		
			Fuel consumption from non-renewable sources (KWh)	270,452,219 kWh
			Fuel consumption from renewable fuel sources (KWh)	3,519,131 kWh

GRI topic	GRI G4 reference	Pages of RD	Additional indicators	Value for 2015
			Total consumption of non-renewable electricity (KWh)	132,138,721 kWh
			Total consumption of renewable electricity (KWh)	249,560,612 kWh
			Total consumption of non-renewable heating (KWh)	17,852,254 kWh
			Total consumption of renewable heating (KWh)	46,019,717 kWh
			Total quantity of energy produced at sites (Kwh)	36,584,875 kWh
			% of renewable energy in total energy consumption	41.60%
	EN4 to 7	163-166	Energy intensity (Kwh/FP)	128.5 kWh/finished product
	EN8		Volume of water withdrawn – Surface water, including water from wetlands, rivers, lakes and oceans and ground water	247,136 m^3
			Volume of water withdrawn – Rainwater collected directly and stored (m^3)	3,369 m^3
			Volume of water withdrawn – Waste water from another organization (m^3)	0 m^3
			Water from municipal water suppliers or water from other water utilities (m^3)	1,962,549 m^3
			TOTAL volume of water consumed by plants (m^3)	2,216,055 m^3
			% of water consumption intended for cleaning (plants and distribution centres)	35%
	EN9		Number of plants located in a water stressed area	13
			% of sites located in a water stressed area	30%
	EN10		Water recycled in the plants	5%
	EN11	141-142		
	EN12	156-160		
	EN13-14	141-142		
	EN 15	163-164	Variation in direct CO_2 emissions as compared to 2005 (%)	-38.60%
	EN16	164-165	Variation in indirect CO_2 emissions as compared to 2005 (%)	-66.50%
	EN17	166		
	EN18		Intensity of **direct** CO_2 emissions at 12/31/2015 (g eq. CO_2/FP)	9.9 g eq. CO_2/finished product
			Variation in the intensity of **direct** CO_2 emissions compared to 2005	-51.10%
			Intensity of **indirect** CO_2 emissions at 12/31/2015 (g eq. CO_2/FP)	8.9 g eq. CO_2/finished product
			Variation in the intensity of **indirect** CO_2 emissions compared to 2005	-73.4%
			Intensity of CO_2 emissions at 12/31/2015 (g eq. CO_2/FP)	18.8 g eq. CO_2/finished product
			Variation in the intensity of CO_2 emissions as compared with 2005 (direct+indirect)	-65%
	EN20	165		
	EN21	165	Nox emissions (tonnes)	57 t
			POP emissions (kg)	0
			VOC emissions (tonnes)	150 t
	EN22	165-168	Tonnes of BOD5	1,627 t
			Hazardous waste generated (= all types of solid or liquid waste other than waste water) (tonnes)	16,140 t
	EN23	168-170	Waste recovered through energy recovery (tonnes)	34,304 t
			Waste recovered through reuse and recycling (tonnes)	88,173 t
			Waste incinerated without energy recovery (tonnes)	6,549 t
	EN24	168		
	EN25	169		
	EN27	156-162		
	EN28	NA		
	EN29		Number of environmental fines	4
			Amount of environmental fines (€)	€202,000
	EN30	166		
	EN31	NA		
	EN32	173	Coverage of L'Oréal suppliers participating in the CDP Supply Chain Climate Change (target: 80%) (%)	66%
	EN34	NA		
Labor Practices and Decent Work	LA1	119		
	LA2	123-128		
	LA4	130		
	LA5	129-131		
	LA6	120,138-140	Factories and distribution centres with 0 lost-time accident rate (employees of L'Oréal)	77
			Administrative sites with 0 lost-time accident rate (employees of L'Oréal)	52
			R&I sites with 0 lost-time accident rate (employees of L'Oréal)	5

GRI topic	GRI G4 reference	Pages of RD	Additional indicators	Value for 2015
			Total absenteism rate (%)	4,70%
			Absenteism due to illness (% total absenteism)	2,24%
			Total of sites with 0 lost-time accident rate (employees of L'Oréal)	134
	LA7-8	120,131		
	LA9	120-122		
	LA10-11	118-122		
	LA12	131-133		
	LA13	131		
	LA14-15	174-175,153		
	LA16	153		
Human Rights	HR1	153		
	HR2	152		
	HR3	132-133		
	HR4	153		
	HR5	153	% of non-compliances in social audits related to child labour (1)	3.90%
	HR6	153		
	HR7	153		
	HR8	152		
	HR9	152		
	HR10	153	% of portfolio of suppliers audited (out of those to be audited)	90%
			Audits – Europe	166
			Audits - Asia	562
			Audits – Americas	173
			Audits – Africa, Middle East Zone	50
	HR11	153	% of non-compliances in social audits related to remuneration (1)	20.70%
			% of non-compliances in social audits related to working hours (1)	23.10%
			% of non-compliances in social audits related to working conditions, health and safety (1)	37.50%
			% of non-compliances in social audits – others (1)	15%
	HR12	153		
Society	SO1	174-175		
	SO3-5	148-151		
	SO6	NA		
	SO7	43		
	SO8	43		
	SO9-10	173-174		
	SO11	NA		
Product Responsibility	PR1	33, 40, 154		
	PR2	154		
	PR3-4	NA		
	PR6	41		
	PR7	NA		
	PR-8	NA		
	PR-9	NA		

(1) This data should be read as follows, for example for the "remuneration" chapter: 20.70% of the (major or minor) instances of non-compliance noted in 2015 (out of all the social audits) related to "Remuneration". In the event of a major non-compliance, corrective action plans are put in place and a follow-up audit is carried out. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to breaking off commercial relations or, where applicable, non-referencing of a new supplier.

3.6 REPORTS BY THE STATUTORY AUDITORS

3.6.1 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31st 2015

To the Shareholders,

In our capacity as Statutory Auditors of L'Oréal, (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1048(1), we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2015 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the General Direction of Operations, HR and Corporate Social Responsibility.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work was carried out by a team of eight persons between November 2015 and February 2016 and lasted around thirteen weeks. We were assisted in our work by our experts in corporate social responsibility.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

(1) whose scope is available at www.cofrac.fr

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the CSR section of the management report.

Based on this work and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about fourty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important *(see annex):*

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities and sites selected by us(1) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 20% of headcount and between 17% and 24% of quantitative environmental data.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, February 17th, 2016

French original signed by One of the Statutory Auditors,

Deloitte & Associés

Frédéric Moulin Partner	Florence Didier-Noaro Partner, Sustanaibility

(1) HR data : 4 subsidiaries : France, India, Turkey and Chile. Health and safety, environmental data : 13 sites : Suzhou, Yichang and DC China in China, Egypt, Burgos in Spain, CAP, Chimex-Mourenx, Ormes and BRI in France, Poland, Pune in India, Turkey and San Luis Potosi in Mexico (remote verification).

ANNEXES (1/3)

The CSR Information that we considered to be the most important, on which we conducted detailed tests, are the following:

Quantitative information

Human Resources Indicators :

- Total workforce
- Breakdown by type of contract
- Employees by gender and geographic zone

Age pyramid

- Number of hired employees with a permanent contract
- Number of dismissals
- World Profit Sharing 2014 (paid in 2015)
- Percentage of employees benefiting from financial protection in the event of personal injury, such as death or permanent disability
- Percentage of employees having access to healthcare coverage reflecting best practices in their country of residence
- Global absenteeism rate
- Absenteeism related to diseases
- Number of collective agreements in force at December 31st 2015
- Percentage of employees covered by a collective agreement (national / sectoral, company)
- Percentage of employees working in subsidiaries where there are employee representative institutions
- Number of training hours
- Percentage of employees who followed at least one training course in 2015
- Percentage of countries where Human Rights topics have been included in the local trainings
- Number of local managers outside France (key positions)
- Percentage of brand managed by women

Environmental, Health and Safety, Indicators:

- FG units produced (millions)
- Quantity of produced bulk (tons)
- VOC emissions (tons)
- SO_2 emissions (tons)
- Transportable waste excluding reusable packaging rotation with reusable packaging recorded at source (tons)
- Reusable packaging rotation (tons)
- 2015 waste treatment
- Waste sent to landfill (tons)
- Recovery index (%)
- COD content after water treatment
- Wastewater discharge (m^3)
- Total net water consumption (m^3 and l/FG)

ANNEXES (2/3)

- Use of water / breakdown by water usage (m^3)
- Average percentage of biodegradability of shampoos and shower gel (%)
- Total energy consumption (MWh)
- Breakdown by energy source (Electricity, fossil gas, fuel oil, others) (MWh)
- Percentage of renewable energy used (%)
- Renewable electricity consumption (MWh)
- Percentage of renewable raw materials in the total raw materials used by the Group (%)
- Direct CO_2 emissions (tons)
- Indirect CO_2 emissions (tons)
- Total CO_2 emissions (tons)
- CO_2 emissions from transportation of products (in grams of CO_2 per unit sold and per km)
- TFc – Conventional frequency rate
- TFe – Enlarged frequency rate
- Accident severity rate
- Number of conducted MESUR visits (Managing Effective Safety Using Recognition & realignment)

Societal indicators

- Number of people having accessed work through the Solidarity Sourcing program – including TBS
- Percentage of products that have been screened having an improved environmental or social profile

- Percentage of new or updated products having an improved environmental profile due to a new formula with a reduced environmental footprint
- Percentage of new or updated products having an improved social profile thanks to a positive social impact
- Number of social audits carried out in 2015
- Split of non-compliances identified during the social audits of suppliers per chapter
- Percentage of the portfolio of suppliers subject to the audit covered by the social audits conducted at the closing date
- Percentage of the Group's strategic suppliers that have been evaluated and selected on the basis of their environmental and social performance
- Percentage of suppliers that have completed a self-assessment of their sustainability policy with the support of the Group

ANNEXES (3/3)

Qualiative information

- Information on the global audit program related to EHS risks
- Information on the dialogue with stakeholders
- Information on the cosmetovigilance plan

3.6.2 REASONABLE ASSURANCE REPORT OF THE STATUTORY AUDITORS ON SELECTED ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PUBLISHED IN THE 2015 ANNUAL REPORT

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity of Statutory Auditors of L'Oréal and on L'Oréal's request, we carried out verification works aiming at giving a reasonable assurance on a selected environmental, social and societal information published in L'Oréal 2015 annual report.

The social information selected by L'Oréal is the following:

- The number of countries with a disability insertion project submitted in 2014,
- The number of entities having been awarded the European label « Gender Equality European Standard » - GEES,
- The number of entities having been awarded the European label « Economic Dividend for Gender Equality » - EDGE,
- The number of countries with a diversity coordinator.

The societal information selected by L'Oréal is the following:

- The number of supplier social audits carried out in 2015,
- The distribution of non-compliances noted during supplier social audits.

The environmental, health and safety information selected by L'Oréal is the following:

- Number of FG units produced,
- Quantity of produced bulk,
- Direct CO2 emissions,
- Indirect CO2 emissions related to energy used,
- Total energy consumption,
- Breakdown by energy source,
- Percentage of renewable energy consumed,
- Renewable electricity consumed,
- Net total water consumption,
- Conventional frequency rate,
- Enlarged frequency rate,
- Severity rate.

This information has been prepared under the responsibility of L'Oréal Board of Directors in accordance with the guidelines used by the company (hereinafter the "Guidelines") of which a summary appears in the annual report and that are available upon request from the Operations, Human relations and Corporate Social Responsibility Departments.

Based on our work, it is our responsibility to express a conclusion of reasonable assurance on these selected pieces of information.

Nature and scope of procedures

We conducted the following procedures in accordance with professional auditing standards applicable in France, with regard to the formed opinion on the fair presentation of CSR Information as part of our diligences directly linked to our Statutory Auditors assignment (French standard NEP9090), and in accordance with the international standard ISAE 3000 .

We have conducted the following diligences giving a reasonable assurance on the fact that the environmental, social, societal, health and safety information selected by L'Oréal has been presented, in all material aspects, in compliance with the Guidelines used by L'Oréal.

- We have examined, at group level, the reporting procedures set up by L'Oréal with regard to their relevance, completeness, reliability, neutrality and clarity.

- We have verified the set-up a process to collect, compile, process and check the selected information with regard to its completeness and consistency. We have also reviewed the internal control and risk management procedures used to prepare the selected information.
- We have conducted analytical procedures and verified calculations and data consolidation through various samplings. This work has especially been backed with interviews with persons from L'Oréal Sustainable Development Department in charge of data collection and consolidation.
- We have selected a sample of entities for seed Environmental, Health and Safety information:
  - Aulnay (France),
  - BRI (France),
  - Burgos (Spain),
  - Chimex Mourenx (France),
  - CAP (France),
  - DC China (China),
  - DC Israël (Israel),
  - DC Little Rock (USA),
  - Egypt (Egypt),
  - Piscataway (USA),
  - Florence (USA),
  - Israël (Israel),
  - Jababeka (Indonesia),
  - Ormes (France),
  - Little Rock (USA),
  - Pologne (Poland),
  - Pune (India),
  - Rambouillet (France),
  - Saint Quentin (France),
  - Suzhou (China),
  - Turquie (Turkey),
  - Yichang (China).
- At these entities level:
  - We have verified, through interviews with people in charge of data collection, the correct application of the Guidelines;
  - We have conducted detailed testing on representative samples consisting in calculation verification and corroboration of that with supporting documents.

These selected entities represent 51 % of Finished Goods Units produced by the group, and between 48 and 59% of the environmental information reviewed.

Selected social and societal data have been audited in L'Oréal Headquarters.

We were assisted in our work by our specialists in corporate social responsibility.

Conclusion

Based on our work, the environmental, social, societal, health and safety information selected by L'Oréal, presented hereinabove and published in its annual report, has been presented, in all material aspects, in accordance with the Guidelines used by L'Oréal in 2015.

Neuilly-sur-Seine, February 17th 2016

The Statutory Auditors,

Original French version signed by the statutory auditors

Deloitte & Associés	PricewaterhouseCoopers Audit
Frédéric Moulin Partner	Gérard Morin Partner
Florence Didier-Noaro Partner, Sustainability	Sylvain Lambert Partner, Sustainability

4

2015 Consolidated Financial Statements*

** This information forms an integral part of the Annual Financial Report as provided in the Article L. 451-1-2 of the French Monetary and Financial Code.*

L'Oréal parent company is a French company with its registered office in France, which performs a sales activity specific to that country. At the same time, L'Oréal parent company has firstly a role of holding company and strategic coordination and secondly that of scientific, industrial and marketing coordination of the L'Oréal Group on a worldwide basis. Most of the subsidiaries have a role of marketing of the products manufactured by the Group's factories in the countries or zones in which it is established.

The L'Oréal Group wholly owns the vast majority of its subsidiaries.

The financial statements set out in this chapter present the results of the L'Oréal Group as a whole, including all subsidiaries. The Statutory Auditors' Report on the consolidated financial statements has been included at the end of this chapter.

4.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	2015	2014	2013
Net sales	**3.1**	**25,257.4**	**22,532.0**	**22,124.2**
Cost of sales		-7,277.4	-6,500.7	-6,379.4
Gross profit		**17,980.0**	**16,031.3**	**15,744.8**
Research and development		-794.1	-760.6	-748.3
Advertising and promotion		-7,359.6	-6,558.9	-6,621.7
Selling, general and administrative expenses		-5,438.6	-4,821.1	-4,614.4
Operating profit	**3.1**	**4,387.7**	**3,890.7**	**3,760.4**
Other income and expenses	4.1	-193.4	-307.2	-128.6
Operational profit		**4,194.3**	**3,583.5**	**3,631.8**
Finance costs on gross debt		-23.7	-31.4	-23.1
Finance income on cash and cash equivalents		55.6	42.3	36.4
Finance costs, net		**31.9**	**11.0**	**13.3**
Other financial income (expenses)	9.4	-45.7	-35.1	-44.7
Sanofi dividends		336.9	331.0	327.5
Profit before tax and associates		**4,517.4**	**3,890.4**	**3,928.0**
Income tax	6	-1,222.9	-1,111.0	-1,043.6
Share of profit in associates		4.0	-13.5	-3.0
Net profit from continuing operations		**3,298.5**	**2,765.9**	**2,881.4**
Net profit from discontinued operations	**2.3**	**-**	**2,142.7**	**80.0**
Net profit		**3,298.5**	**4,908.6**	**2,961.4**
Attributable to:				
◆ owners of the Company		3,297.4	4,910.2	2,958.2
◆ non-controlling interests		1.1	-1.6	3.2
Earnings per share attributable to owners of the Company (euros)		5.92	8.51	4.95
Diluted earnings per share attributable to owners of the Company (euros)		5.84	8.39	4.87
Earnings per share of continuing operations attributable to owners of the Company (euros)	11.4	5.92	4.79	4.82
Diluted earnings per share of continuing operations attributable to owners of the Company (euros)	11.4	5.84	4.73	4.73
Earnings per share of continuing operations attributable to owners of the Company, excluding non-recurring items (euros)	11.4	6.26	5.41	5.07
Diluted earnings per share of continuing operations attributable to owners of the Company, excluding non-recurring items (euros)	11.4	6.18	5.34	4.99

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4.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	**2015**	2014	2013
Consolidated net profit for the period		**3,298.5**	**4,908.6**	**2,961.4**
Financial assets available-for-sale		*347.6*	*-172.7*	*677.4*
Cash flow hedges		*60.1*	*-17.2*	*13.2*
Cumulative translation adjustments		*373.7*	*584.0*	*-457.0*
Income tax on items that may be reclassified to profit or loss (1)		*-28.9*	*7.3*	*-32.1*
Items that may be reclassified to profit or loss		**752.5**	**401.4**	**201.5**
Actuarial gains and losses	*11.3*	*598.1*	*-672.7*	*188.9*
Income tax on items that may not be reclassified to profit or loss (1)		*-205.3*	*225.1*	*-63.8*
Items that may not be reclassified to profit or loss		**392.8**	**-447.6**	**125.1**
Other comprehensive income		**1,145.3**	**-46.2**	**326.6**
Consolidated comprehensive income		**4,443.8**	**4,862.4**	**3,288.0**
Attributable to:				
◆ **owners of the Company**		**4,443.1**	**4,864.3**	**3,284.9**
◆ non-controlling interests		0.7	-1.9	3.1

(1) The tax effect is as follows:

€ millions	**2015**	2014	2013
Financial assets available-for-sale	*-14.4*	*7.2*	*-28.0*
Cash flow hedges	*-14.4*	*0.1*	*-4.1*
Items that may be reclassified to profit or loss	**-28.9**	**7.3**	**-32.1**
Actuarial gains and losses	*-205.3*	*225.1*	*-63.8*
Items that may not be reclassified to profit or loss	**-205.3**	**225.1**	**-63.8**
TOTAL	**-234.1**	**232.4**	**-95.9**

4.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	12.31.2015	12.31.2014 (1)	12.31.2013 (1)
Non-current assets		**24,457.6**	**23,284.2**	**21,485.1**
Goodwill	7.1	8,151.5	7,525.5	6,206.0
Other intangible assets	7.2	2,942.9	2,714.6	2,105.4
Property, plant and equipment	3.2	3,403.5	3,141.1	2,891.2
Non-current financial assets	9.3	9,410.9	9,069.0	9,204.0
Investments in associates	8	1.0	-	435.2
Deferred tax assets	6	547.9	834.0	643.3
Current assets		**9,253.7**	**8,774.6**	**9,389.6**
Current assets excluding assets held for sale		**9,253.7**	**8,774.6**	**9,389.6**
Inventories	3.3	2,440.7	2,262.9	2,085.2
Trade accounts receivable	3.3	3,627.7	3,297.8	3,022.8
Other current assets	3.3	1,486.9	1,199.3	1,500.3
Current tax assets		298.6	97.6	122.1
Cash and cash equivalents	9.2	1,399.8	1,917.0	2,659.3
Assets held for sale		-	-	-
TOTAL		**33,711.3**	**32,058.8**	**30,874.7**

(1) The balance sheets at December 31st, 2014 and December 31st, 2013 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (note 1).

EQUITY & LIABILITIES

€ millions	Notes	12.31.2015	12.31.2014 (1)	12.31.2013 (1)
Equity	11	**23,617.0**	**20,196.9**	**22,651.0**
Share capital		112.6	112.3	121.2
Additional paid-in capital		2,654.4	2,316.8	2,101.2
Other reserves		12,873.4	9,773.3	14,229.0
Other comprehensive income		4,517.5	3,745.9	4,370.1
Cumulative translation adjustments		391.9	17.8	-566.4
Treasury stock		-233.3	-683.0	-568.1
Net profit attributable to owners of the company		3,297.4	4,910.2	2,958.2
Equity attributable to owners of the company		**23,613.9**	**20,193.3**	**22,645.2**
Non-controlling interests		3.1	3.6	5.8
Non-current liabilities		**1,920.6**	**2,595.6**	**1,928.6**
Provisions for employee retirement obligations and related benefits	5.4	807.2	1,479.7	939.6
Provisions for liabilities and charges	12.1	195.9	193.6	174.5
Deferred tax liabilities	6	876.8	855.2	730.6
Non-current borrowings and debt	9.1	40.8	67.1	83.9
Current liabilities		**8,173.7**	**9,266.3**	**6,295.2**
Trade accounts payable		3,929.0	3,452.8	3,249.7
Provisions for liabilities and charges	12.1	754.6	722.0	528.8
Other current liabilities	3.4	2,597.3	2,403.2	2,083.1
Income tax		151.9	167.1	178.3
Current borrowings and debt	9.1	741.0	2,521.2	255.3
TOTAL		**33,711.3**	**32,058.8**	**30,874.7**

(1) The balance sheets at December 31st, 2014 and December 31st, 2013 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (note 1).

4.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-control-ling interests	Total equity
At 12.31.2012	**598,356,662**	**121.8**	**1,679.0**	**16,547.4**	**3,586.4**	**-904.5**	**-109.4**	**20,920.7**	**4.8**	**20,925.5**
Changes in accounting policies at 01.01.2013 (1)				8.2				8.2		8.2
At 01.01.2013	**598,356,662**	**121.8**	**1,679.0**	**16,555.6**	**3,586.4**	**-904.5**	**-109.4**	**20,928.9**	**4.8**	**20,933.7**
Consolidated net profit for the period				2,958.2				2,958.2	3.2	2,961.4
Financial assets available-for-sale					*649.5*			*649.5*		*649.5*
Cash flow hedges					*9.1*			*9.1*	*-0.1*	*9.0*
Cumulative translation adjustments							*-457.0*	*-457.0*		*-457.0*
Other comprehensive income that may be reclassified to profit and loss					**658.6**		**-457.0**	**201.6**	**-0.1**	**201.5**
Actuarial gains and losses					*125.1*			*125.1*		*125.1*
Other comprehensive income that may not be reclassified to profit and loss					**125.1**			**125.1**		**125.1**
Consolidated comprehensive income				**2,958.2**	**783.7**		**-457.0**	**3,284.9**	**3.0**	**3,288.0**
Capital increase	6,199,701	1.2	422.2					423.4		423.4
Cancellation of Treasury stock		-1.8		-996.7		998.5		-		-
Dividends paid (not paid on Treasury stock)				-1,380.6				-1,380.6	-2.5	-1,383.1
Share-based payment				97.2				97.2		97.2
Net changes in Treasury stock	-4,762,333			1.4		-662.1		-660.7		-660.7
Purchase commitments for minority interests				-48.3				-48.3	-0.9	-49.2
Changes in scope of consolidation								-	1.4	1.4
Other movements				0.4				0.4		0.4
At 12.31.2013 (1)	**599,794,030**	**121.2**	**2,101.2**	**17,187.2**	**4,370.1**	**-568.1**	**-566.4**	**22,645.2**	**5.8**	**22,651.0**
Consolidated net profit for the period				4,910.2				4,910.2	-1.6	4,908.6
Financial assets available-for-sale					*-165.5*			*-165.5*		*-165.5*
Cash flow hedges					*-17.0*			*-17.0*	*-0.1*	*-17.1*
Cumulative translation adjustments							*584.2*	*584.2*	*-0.2*	*584.0*
Other comprehensive income that may be reclassified to profit and loss					**-182.5**		**584.2**	**401.7**	**-0.3**	**401.4**
Actuarial gains and losses					*-447.6*			*-447.6*		*-447.6*
Other comprehensive income that may not be reclassified to profit and loss					**-447.6**			**-447.6**		**-447.6**
Consolidated comprehensive income				**4,910.2**	**-630.1**		**584.2**	**4,864.3**	**-1.9**	**4,862.4**
Capital increase	3,828,502	0.8	215.6	-0.1				216.3	2.3	218.6
Cancellation of Treasury stock		-9.7		-6,035.9		6,045.6		-		-
Dividends paid (not paid on Treasury stock)				-1,507.3				-1,507.3	-2.8	-1,510.1
Share-based payment				113.5				113.5		113.5
Net changes in Treasury stock	-49,380,654			0.2		-6,160.5		-6,160.3		-6,160.3
Purchase commitments for minority interests				21.0				21.0	-2.3	18.7
Changes in scope of consolidation								-	2.5	2.5
Other movements				-5.3	5.9			0.6		0.6
At 12.31.2014 (1)	**554,241,878**	**112.3**	**2,316.8**	**14,683.5**	**3,745.9**	**-683.0**	**17.8**	**20,193.3**	**3.6**	**20,196.9**

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-control-ling interests	Total equity
At 12.31.2014	**554,241,878**	**112.3**	**2,316.8**	**14,683.5**	**3,745.9**	**-683.0**	**17.8**	**20,193.3**	**3.6**	**20,196.9**
Consolidated net profit for the period				3,297.4				3,297.4	1.1	3,298.5
Financial assets available-for-sale					*333.2*			*333.2*		*333.2*
Cash flow hedges					*45.6*			*45.6*		*45.6*
Cumulative translation adjustments							*374.1*	*374.1*	*-0.4*	*373.7*
Other comprehensive income that may be reclassified to profit and loss					**378.8**		**374.1**	**752.9**	**-0.4**	**752.5**
Actuarial gains and losses					*392.8*			*392.8*		*392.8*
Other comprehensive income that may not be reclassified to profit and loss					**392.8**			**392.8**		**392.8**
Consolidated comprehensive income				**3,297.4**	**771.6**		**374.1**	**4,443.1**	**0.7**	**4,443.8**
Capital increase	4,657,959	0.9	337.6					338.5		338.5
Cancellation of Treasury stock		-0.6		-362.8		363.4		-		-
Dividends paid (not paid on Treasury stock)				-1,511.4				-1,511.4	-2.6	-1,514.0
Share-based payment				117.6				117.6		117.6
Net changes in Treasury stock	1,088,341			-77.1		86.3		9.2		9.2
Purchase commitments for minority interests				23.5				23.5	1.5	25.0
Changes in scope of consolidation								-		-
Other movements				0.1				0.1	-0.1	-
AT 12.31.2015	**559,988,178**	**112.6**	**2,654.4**	**16,170.8**	**4,517.5**	**-233.3**	**391.9**	**23,613.9**	**3.1**	**23,617.0**

(1) Taking into account the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (note 1).

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4.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	2015	2014	2013
Cash flows from operating activities				
Net profit attributable to owners of the company		3,297.4	4,910.2	2,958.2
Non-controlling interests		1.1	-1.6	3.2
Elimination of expenses and income with no impact on cash flows or not from operating activities:				
◆ depreciation, amortisation and provisions		933.8	856.2	767.8
◆ changes in deferred taxes	6.1	53.4	60.0	15.9
◆ share-based payment (including free shares)	5.5	117.6	113.5	97.2
◆ capital gains and losses on disposals of assets		0.2	-0.9	0.1
Net profit from discontinued operations		-	-2,142.7	-80.0
Share of profit in associates net of dividends received		-4.0	13.5	-4.6
Gross cash flow		**4,399.5**	**3,808.2**	**3,757.9**
Changes in working capital	3.5	-196.4	55.9	-67.6
Net cash provided by operating activities (A)		**4,203.1**	**3,864.1**	**3,690.3**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-1,172.1	-1,008.2	-1,018.8
Disposals of property, plant and equipment and intangible assets		6.5	18.7	8.5
Changes in other financial assets (including investments in non-consolidated companies)		-35.2	403.4	-464.8
Dividends received from discontinued operations		-	41.7	56.3
Effect of changes in the scope of consolidation	2.2	-435.3	1,194.0	-138.4
Net cash (used in) from investing activities (B)		**-1,636.1**	**649.6**	**-1,557.2**
Cash flows from financing activities				
Dividends paid		-1,534.8	-1,589.3	-1,425.4
Capital increase of the parent company		338.6	216.4	423.4
Capital increase of subsidiaries		-	2.3	-
Disposal (acquisition) of Treasury stock		9.2	-6,160.3	-660.6
Issuance (repayment) of short-term loans		-1,832.4	2,225.0	48.9
Issuance of long-term borrowings		1.1	0.2	-
Repayment of long-term borrowings		-5.8	-13.0	-19.7
Net cash (used in) from financing activities (C)		**-3,024.1**	**-5,318.7**	**-1,633.4**
Net cash (used in) from discontinued operations (D)		-	-	***23.0***
Net effect of changes in exchange rates and fair value (E)		-60.1	62.7	-75.6
Change in cash and cash equivalents (A+B+C+D+E)		**-517.2**	**-742.3**	**447.1**
Cash and cash equivalents at beginning of the year (F)		**1,917.0**	**2,659.3**	**2,235.2**
Change in cash and cash equivalents of discontinued operations (G)		-	-	-23.0
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E+F+G)	**9.2**	**1,399.8**	**1,917.0**	**2,659.3**

Income taxes paid amount to €1,398.9 million, €1,060.3 million and €970.6 million respectively for the years 2015, 2014 and 2013.

Interests paid amount to €23.9 million, €31.2 million and €24.9 million respectively for the years 2015, 2014 and 2013.

Dividends received excluding dividends received from discontinued operations amount to €336.9 million, €331.0 million and €327.5 million respectively for the years 2015, 2014 and 2013, and are included within gross cash flow.

4.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2015, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union as of December 31st, 2015.

On February 11th, 2016, the Board of Directors closed the consolidated financial statements at December 31st, 2015. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on April 20th, 2016.

The Group did not early adopt any standards or interpretations not mandatorily applicable in 2015.

The Group may be concerned by the following standards not yet adopted by the European Union:

- IFRS 15 "Revenue from Contracts with Customers" applicable as of January 1st, 2018;
- IFRS 9 "Financial Instruments" applicable as of January 1st, 2018.

The Group is not concerned by the standards and amendments to standards published and effective as of January 1st, 2015, with the exception of IFRIC 21 "Levies" which is mandatorily applicable as of January 1st, 2015.

CHANGE IN ACCOUNTING POLICIES APPLICABLE AS FROM JANUARY 1ST, 2015: IFRIC 21 "LEVIES"

This interpretation provides guidance on when to recognise a liability for a levy imposed by a government. Only the accounting treatment of the Social Solidarity Contribution in France (*Contribution Sociale de Solidarité*) has been modified to take into account this new interpretation. This sales-based tax, previously provisioned in the year in which the sales were generated, is now booked as an expense on January 1st, of the following year, the date of the "obligating event".

The impact of this new accounting policy on income for comparative periods is not deemed material. Accordingly, the comparative periods have not been restated.

The change in accounting policy led to an increase of €8.2 million in opening equity at January 1st, 2014 and 2013 as well as at January 1st, 2015. The offsetting entry for the increase in opening equity was a decrease of €12.4 million in *Current liabilities* and a decrease of €4.2 million in *Deferred tax assets*.

1.1. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, equity and net profit (loss).

These estimates and assumptions mainly concern the measurement of goodwill and other intangible assets, provisions, pension obligations, deferred taxes and share-based payment. Estimates used by the Group in relation to these different areas are made on the basis of information available at the date the accounts are prepared and described in detail in each specific associated note.

1.2. Scope and methods of consolidation

All companies included in the scope of consolidation have a fiscal year ending December 31st or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been fully consolidated.

Group companies that are jointly controlled by the parent company and a limited number of other shareholders under a contractual agreement have been accounted for by the equity method in accordance with IFRS 11.

Associates over which the Group has a significant influence have been accounted for by the equity method.

1.3. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Income statement items are translated at average exchange rates for the year.

The resulting translation difference attributable to the Group is entered directly under equity under the item *Cumulative translation adjustments,* while the translation difference attributable to non-controlling interests is recognised under the *Non-controlling interests* item. The translation difference does not impact the income statement other than at the time the Company is sold.

1.4. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of the assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency and translated using exchange rates effective at the closing date. Goodwill recorded before January 1st, 2004 continues to be recorded in euros.

NOTE 2 Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. Year 2015

a) Acquisitions

On September 8th, 2014, L'Oréal announced that it has signed an agreement to acquire Niely Cosméticos. Founded in 1981 by Daniel Fonseca de Jesus, Niely Cosméticos is the largest independent hair coloration and hair are company in Brazil, one of the world's largest hair colour and hair care markets.
With a net revenue of 406 million Brazilian Reals (€130 million) in 2014, the Niely Cosméticos group has two main brands: Cor & Ton for hair coloration and Niely Gold for shampoos and care. Furthermore, Niely Cosméticos has industrial and logistical facilities in Nova Iguaçu, in the State of Rio.
The approval granted by the local regulatory authorities was confirmed in early January 2015.
On March 31st, 2015, L'Oréal finalised the acquisition of Niely Cosméticos.
This acquisition has been fully consolidated since April 1st, 2015.

On February 3rd, 2015, The Body Shop announced the completion of the deal to acquire the assets of Adidem Pty Limited, the company operating The Body Shop Australia since 1983.
This acquisition will move the fifth biggest The Body Shop market's retail sales from a Franchise operation to a Company-Owned market.
This acquisition has been fully consolidated since February 2nd, 2015.

The cost of these new acquisitions represents €380.5 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated respectively at €337.9 million and €31.7 million. The allocation of the purchase price to the identifiable intangible assets of these acquisitions had not been finalised at December 31st, 2015. These acquisitions represent around €183.1 million in full-year net sales and €0.9 million in half-year operating profit.

b) Other operations

In late November 2014, L'Oréal and Nestlé announced their intention to end the operations of their joint venture Innéov.
On April 24th, 2015, Nestlé Skin Health announced that Galderma, its company focused on medical solutions, would acquire certain assets of Innéov Group to serve as the foundation for its entry into the nutraceutical market.
This operation was finalised on June 30th, 2015.

2.1.2. Year 2014

a) Acquisitions

On April 30th, 2014, L'Oréal finalised the acquisition of Decléor and Carita. Decléor/Carita achieved a turnover of approximately €80 million in 2013. Founded in 1974, Decléor is the world's leading brand in aromatherapy. Created in 1945 by Maria & Rosy Carita, known as hairdressers for stars, Carita incarnates the art of prestigious French pampering.
This acquisition has been fully consolidated since May 1st, 2014.

On August 15th, 2013, L'Oréal and Magic Holdings International Limited have announced L'Oréal's proposal to acquire all of the shares of Magic Holdings International Limited, a company listed in the Hong Kong Stock Exchange. The proposed price is HK $6.30 per share.
The transaction has been approved by the Ministry Commerce of the People's Republic of China (MOFCOM) in early January 2014.
A specialist in cosmetic facial masks, Magic's turnover in 2013 was approximately €166 million. Facial masks are one of China's beauty market's fastest growing areas with very promising development prospects. Magic's MG brand is one of China's leading brands in this category.
This acquisition was finalised on April 8th, 2014, following the approval of the Shareholders' Meeting of Magic Holdings International Limited.This acquisition has been fully consolidated since April 1st, 2014.

On July 30th, 2014, L'Oréal finalised the acquisition of NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles.
In 2013, NYX Cosmectics reported net sales of US $72 million, a growth of +46% *vs* 2012.
This acquisition has been fully consolidated since August 1st, 2014.

On October 20th, 2014, L'Oréal USA announced the acquisition of Carol's Daughter. Headquartered in New York City, Carol's Daughter is a premier American multi-cultural beauty brand with a pioneering heritage in the natural beauty movement.
Following a multi-channel distribution model, Carol's Daughter offers a comprehensive range of products that are available at specialty beauty stores, mass retailers, on HSN, through e-commerce and at Carol's Daughter branded stores in New York City. For the 12 months ending September 30th, 2014, Carol's Daughter had net sales of US $27 million.
This acquisition has been fully consolidated since November 18th, 2014.

On December 17th, 2014, L'Oréal announced the acquisition of Coloright, a start-up company that develops hair fibre optical reader technology for a long-term Research program. Through this acquisition, L'Oréal reinforces its historic leadership in hair research.
This acquisition has been fully consolidated since December 17th, 2014.

The cost of these new acquisitions amounts to €1,382.6 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was estimated at €928.6 million and €422.4 million, respectively.
These acquisitions represent around €366.2 million in full-year net sales and €29.9 million in full-year operating profit.

b) Other operations

On July 8th, 2014, L'Oréal announced that it had finalised:

- the acquisition of 48,500,000 L'Oréal shares (8% of its share capital) owned by Nestlé; and
- the disposal of its 50% ownership in Galderma to Nestlé (note 2.3.).

The L'Oréal shares acquired have been immediately cancelled. The sale of Galderma led to a pre-tax capital gain of €2.2 billion and a post-tax capital gain of €2.1 billion.

2.1.3. Year 2013

On January 31st, 2013, L'Oréal finalised the acquisition of the Colombia-based Vogue group, the country's leader in mass-market makeup.
In 2012, the Vogue group reported consolidated net sales of €35.3 million.
This acquisition has been fully consolidated since February 1st, 2013.

On February 27th, 2013, Galderma Pharma S.A. finalised the acquisition of Spirig Pharma A.G. The Galderma business was reclassified within *Assets held for sale* in 2014.

On April 15th, 2013, L'Oréal announced it has acquired the Health & Beauty business of Interconsumer Products Limited (ICP) in Kenya from its founding shareholder. With a turnover of approximately €15 million in 2012, ICP is a significant player on the Kenyan beauty market, with strong positions in the hair and skin care markets.
This acquisition has been fully consolidated since April 12th, 2013.

On December 13th, 2013, following the approval of the Brazilian Anti-Trust Authority CADE, The Body Shop finalised the acquisition of 51% of Emporio Body Store in Brazil with the option of increasing its shareholding to 80% by 2019.
Founded in 1997 in Porto Alegre by Tobias Chanan, Emporio Body Store offers a complete range of beauty products sold through a franchise network.
Emporio Body Store achieved in 2012 a consolidated turnover of 20 million Reals (approximately €7 million). Since 2011, the business has grown strongly and increased from 36 points of sale in 2010 to 84 in 2012, to reach an estimated 130 points of sale end of 2013.
This acquisition has been fully consolidated since December 31st, 2013.

The cost of these new acquisitions (excluding Galderma operations) amounts to €123.8 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was estimated at €84.7 million and €32.7 million, respectively.
These acquisitions (excluding Galderma operations) represent around €60 million in full-year net sales and €8 million in full-year operating profit.

2.2. Impact of changes in the scope of consolidation in the cash flow statement

In 2015, this item mainly related to the acquisitions of Niely Cosméticos and assets of Adidem Pty Limited in Australia for The Body Shop.

In 2014, this item mainly related to the acquisitions Magic Holdings, NYX Cosmetics, Decléor and Carita and Carol's Daughter, and to the sale of Galderma to Nestlé.

In 2013, this item mainly related to the acquisitions of Vogue, Emporio Body Store and Interconsumer Products Limited.

2.3. Discontinued operations and assets held for sale

Nestlé and L'Oréal announced that their respective Boards of Directors, in meetings held on February 10th, 2014, have approved by unanimous decision of their voting members a strategic transaction for both companies under which L'Oréal will buy 48.5 million of its own shares (8% of its share capital) from Nestlé. This buyback will be financed:

- partially through the disposal by L'Oréal to Nestlé of its 50% stake in Swiss dermatology pharmaceuticals company Galderma (a 50/50 joint venture between L'Oréal and Nestlé) for an enterprise value of €3.1 billion (€2.6 billion of equity value), paid by Nestlé in L'Oréal shares (21.2 million shares). This transaction is expected to result in a pre-tax capital gain of around €2.2 billion for accounting purposes;
- for the remainder, corresponding to 27.3 million L'Oréal shares held by Nestlé, in cash for an amount of €3.4 billion.

The price per L'Oréal share retained for this transaction is the average of its closing prices between Monday November 11th, 2013 and Monday February 10th, 2014: €124.48.

All the shares bought back by L'Oréal have been cancelled.

The transaction was subject to customary conditions, including the prior consultation of Galderma's and L'Oréal's works councils. Clearance of relevant antitrust authorities has been obtained.

This operation was completed on July 8th, 2014 (note 2.1.2.).

For simplicity, Galderma has been classified within *Assets held for sale* for accounting purposes since January 1st, 2014.

Consequently, Galderma is shown within *Discontinued operations* in the consolidated income statements and consolidated statements of cash flows for all periods presented. Galderma is shown in the balance sheet within *Investments in associates* at December 31st, 2013.

2.3.1. Income statements of discontinued operations

€ millions	**2015**	2014	2013
Net sales	-	-	826.3
Operating profit	-	-	116.8
Net profit of discontinued operations (1)	-	2,142.7	80.0

(1) Includes in 2014, €41.7 million of Galderma dividends.

2.3.2. Statements of cash flows of discontinued operations

€ millions	**2015**	2014	2013
Net cash provided by operating activities	-	-	54.8
Net cash (used in) from investing activities	-	-	-130.1
Net cash (used in) from financing activities	-	-	98.3
Net cash (used in) from discontinued operations	**-**	**-**	**23.0**

2.4. Situation in Venezuela

In February 2015, the Venezuelan government introduced a new exchange mechanism (SIMADI) to replace SICAD II. Accordingly, SICAD II which had been used since January 1st, 2015 to translate accounting items of our Venezuelan subsidiary into euros was replaced by the SIMADI exchange rate as from April 1st, 2015.

The exchange rate used in 2014 was based on a combination of the official CENCOEX exchange rate (6.3 bolivars for 1 US dollar) – used for the large majority of our products – and the SICAD exchange rate for the remainder (between 12 and 13 bolivars for 1 US dollar).

The following exchange rates were therefore used in the consolidated financial statements:

Against 1 US dollar	**2015**	2014
Average rate	114.7	9.6
Closing rate in December	198.7	9.6

The country's increasingly difficult economic situation along with the restrictions imposed by the government on transactions limit our scope for taking and implementing operating decisions:

- a forex market with official exchange rates disconnected from actual exchange rates;
- automatic restrictions on imports due to very limited access to foreign currency;
- no free price setting for shampoos and conditioners in light of the "fair price" law;
- consequences of the "fair price" law: margins capped at 30% of the cost of products, then reduced from 30% to 20% by a decree of October 28th, 2015 with immediate effect and heavy sanctions in the event of non-compliance. Delivery incidents generating stock-outs due to re-labelling to take into account new pricing;
- impossibility for several years now as regards repatriating dividends and paying intragroup bills.

Accordingly, since the Venezuelan subsidiary is no longer material and in view of L'Oréal's difficulty in exercising decision-making and management power over its activities, the Venezuelan business has been deconsolidated and is now carried at cost.

This change is effective at December 31st, 2015 and has a negative impact of €107.2 million, included in *Other non-recurring income and expenses.*

This expense include the write-down of our investment in Venezuela for €94 million as well as the write-down of intragroup receivables owed by our Venezuelan subsidiary in an amount of €13 million.

In future, only sales of finished products by other subsidiaries to the Venezuelan subsidiary will impact the Group's income statement, and only when the revenue from such sales is collected.

NOTE 3 Operating items - Segment information

ACCOUNTING PRINCIPLES

Net sales

Net sales are recognised when the risks and rewards inherent to ownership of the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from sales, as are incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Cost of sales

The cost of goods sold consists mainly of the industrial production cost of products sold, the cost of distributing products to customers including freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

Research and development expenditure

Expenditure during the research phase is charged to the income statement for the financial year during which it is incurred.

Expenses incurred during the development phase are recognised as *Intangible assets* only if they meet all the following criteria set out in IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of development projects and uncertainties concerning the decision to launch products relating to these projects, L'Oréal considers that some of these capitalisation criteria are not met.

Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers. They are charged to the income statement for the financial year in which they are incurred.

Selling, general and administrative expenses

These expenses relate mainly to sales teams and sales team management, marketing teams and administrative services, as well as general expenses and the costs of share-based payment (stock options and free shares).

Operating profit

Operating profit consists of gross profit less research and development expenses, advertising and promotion expenses, and selling, general and administrative expenses.

Property, plant and equipment

Property, plant and equipment are recorded on the balance sheet at cost and are not revalued.

Significant capital assets financed through capital leases, which transfer to the Group substantially all of the risks and rewards inherent to their ownership, are recorded as assets on the balance sheet. The corresponding debt is recorded within borrowings and debt on the balance sheet.

Investment subsidies are recorded as liabilities under *Other current liabilities.*

The components of property, plant and equipment are recorded separately if their estimated useful lives, and therefore their depreciation periods, are materially different.

Property, plant and equipment are depreciated using the straight-line method, over the following useful lives:

Buildings	10-40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising: stands and displays	3-years
Other	3-10 years

Depreciation and impairment losses are recorded in the income statement according to the use of the asset.

In view of their nature, property, plant and equipment are considered to have a value of zero at the end of the useful lives indicated above.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

A provision is made for any doubtful receivables based on an assessment of the risk of non-recovery.

The Group's policy is to recommend credit insurance coverage when this is allowed by local regulations.

3.1. Segment information

3.1.1. Segment information

The Cosmetics Divisions are organised into four sectors, each operating with specific distribution channels:

- Professional Products Division: products used and sold in hair salons and beauty institutes;
- Consumer Products Division: products sold in mass-market retail channels;
- L'Oréal Luxe Division: products sold in selective retail outlets, i.e. department stores, perfumeries, travel retail, the Group's own boutiques and certain online sites;
- Active Cosmetics Division: dermocosmetics products sold through all health channels such as pharmacies, parapharmacies, drugstores and medispas.

The *non-allocated* item includes expenses incurred by the Functional Divisions, fundamental research and the costs of stock options not allocated to the Cosmetics Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

The Body Shop offers a wide range of naturally inspired cosmetics and toiletry products. The brand, originally created in the United Kingdom, distributes its products and expresses its values through a large multi-channel network of exclusive retail shops (in more than 60 countries), as well as through home and online sales. The Body Shop net sales and operating profit are characterised by strong seasonal fluctuations due to a high level of activity during the last few months of the year.

The performance of each Operational Division is measured on the basis of *operating profit*.

€ millions 2015	Sales	Operating profit	Operational assets (1)	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,399.7	678.5	3,342.4	127.5	154.9
Consumer Products	11,844.2	2,385.8	9,057.4	539.7	511.7
L'Oréal Luxe	7,230.0	1,497.5	5,235.6	305.4	300.1
Active Cosmetics	1,816.3	414.7	991.5	49.7	54.7
COSMETICS DIVISIONS TOTAL	**24,290.2**	**4,976.4**	**18,626.9**	**1,022.3**	**1,021.4**
Non-allocated		-643.6	759.3	119.6	127.4
The Body Shop	**967.2**	**54.8**	**1,381.4**	**40.0**	**38.7**
GROUP	**25,257.4**	**4,387.7**	**20,767.6**	**1,181.9**	**1,187.5**

(1) *Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.*

€ millions 2014	Sales	Operating profit	Operational asset (1)	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,032.4	608.8	3,089.5	75.4	120.1
Consumer Products	10,767.5	2,186.2	8,217.4	459.7	450.4
L'Oréal Luxe	6,197.9	1,269.2	4,870.3	246.8	223.8
Active Cosmetics	1,660.4	376.4	914.8	39.1	41.8
COSMETICS DIVISIONS TOTAL	**21,658.2**	**4,440.6**	**17,092.0**	**821.0**	**836.1**
Non-allocated		-615.2	740.6	152.8	114.2
The Body Shop	**873.8**	**65.3**	**1,268.6**	**33.5**	**46.7**
GROUP	**22,532.0**	**3,890.7**	**19,101.2**	**1,007.3**	**997.0**

(1) *Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.*

€ millions 2013	Sales	Operating profit	Operational assets [1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,973.8	609.5	3,013.9	73.7	126.7
Consumer Products	10,873.2	2,166.7	6,450.0	531.6	494.3
L'Oréal Luxe	5,865.2	1,174.2	4,382.5	222.8	239.2
Active Cosmetics	1,576.3	342.6	828.6	34.0	45.9
COSMETICS DIVISIONS TOTAL	**21,288.5**	**4,293.0**	**14,675.0**	**862.1**	**906.1**
Non-allocated		-604.5	600.4	128.3	115.8
The Body Shop	**835.8**	**71.9**	**1,196.7**	**40.0**	**39.9**
GROUP	**22,124.2**	**3,760.4**	**16,472.1**	**1,030.4**	**1,061.8**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.

Operational assets can be reconciled to the 2015, 2014 and 2013 balance sheets as follows:

€ millions	**2015**	2014	2013
Operational assets	**20,767.6**	**19,101.2**	**16,472.1**
Non-current financial assets	9,410.9	9,069.0	9,204.0
Investments in associates	1.0	-	435.2
Deferred tax assets	547.9	834.0	643.3
Other current assets	1,584.1	1,137.6	1,460.9
Cash and cash equivalents	1,399.8	1,917.0	2,659.3
Non-allocated assets	**12,943.7**	**12,957.6**	**14,402.7**
TOTAL ASSETS	**33,711.3**	**32,058.8**	**30,874.8**

3.1.2. Information by geographic zone

All information is presented on the basis of geographic location of the subsidiaries.

3.1.2.1. Consolidated net sales by geographic zone

	2015		Growth *(%)*		2014		2013	
	€ millions	**% of total**	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	8,647.1	34.2%	4.5%	2.2%	8,274.2	36.7%	8,019.6	36.2%
of which France	2,656.4	10.5%	1.9%	1.9%	2,607.5	11.6%	2,573.5	11.6%
North America	6,848.4	27.1%	22.8%	4.3%	5,577.5	24.8%	5,538.2	25.0%
New Markets	9,761.9	38.6%	12.5%	7.9%	8,680.3	38.5%	8,566.4	38.7%
GROUP	**25,257.4**	**100.0%**	**12.1%**	**4.9%**	**22,532.0**	**100.0%**	**22,124.2**	**100.0%**

3.1.2.2. Cosmetics net sales by geographic zone

	2015		Growth *(%)*		2014		2013	
	€ millions	**% of total**	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	8,042.7	33.1%	4.5%	2.6%	7,697.7	35.5%	7,467.6	35.1%
of which France	2,627.0	10.8%	1.8%	1.8%	2,579.5	11.9%	2,546.8	12.0%
North America	6,654.4	27.4%	23.5%	4.8%	5,389.4	24.9%	5,356.1	25.2%
New Markets	9,593.0	39.5%	11.9%	7.5%	8,571.1	39.6%	8,464.7	39.8%
Asia, Pacific	5,463.5	22.5%	19.7%	5.3%	4,563.6	21.1%	4,382.2	20.6%
Latin America	1,871.3	7.7%	0.9%	10.6%	1,853.7	8.6%	1,886.2	8.9%
Eastern Europe	1,530.4	6.3%	-3.5%	9.8%	1,585.4	7.3%	1,691.3	7.9%
Africa, Middle East	727.9	3.0%	28.1%	12.3%	568.4	2.6%	505.1	2.4%
COSMETICS ZONES TOTAL	**24,290.2**	**100.0%**	**12.2%**	**5.1%**	**21,658.2**	**100.0%**	**21,288.4**	**100.0%**

3.1.2.3. Breakdown of operating profit of Operational Divisions by geographic zone

€ millions	**2015**	2014	2013
Western Europe	1,827.1	1,746.1	1,661.8
North America	1,256.8	1,010.4	1,003.1
New Markets	1,892.6	1,684.1	1,628.2
COSMETICS DIVISIONS TOTAL	**4,976.4**	**4,440.6**	**4,293.0**
Non-allocated	-643.6	-615.2	-604.5
COSMETICS	**4,332.9**	**3,825.4**	**3,688.5**

3.1.2.4. Breakdown of operational assets and consolidated investments by geographic zone

	2015		2014		2013	
€ millions	**Operational assets**	**Investments in property, plant and equipment and intangible assets**	Operational assets	Investments in property, plant and equipment and intangible assets	Operational assets	Investments in property, plant and equipment and intangible assets
Western Europe	8,582.8	347.6	8,270.8	297.2	7,786.3	308.9
North America	5,962.3	319.0	5,268.5	221.8	4,347.3	251.4
New Markets	5,463.3	395.7	4,820.7	335.5	3,738.1	341.8
Non-allocated	759.3	119.6	741.2	152.8	600.4	128.3
GROUP	**20,767.6**	**1,181.9**	**19,101.2**	**1,007.3**	**16,472.1**	**1,030.4**

3.2. Depreciation and amortisation expense and Property, plant and equipment

3.2.1. Depreciation and amortisation expense

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amount to €963.0, €871.2 million and €838.3 million, respectively, for 2015, 2014 and 2013.

3.2.2. Property, plant and equipment

€ millions **2015**	12.31.2014	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements** [(1)]	**12.31.2015**
Land and buildings	2,146.2	56.7	-36.3	25.5	31.3	2,223.4
Machinery and equipment	3,005.0	189.8	-131.1	31.8	108.4	3,204.0
Point-of-sales advertising: stands and displays	1,622.8	345.3	-189.9	58.6	59.7	1,896.5
Other property, plant and equipment and fixed assets in progress	1,379.9	404.7	-71.2	36.8	-170.9	1,579.2
Gross value	**8,153.9**	**996.6**	**-428.5**	**152.6**	**28.5**	**8,903.1**
Land and buildings	1,100.7	78.6	-33.0	14.0	-5.3	1,154.9
Machinery and equipment	2,054.1	239.6	-129.5	26.2	5.9	2,196.3
Point-of-sales advertising: stands and displays	1,117.8	339.9	-189.6	39.6	12.3	1,320.0
Other property, plant and equipment	740.2	128.2	-69.8	27.7	2.2	828.5
Depreciation and provisions	**5,012.8**	**786.2**	**-421.9**	**107.4**	**15.1**	**5,499.6**
Property, plant and equipment - net	**3,141.1**	**210.4**	**-6.6**	**45.2**	**13.4**	**3,403.5**

(1) These mainly include the impact of changes in the scope of consolidation and fixed assets in progress allocated to other fixed assets.

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€ millions 2014	12.31.2013	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	12.31.2014
Land and buildings	1,946.7	99.6	-65.4	58.4	106.9	2,146.2
Machinery and equipment	2,753.8	157.9	-124.9	84.7	133.6	3,005.0
Point-of-sales advertising: stands and displays	1,404.6	287.6	-184.7	79.4	35.9	1,622.8
Other property, plant and equipment and fixed assets in progress	1,327.6	302.8	-78.8	70.2	-241.9	1,379.9
Gross value	**7,432.7**	**848.0**	**-453.8**	**292.7**	**34.4**	**8,153.9**
Land and buildings	1,026.9	90.4	-57.4	26.1	14.7	1,100.7
Machinery and equipment	1,885.7	230.9	-121.7	56.0	3.2	2,054.1
Point-of-sales advertising: stands and displays	958.1	287.7	-184.5	54.8	1.7	1,117.8
Other property, plant and equipment	670.8	104.8	-71.5	37.7	-1.6	740.2
Depreciation and provisions	**4,541.4**	**713.8**	**-435.1**	**174.6**	**18.0**	**5,012.8**
Property, plant and equipment - net	**2,891.2**	**134.2**	**-18.7**	**118.0**	**16.4**	**3,141.1**

(1) These mainly include the impact of changes in the scope of consolidation and fixed assets in progress allocated to other fixed assets.

€ millions 2013	12.31.2012	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	12.31.2013
Land and buildings	1,876.2	71.3	-21.4	-56.2	76.9	1,946.7
Machinery and equipment	2,783.7	197.6	-149.2	-92.0	13.7	2,753.8
Point-of-sales advertising: stands and displays	1,355.7	273.6	-186.3	-69.3	30.9	1,404.6
Other property, plant and equipment and fixed assets in progress	1,305.0	349.1	-67.1	-65.4	-194.0	1,327.6
Gross value	**7,320.6**	**891.5**	**-424.0**	**-282.9**	**-72.5**	**7,432.7**
Land and buildings	993.1	67.6	-15.8	-18.3	0.3	1,026.9
Machinery and equipment	1,910.7	235.9	-147.2	-50.7	-63.1	1,885.7
Point-of-sales advertising: stands and displays	914.3	274.8	-186.1	-45.2	0.2	958.1
Other property, plant and equipment	670.0	103.4	-66.5	-29.8	-6.3	670.8
Depreciation and provisions	**4,488.1**	**681.7**	**-415.6**	**-143.9**	**-68.9**	**4,541.4**
Property, plant and equipment - net	**2,832.4**	**209.8**	**-8.3**	**-139.0**	**-3.6**	**2,891.2**

(1) These mainly include the impact of changes in the scope of consolidation and fixed assets in progress allocated to other fixed assets.

Property, plant and equipment include capital lease contracts for the following amounts:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Land and buildings	106.5	99.9	80.6
Machinery and equipment	9.1	2.5	2.2
Other property, plant and equipment and fixed assets in progress	71.6	59.8	25.5
Gross value	**187.2**	**162.1**	**108.3**
Depreciation	122.2	105.0	54.6
Net value	**65.0**	**57.1**	**53.7**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	12.31.2015	12.31.2014	12.31.2013
Finished products and consumables	2,191.3	2,028.0	1,827.7
Raw materials, packaging and semi-finished products	517.4	501.7	496.3
Gross value	**2,708.7**	**2,529.7**	**2,324.0**
Valuation allowance	268.0	266.8	238.8
Inventories - net	**2,440.7**	**2,262.9**	**2,085.2**

3.3.2. Trade accounts receivable

€ millions	12.31.2015	12.31.2014	12.31.2013
Gross value	3,677.8	3,334.7	3,063.1
Valuation allowance	50.1	36.9	40.3
Net value	**3,627.7**	**3,297.8**	**3,022.8**

Trade accounts receivable are due within one year. Group policy is to recommend credit insurance coverage as far as local conditions allow.

The non-collection risk on trade receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2015.

3.3.3. Other current assets

€ millions	12.31.2015	12.31.2014	12.31.2013
Tax and employee-related receivables (excluding income tax) (1)	544.9	351.5	340.2
Prepaid expenses	300.4	272.1	224.9
Derivatives	283.0	262.5	195.2
Current financial assets (2)	101.7	72.0	504.5
Other current assets	256.9	241.2	235.5
TOTAL	**1,486.9**	**1,199.3**	**1,500.3**

(1) Including the €189.5 million fine payed in April 2015 following the decision of the competition authority in France (note 12.2.2.B.).
(2) Galderma repaid €438.5 million of loans in July 2014.

3.4. Other current liabilities

€ millions	12.31.2015	12.31.2014	12.31.2013
Tax and employee-related payables (excluding income tax)	1,241.8	1,153.4	1,034.2
Credit balances on trade receivables	841.7	748.1	673.3
Fixed asset payables	156.3	147.6	145.8
Derivatives	205.4	215.8	90.4
Other current liabilities	152.1	138.3	139.5
TOTAL	**2,597.3**	**2,403.2**	**2,083.1**

3.5. Changes in working capital

This caption amounts to a positive €196.4 million in 2015, a positive €55.9 million in 2014 and a negative €67.6 million in 2013 and can be analysed as follows:

€ millions	2015	2014	2013
Inventories	-108.1	-18.0	-216.0
Trade accounts receivable	-269.8	-119.7	-170.3
Trade accounts payable	403.9	55.8	194.5
Other receivables and payables	-222.4	137.8	124.2
TOTAL	**-196.4**	**55.9**	**-67.6**

NOTE 4 Other operational income and expenses

ACCOUNTING PRINCIPLES

Other income and expenses

The *Other income and expenses* item includes capital gains and losses on disposals of property, plant and equipment and intangible assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements.

The cost of restructuring operations is fully provisioned if it results from a group obligation towards a third party originating from a decision taken by a competent body which is announced to the third parties concerned before the end of the reporting period. This cost consists mainly of severance payments, early retirement payments, the cost of unworked notice periods, the costs of training for employees affected by the restructuring measures, and other costs relating to site closures. Any write-offs of fixed assets or impairment charged against inventories and other assets related directly to these restructuring measures are also recorded as restructuring costs.

Operational profit

Operational profit is calculated based on operating profit and includes other income and expenses such as capital gains and losses on disposals of property, plant, and equipment and intangible assets, impairment of assets, and restructuring costs.

4.1. Other operational income and expenses

This item breaks down as follows:

€ millions	**2015**	2014	2013
Capital gains and losses on disposals of property, plant and equipment and intangible assets	-0.2	1.0	-0.1
Impairment of property, plant and equipment and intangible assets (1)	-	-	-35.4
Restructuring costs (2)	-85.1	-77.9	-65.9
Other (3)	-108.1	-230.3	-27.2
TOTAL	**-193.4**	**-307.2**	**-128.6**

(1) These impairment charges relate to in 2013, the Club des Créateurs de Beauté goodwill for €35.4 million following the decision taken in November 2013 to cease its activity.

(2) Including:

- *in 2015, the reorganisation of logistics activities for the Luxury business in Northern Europe for €13.1 million, the combination of headquarters in Milan in Italy and the reorganisation of logistics activities for €5.8 million, the reorganisation of Nordic teams around Denmark for €7.6 million, the completion of the reorganisation of logistics activities in Spain, which now include the Professional Products Division, along with the reorganisation of the Consumer Products sales team for €15.8 million, the reduction in headcount in Argentina as a result of the country's economic difficulties for €10.9 million, the write-down of a research building in Chicago, United States for €2.7 million, the continued reorganisation of Decléor and Carita distribution activities for €19.1 million and NYX Cosmetics distribution activities for €8.6 million, and the discontinuance of our operations in Nigeria for €3.9 million ;*
- *in 2014, the termination of the distribution of the Garnier brand in China (€35.0 million), the industrial reorganisation in the United States (€7.9 million), the realignment of L'Oréal teams in Italy (€16.0 million), the first phase in the reorganisation of distribution for Decléor and Carita (€9.1 million) and the restructuring of The Body Shop distribution network in the US (€21.8 million), leading to the closure of a large number of stores as well as the Wake Forest distribution centre, offset by downward adjustments in expenses relating to the discontinuance of the Club des Créateurs de Beauté activity (€4.1 million);*
- *in 2013, the reorganisation of industrial and logistics activities in Spain for €11.4 million, the termination of the distribution of the Helena Rubinstein brand in Spain and Portugal for €17.1 million, a voluntary departure plan implemented in Italy for €9.3 million, the decision to cease the Club des Créateurs de Beauté activity for €28.7 million and €7.0 million relating to the reversal of impairment charged against the building of the Solon plant following its sale at the end of 2013*

(3)

- *In 2015, the deconsolidation of the Venezuelan subsidiary for €107.2 million (note 2.4.), the reversal of the provision for liabilities in an amount of €9.2 million following the out-of-court settlement reached with the Belgian competition authority in June 2015, the additional €1 million following the termination of the proceedings with the German competition authority (note 12.2.2.A.), acquisition-related costs for €8.9 million and the upward revision of the 2014 exceptional "solidarity" tax on high salaries for €1.2 million;*
- *In 2014, the exceptional "solidarity" tax on high salaries for €17.4 million, costs relating to acquisitions for €20.4 million, and the fine levied by the competition authority against L'Oréal S.A. for €189.5 million (note 12.2.2.B.);*
- *In 2013, costs relating to acquisitions for €11.1 million, the exceptional "solidarity" tax on high salaries for €14.6 million.*

NOTE 5 Number of employees, personnel costs and employee benefits

5.1. Number of employees

	12.31.2015	12.31.2014	12.31.2013
Western Europe	32,203	31,080	30,525
North America	14,968	15,441	15,036
New Markets	35,710	32,090	29,417
TOTAL (1)	**82,881**	**78,611**	**74,978**

(1) Excluding employees of equity-accounted companies.

5.2. Personnel costs

€ millions	2015	2014	2013
Personnel costs (including welfare contributions) (1)	**5,223.0**	**4,623.4**	**4,387.3**

(1) Excluding personnel costs of equity-accounted companies.

Personnel costs include the pension expense (excluding the interest component), the cost of any share-based payments (stock options and free shares), and payroll taxes. The exceptional "solidarity" tax on high salaries amounting to €17.4 million in 2014 and €14.6 million in 2013 is shown in *Other operational income and expenses* (note 4) and is not included in personnel costs.

5.3. Executive compensation

Costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors can be analysed as follows:

€ millions	2015	2014	2013
Directors' fees	1.2	1.1	1.1
Salaries and benefits including employer welfare contributions	30.6	28.8	26.7
Employee retirement obligation charges	17.3	16.0	16.3
Share-based payment (Stock option and free shares)	25.8	23.5	18.2

The number of executives who were members of the Management Committee was 16 at December 31st, 2015 and at December 31st, 2014 compared with 15 at December 31st, 2013.

5.4. Post-employment benefits, termination benefits and other long-term employee benefits

ACCOUNTING PRINCIPLES

The Group operates pension, early retirement and other benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group recognises in the income statement contributions payable when they are due. No provision has been set aside in this respect as the Group's obligation does not exceed the amount of contributions paid.

The characteristics of the defined benefit schemes in force within the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. An early retirement plan and a defined benefit plan have also been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees.

  These obligations are partially funded by an external fund, except those relating to healthcare costs for retired employees;
- for foreign subsidiaries with employee pension schemes or other specific obligations relating to defined benefit plans, the excess of the projected benefit obligation over the scheme's assets is recognised by setting up a provision for charges on the basis of the actuarial value of employees' vested rights.

The charges recorded in the income statement during the year include:

- service cost, i.e. additional rights vested by employees during the accounting period;
- the impact of any change to existing schemes on previous years or of any new schemes;
- interest cost, i.e. change in the value of the discounted rights over the past year;
- income on external funds calculated on the basis of the discount rate applied to the benefit obligation.

The latter two items represent the interest component of the pension expense. The interest component is shown within *Finance Result* on the *Other financial income and expenses* line.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected unit credit method). The obligations and the fair value of plan assets are assessed each year using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

Actuarial gains and losses arising on post-employment defined benefit obligations are recognised in equity.

Actuarial gains and losses in relation to other benefits such as jubilee awards and long-serve bonuses are immediately charged to the income statement.

The liability corresponding to the Company's net defined benefit obligation regarding its employees is recorded in the balance sheet on the *Provisions for employee retirement obligation and related benefits* line.

The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country or Group company. The weighted average assumptions for the Group are as follows:

In %	**12.31.2015**	12.31.2014	12.31.2013
Discount rate	2.9%	2.8%	3.8%
Salary increases	4.5%	4.7%	4.9%
Expected long-term return on plan assets	3.0%	2.9%	3.8%

	12.31.2015			12.31.2014			12.31.2013		
	Initial rate	**Final rate**	**Application of final rate**	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate
Expected rate of health care inflation	5.8%	4.3%	2021	5.8%	4.2%	2019	4.9%	3.6%	2019

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

It can be broken down by geographic zone as follows:

In %	**2015**	2014	2013
Weighted average (all countries) based on the benefit obligation	**2.9%**	**2.8%**	**3.8%**
of which:			
euro zone (1)	2.4%	2.2%	3.5%
United States	3.8%	3.8%	4.3%
United Kingdom	3.8%	3.8%	4.5%

(1) The weighted average for 2015 consists of a 2.5% discount rate on annuity plans with an average term of 21.7 years and a 2.3% discount rate on capital plans with an average term of 13.4 years.

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligation by €227.7 million for the euro zone, €61.4 million for the United States and €73.2 million for the United Kingdom.

The expected returns on plan assets are based on the discount rates used.

The breakdown of plan assets is as follows:

In %	**12.31.2015**	12.31.2014	12.31.2013
Equity securities (1)	39.2%	35.6%	37.7%
Bonds	52.4%	56.4%	52.8%
Property assets (2)	4.3%	3.7%	3.6%
Monetary instruments	2.7%	1.2%	1.0%
Other	1.4%	3.1%	4.9%
TOTAL	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: nil.
(2) Of which property assets occupied by Group entities: nil.

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

The variations during 2015, 2014 and 2013 are set out below:

€ millions	Present value of defined benefit obligations	Plan assets	Net provisions
Balance at December 31st, 2012	**3,694.8**	**-2,503.6**	**1,191.2**
Service cost	134.5	-	134.5
Interest cost	137.1	-	137.1
Expected return on assets	-	-98.7	-98.7
Past service cost: new plans/plan amendments	0.2	-	0.2
Curtailments	-0.2	-	-0.2
Settlements	-	-	-
Benefits paid	-178.7	131.3	-47.4
Contributions paid	4.2	-247.9	-243.7
Actuarial gains and losses	-128.7	-50.8	-179.4
Translation differences	-72.9	52.6	-20.3
Other movements	60.9	5.4	66.3
Balance at December 31st, 2013	**3,651.4**	**-2,711.8**	**939.6**
Service cost	141.4	-	141.4
Interest cost	144.2	-	144.2
Expected return on assets	-	-115.1	-115.1
Past service cost: new plans/plan amendments	-5.1	-	-5.1
Curtailments	-33.2	-	-33.2
Settlements	0.1	-	0.1
Benefits paid	-174.5	130.7	-43.8
Contributions paid	4.1	-255.6	-251.5
Actuarial gains and losses	881.2	-208.6	672.6
Translation differences	155.8	-128.0	27.8
Other movements (1)	-5.1	7.8	2.7
Balance at December 31st, 2014	**4,760.3**	**-3,280.6**	**1,479.7**
Service cost	180.0	-	180.0
Interest cost	136.1	-	136.1
Expected return on assets	-	-104.0	-104.0
Past service cost: new plans/plan amendments	-13.1	-	-13.1
Curtailments	-13.2	-	-13.2
Settlements	-96.5	94.5	-2.0
Benefits paid	-251.5	190.7	-60.8
Contributions paid	4.3	-228.0	-223.7
Actuarial gains and losses	-600.2	2.3	-597.9
Translation differences	151.8	-130.0	21.8
Other movements	-3.3	7.6	4.3
BALANCE AT DECEMBER 31ST, 2015	**4,254.7**	**-3,447.5**	**807.2**

(1) Including for the projected benefit obligation in 2013 €67.6 million reclassified from employee-related liabilities to provisions for employee retirement obligations.

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Present value of defined benefit obligations wholly or partly funded	3,732.5	4,014.8	3,199.8
Fair value of plan assets	3,447.5	3,280.6	2,711.8
Net position of defined benefit obligations wholly or partly funded	285.0	734.2	488.0
Present value of defined benefit obligations wholly unfunded	522.2	745.5	451.6

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	2015	2014	2013
Service cost	180.0	141.4	134.5
Interest cost	136.1	144.2	137.1
Expected return on plan assets	-104.0	-115.1	-98.7
New plans/plan amendments	-13.1	-5.1	0.2
Curtailments	-13.2	-33.2	-0.2
Settlements	-2.0	0.1	-
TOTAL	**183.8**	**132.3**	**172.9**

Contributions to defined contribution plans recognised as an expense in 2015, 2014 and 2013 amounted to €446.5, €409.8 and €388.4 million, respectively.

A change of one percentage point in medical cost inflation would have the following impact:

	Increase of 1%	Decrease of 1%
Impact on projected benefit obligation	14.0	-11.5
Impact on current service cost and interest costs	0.9	-0.7

Actuarial gains and losses for the periods presented are as follows:

€ millions **2015**	**Present value of defined benefit obligations**	**Plan assets**	**Net provisions**
Actuarial gains and losses: experience adjustments	-101.3	2.3	-99.0
Actuarial gains and losses: demographic assumptions	-140.4	-	-140.4
Actuarial gains and losses: financial assumptions	-358.5	-	-358.5
TOTAL	**-600.2**	**2.3**	**-597.9**

€ millions 2014	Present value of defined benefit obligations	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-9.1	-208.6	-217.7
Actuarial gains and losses: demographic assumptions	49.6	-	49.6
Actuarial gains and losses: financial assumptions	840.7	-	840.7
TOTAL	**881.2**	**-208.6**	**672.6**

€ millions 2013	Present value of defined benefit obligations	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-9.4	-50.8	-60.2
Actuarial gains and losses: demographic assumptions	18.2	-	18.2
Actuarial gains and losses: financial assumptions	-137.5	-	-137.5
TOTAL	**-128.6**	**-50.8**	**-179.4**

5.5. Stock subscription or purchase options – Free shares

ACCOUNTING PRINCIPLES

In accordance with the requirements of IFRS 2 "Share-based payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally 5 years for purchase options and 4 years for free shares.

The fair value of stock options is determined using the Black & Scholes model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, and market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural assumptions regarding beneficiaries.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

The impact of IFRS 2 on profit for the period is booked on the *Selling, general and administrative expenses* line of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

The table below sets out data concerning option plans issued after November 7th, 2002 and in force at December 31st, 2015.

Grant date	Number of options	Number of options not yet exerciced	Exercise period From	Exercise period To	Exercise price
11.30.2005	4,200,000	-	12.01.2010	11.30.2015	€61.37
11.30.2005	1,800,000	6,255	12.01.2010	11.30.2015	€62.94
04.25.2006	2,000,000	-	04.26.2011	04.25.2016	€72.60
12.01.2006	5,500,000	722,856	12.02.2011	12.01.2016	€78.06
11.30.2007	4,000,000	791,155	12.01.2012	11.30.2017	€91.66
03.25.2009	3,650,000	865,222	03.26.2014	03.25.2019	€50.11
04.27.2010	4,200,000	2,319,386	04.28.2015	04.27.2020	€80.03
04.22.2011	1,470,000	1,228,500	04.23.2016	04.22.2021	€83.19

All plans have a 5-year exercise period and no performance-related conditions, except the April 22nd, 2011 plan (for all participants) and the April 27th, 2010 and March 25th, 2009 plans (for members of the Management Committee).

The performance conditions associated with these plans concern:

- April 22nd, 2011 plan:
  - for 50% of options granted, the increase in comparable Cosmetic revenues for the 2012, 2013, 2014 and 2015 fiscal years in relation to the growth in revenues for a panel of competitors,
  - for 50% of options granted, the increase over the same period in Group consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in 2012, 2013, 2014 and 2015 fiscal years and will use a predefined allocation scale based on the performance percentage reached;

- April 27th, 2010 and March 25th, 2009 plans:
  - for 50% of options granted, the increase in comparable Cosmetic revenues for the 2011, 2012, 2013 and 2014 fiscal years for the 2010 plan and for the 2010, 2011, 2012 and 2013 fiscal years for the 2009 plan compared to the growth of the cosmetics market,
  - for 50% of options granted, the percentage, over the same period, resulting from the ratio between the contribution before advertising and promotion expenses, *i.e.* the sum of operating profit and advertising and promotion expenses, and published Cosmetic revenues.

The calculation will be based on the arithmetic average of performance in the 2011, 2012, 2013 and 2014 fiscal years for the 2010 plan and in the 2010, 2011, 2012 and 2013 fiscal years for the 2009 plan, and will use a predefined allocation scale based on the performance percentage achieved.

At December 31st, 2015, the performance conditions were definitively met for the April 27th, 2010 and March 25th, 2009 plans.

The fair value of options is determined using the Black & Scholes method based on the following assumptions:

	Purchase options	Subscription options							
	November 2005	June 2005	November 2005	April 2006	December 2006	November 2007	March 2009	April 2010	April 2011
Risk-free rate of return	3.16%	2.63%	3.16%	3.80%	3.62%	4.01%	3.15%	2.83%	3.42%
Expected life span	6 years	6 years	6 years	6 years	7 years	7 years	7 years	7 years	8 years
Expected volatility	21.00%	17.00%	21.00%	20.50%	22.52%	23.00%	31.95%	23.53%	22.60%
Expected dividends	1.35%	1.38%	1.35%	1.35%	1.35%	1.24%	2.83%	1.86%	2.10%
Share price	€61.30	€59.40	€61.30	€74.10	€74.60	€94.93	€50.94	€80.50	€85.68
Exercise price	€62.94	€60.17	€61.37	€72.60	€78.06	€91.66	€50.11	€80.03	€83.19
Fair value	€12.30	€9.45	€12.88	€17.48	€17.19	€25.88	€12.16	€17.17	€18.58

Expected volatility is equal to the implied volatility of the options listed on MONEP at the grant dates. As from 2007, in order to mitigate the effects of atypical phenomena, the volatility used corresponds to the average between implied volatility at the grant date and historic volatility over the expected life span of the option. The expected life span has been adjusted to take account of behavioural assumptions relating to the beneficiaries.

Data concerning all share option plans during fiscal years 2013, 2014 and 2015 are set out below:

	12.31.2015		12.31.2014		12.31.2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	**10,770,989**	**€75.28**	**14,298,484**	**€72.24**	**22,210,443**	**€71.90**
◆ Options granted	-		-		-	
◆ Options exercised	-4,808,115	€72.39	-3,505,993	€62.89	-7,182,259	€70.66
◆ Options expired	-29,500		-21,502		-729,700	
Number of options not exercised at end of period	**5,933,374**	**€77.61**	**10,770,989**	**€75.28**	**14,298,484**	**€72.24**
Of which:						
◆ number of exercisable options at end of period	4,704,874	€76.16	5,560,989	€70.13	5,640,484	€77.81
◆ expired options at end of period	3,000		3,000		6,500	

The weighted average share price was €162.95, €125.73 and €123.64, respectively, for 2015, 2014 and 2013.

The total charge recorded in 2015, 2014 and 2013 amounted to €9.3 million, €20.4 million and €27.0 million, respectively.

b) Free shares

The table below summarises data about free share plans.

Grant date					
Stock subscription plans	Stock purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not fully vested
03.25.2009		03.26.2013	270,000	237,800	
04.27.2010		04.28.2014	450,000	390,100	
	04.22.2011	04.23.2015	1,038,000	939,300	
	04.17.2012	04.18.2016	1,325,050		1,248,350
	04.26.2013	04.27.2017	1,057,820		1,020,890
04.17.2014		04.18.2018	1,086,565		1,050,515
04.22.2015		04.23.2019	860,150		857,250

For the conditional grant of shares, the plan provides for a 4-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2-year mandatory holding period applies for French residents, during which the shares cannot be sold.

The performance conditions concern:

- April 22nd, 2015, April 17th, 2014, April 26th, 2013 and April 17th, 2012 plans:
  - for 50% of shares granted, the increase in comparable Cosmetic revenues for the 2016, 2017 and 2018 fiscal years under the 2015 plan, for the 2015, 2016 and 2017 fiscal years under the 2014 plan, for the 2014, 2015 and 2016 fiscal years under the 2013 plan and for the 2013, 2014 and 2015 fiscal years under the 2012 plan in relation to the growth in revenues for a panel of competitors,
  - for 50% of shares granted, the increase over the same period in Group consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in the 2016, 2017 and 2018 fiscal years under the 2015 plan, 2015, 2016 and 2017 fiscal years under the 2014 plan, 2014, 2015 and 2016 fiscal years under the 2013 plan and in the 2013, 2014 and 2015 fiscal years under the 2012 plan and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

At December 31st, 2015, the performance conditions were deemed to have been met.

The fair value of free share awards is determined using the following assumptions:

	Stock subscription plans		Stock purchase plans			Stock subscription plans	
Grant date	March 2009	April 2010	April 2011	April 2012	April 2013	April 2014	April 2015
Risk-free rate of return	2.41%	1.75%	2.60%	1.43%	0.50%	0.65%	-0.02%
Discount for post-vesting transfer restrictions for French employees	8.46%	8.65%	8.54%	8.06%	5.75%	4.46%	1.70%
Dividends expected	2.83%	1.86%	2.10%	2.14%	1.76%	2.06%	1.52%
Share price	€50.94	€80.50	€85.68	€93.68	€130.45	€121.35	€177.10
Fair value							
◆ Employees resident in France	€40.23	€66.78	€70.36	€77.07	€112.37	€104.58	€161.49
◆ Employees not resident in France	€44.55	€73.73	€77.67	€84.62	€119.87	€109.99	€164.50

The expense recorded in 2015, 2014 and 2013 amounted to €108.4 million, €93.0 million and €70.2 million, respectively.

NOTE 6 Income tax

ACCOUNTING PRINCIPLES

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever there are temporary differences between the tax basis of assets and liabilities and their basis for consolidated accounting purposes, using the balance sheet liability method.

The restatement of assets and liabilities linked to capital lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is measured using the tax rate enacted at the closing date and which will also apply when the temporary differences reverse.

Deferred tax assets generated by tax loss carryforwards are only recognised to the extent it is probable that the entities will be able to generate taxable profit against which they can be utilized.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which is payable only by L'Oréal, the parent company of the tax group. Tax consolidation systems also exist outside France.

6.1. Detailed breakdown of income tax

€ millions	2015	2014	2013
Current tax	1,169.5	1,051.0	1,027.6
Deferred tax	53.4	60.0	16.0
INCOME TAX	**1,222.9**	**1,111.0**	**1,043.6**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2015	2014	2013
Profit from continuing operations before tax and associates	**4,517.4**	**3,890.4**	**3,928.0**
Theoretical tax rate	30.04%	29.83%	30.35%
Expected tax charge	**1,357.1**	**1,160.5**	**1,192.0**
Impact of permanent differences (1)	3.6	106.5	41.6
Impact of tax rate differences	-127.9	-116.2	-142.4
Change in unrecognised deferred taxes	12.0	10.1	-5.2
Other (2)	-21.9	-49.9	-42.6
GROUP TAX CHARGE	**1,222.9**	**1,111.0**	**1,043.6**

(1) In 2014, this amount includes €72 million relating to the fine levied by the competition authority in France.
(2) Including tax credits, withholding taxes on distributions, tax reassessments and provisions for tax liabilities. This amount includes €45 million in 2015 as in 2014 and €41 million in 2013 relating to the 3% additional levy on dividends paid as well as a tax reimbursement in China relating to fiscal years 2008 to 2011 following a change in tax legislation of €24 million in 2013.

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit. The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line *Impact of tax rate differences*.

6.3. Deferred taxes in the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at December 31st, 2012	**691.0**
Balance of deferred tax liabilities at December 31st, 2012	**-694.3**
Income statement impact	-16.0
Translation differences	-12.0
Other effects (1)	-55.9
Balance of deferred tax assets at December 31st, 2013	**643.3**
Balance of deferred tax liabilities at December 31st, 2013	**-730.6**
Income statement impact	-60.0
Translation differences	-21.2
Other effects (1)	147.3
Balance of deferred tax assets at December 31st, 2014	**834.0**
Balance of deferred tax liabilities at December 31st, 2014	**-855.2**
Income statement impact	-53.4
Translation differences	-47.1
Other effects (1)	-207.2
BALANCE OF DEFERRED TAX ASSETS AT DECEMBER 31ST, 2015	**547.9**
BALANCE OF DEFERRED TAX LIABILITIES AT DECEMBER 31ST, 2015	**-876.8**

(1) Including mainly the tax effect on actuarial gains and losses recognised in equity and in 2014 on newly consolidated companies for €115.7 million.

Deferred tax assets and liabilities recorded in the balance sheet may be broken as follows:

€ millions	12.31.2015 Deferred tax assets	12.31.2015 Deferred tax liabilities	12.31.2014 Deferred tax assets	12.31.2014 Deferred tax liabilities	12.31.2013 Deferred tax assets	12.31.2013 Deferred tax liabilities
Temporary differences	537.8	510.4	825.5	503.1	634.3	371.4
Deferred tax liabilities on revaluation of Sanofi		366.4		352.1		359.2
Tax credits and tax loss carry-forwards	10.1		8.5		9.0	
DEFERRED TAX TOTAL	**547.9**	**876.8**	**834.0**	**855.2**	**643.3**	**730.6**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€196.8 million, €440.7 million and €263.6 million respectively at the end of 2015, 2014 and 2013) and provisions for liabilities and charges (€190.2 million, €167.2 million and €171.2 million respectively at the end of 2015, 2014 and 2013).

Deferred tax liabilities on temporary differences mainly relate to intangible assets acquired in the context of business combinations other than non-tax-deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €79.2 million at December 31st, 2015 compared with €55.3 million at December 31st, 2014 and €41.3 million at December 31st, 2013.

NOTE 7 Intangible assets

7.1. Goodwill

ACCOUNTING PRINCIPLES

Business combinations are accounted for by the purchase method. The assets, liabilities and contingent liabilities of the Company acquired are measured at fair value at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition and the Group's interest in the fair value of the identified assets and liabilities is recorded as *Goodwill* and allocated to the Cash Generating Units expected to benefit from the acquisition or the related synergies.

Goodwill generated on the acquisition of an associate is presented in the *Investments in associates* line.

For business combinations carried out after January 1st, 2010, the main changes with regard to previously applicable accounting principles are set out below:

- for each acquisition, the Group chooses whether to recognise the full amount of goodwill regardless of the ownership interest acquired, or an amount of goodwill corresponding to its interest in the acquired company (previously the only method allowed);
- deferred tax assets recognised after the initial accounting is complete are included in profit or loss, and in contrast to previous practices, the amount of goodwill that would have been recorded had the deferred tax asset been recognised as an identifiable asset at the acquisition date is not deducted;
- costs incurred in respect of a business combination are now expensed and no longer included in the cost of the acquisition;
- the cost of the acquisition, which includes contingent consideration, is recognised and measured at its acquisition-date fair value. Subsequent changes in fair value, affecting in particular the contingent consideration recorded in liabilities, are taken to Other income and expenses in the income statement and no longer treated as an adjustment to goodwill;
- any previous interest held in the acquiree prior to the date control was obtained is now remeasured at its acquisition-date fair value, with the corresponding gain or loss on remeasurement taken to the income;
- purchase commitments for minority interests are recognised in financial debt at the acquisition-date fair value. Subsequent changes in fair value of the commitment are recognised by adjusting equity.

Goodwill is allocated by Cash Generating Unit or by groups of Cash Generating Units. A Cash Generating Unit consists of one or more worldwide trademarks.

€ millions 2015	12.31.2014	Acquisitions/ Disposals	Other movements	12.31.2015
L'Oréal Professionnel/Kérastase	364.6	4.8	19.0	388.4
Matrix	391.0		35.3	426.3
Redken/PureOlogy	518.5		46.9	565.4
Decléor and Carita	136.5		0.8	137.4
Other	-		3.3	3.3
Professional Products Total	**1,410.6**	**4.8**	**105.3**	**1,520.8**
L'Oréal Paris	782.1	7.4	5.5	795.0
Maybelline/Garnier	1,141.4	6.0	67.7	1,215.1
Magic Holdings	427.1		26.8	453.9
LaSCAD	158.3			158.3
NYX Cosmetics	304.7		31.4	336.1
Niely	-	286.4	-54.2	232.2
Other	175.4		5.3	180.7
Consumer Products Total	**2,989.0**	**299.8**	**82.5**	**3,371.3**
Lancôme	797.5		5.5	803.0
Shu Uemura	119.9		13.1	133.0
YSL Beauté	519.8			519.8
Perfumes	334.8			334.8
Clarisonic	285.2		26.7	311.9
Urban Decay	142.6		14.1	156.7
Other	64.5		0.9	65.4
L'Oréal Luxe Total	**2,264.3**		**60.3**	**2,324.6**
Vichy/Dermablend	272.9	4.8	5.6	283.3
Other	114.9		6.7	121.7
Active Cosmetics Total	**387.8**	**4.8**	**12.3**	**405.0**
Other	84.3		-4.3	80.0
The Body Shop	**389.4**	**51.6**	**8.9**	**449.9**
GROUP TOTAL	**7,525.5**	**361.1**	**265.0**	**8,151.5**

2015 acquisitions mainly relate to Niely and The Body Shop Australia for €337.9 million.

No significant disposals took place during 2015.

Other movements mainly reflect the positive impact of changes in exchange rates for €272.9 million.

The accumulated impairment losses relating to Softsheen-Carson, Yue-Sai and Sanoflore amount to €152.6 million, €34.4 million and €35.7 million respectively, at December 31st, 2015.

€ millions

2014	12.31.2013	Acquisitions/ Disposals	Other movements	12.31.2014
L'Oréal Professionnel/Kérastase	344.6		20.0	364.6
Matrix	355.4		35.6	391.0
Redken/PureOlogy	469.0		49.5	518.5
Decléor and Carita	-	136.5		136.5
Professional Products Total	**1,169.0**	**136.5**	**105.1**	**1,410.6**
L'Oréal Paris	770.6		11.5	782.1
Maybelline/Garnier	1,053.4	1.0	87.0	1,141.4
Magic Holdings		376.3	50.8	427.1
LaSCAD	159.1		-0.8	158.3
NYX Cosmetics	-	281.6	23.1	304.7
Carol's daughter	-	61.0	5.7	66.7
Other	106.7		2.0	108.7
Consumer Products Total	**2,089.8**	**719.9**	**179.3**	**2,989.0**
Lancôme	779.0	11.1	7.4	797.5
Shu Uemura	117.7		2.2	119.9
YSL Beauté	519.8			519.8
Perfumes	334.7		0.1	334.8
Clarisonic	257.5		27.7	285.2
Urban Decay	128.0		14.6	142.6
Other	63.5		1.0	64.5
L'Oréal Luxe Total	**2,200.3**	**11.1**	**53.0**	**2,264.3**
Vichy/Dermablend	267.1		5.8	272.9
Other	108.0		6.9	114.9
Active Cosmetics Total	**375.1**		**12.7**	**387.8**
Other	-	81.5	2.8	84.3
The Body Shop	**371.8**	**0.7**	**16.9**	**389.4**
GROUP TOTAL	**6,206.0**	**949.7**	**369.8**	**7,525.5**

2014 acquisitions mainly relate to Decléor and Carita, Magic Holdings, NYX Cosmetics, Carol's daughter and Coloright for €936.9 million. No significant disposals took place during 2014.

Other movements mainly reflect the positive impact of changes in exchange rates for €377.7 million.

The accumulated impairment losses relating to Softsheen-Carson, Yue-Sai and Sanoflore amount to €140.4 million, €32.2 million and €35.7 million respectively, at December 31st, 2014.

€ millions

2013	12.31.2012	Acquisitions/ Disposals	Other movements	12.31.2013
L'Oréal Professionnel/Kérastase	351.6	0.6	-7.7	344.6
Matrix	356.3	14.5	-15.3	355.4
Redken/PureOlogy	485.2		-16.2	469.0
Professional Products Total	**1,193.1**	**15.1**	**-39.2**	**1,169.0**
L'Oréal Paris	775.5		-4.9	770.6
Maybelline/Garnier	1,087.9		-34.4	1,053.4
LaSCAD	156.4	2.7		159.1
Other	100.0	49.0	-42.3	106.7
Consumer Products Total	**2,119.8**	**51.7**	**-81.7**	**2,089.8**
Lancôme	780.8		-1.8	779.0
Shu Uemura	146.5		-28.8	117.7
YSL Beauté	519.8			519.8
Perfumes	334.7		-	334.7
Clarisonic	266.3		-8.8	257.5
Urban Decay	126.1		2.0	128.0
Other	63.8		-0.3	63.5
L'Oréal Luxe Total	**2,238.0**		**-37.7**	**2,200.3**
Vichy/Dermablend	268.9		-1.8	267.1
Other	110.2		-2.2	108.0
Active Cosmetics Total	**379.1**		**-4.1**	**375.1**
Other	-			-
The Body Shop	**340.1**	**40.0**	**-8.3**	**371.8**
GROUP TOTAL	**6,270.1**	**106.8**	**-170.8**	**6,206.0**

2013 acquisitions mainly relate to Interbeauty and Emporio Body Store. No significant disposals took place during 2013. Other movements mainly reflect the negative impact of changes in exchange rates for €141.5 million and total impairment loss taken against the full amount of Club des Créateurs de Beauté goodwill for €35.3 million.

The accumulated impairment losses relating to Softsheen-Carson, Yue-Sai, Sanoflore and Club des Créateurs de Beauté amount to €125.2 million, €29.1 million, €35.7 million and €34.7 million respectively, at December 31st, 2013.

7.2. Other intangible assets

ACCOUNTING PRINCIPLES

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition as well as internally generated intangible assets are also included in this item.

a) Intangible assets acquired through business combinations

They mainly consist of trademarks, customer relationships and formulas and patents.

With regard to trademarks, the use of the discounted cash flow method is preferred to enable the value in use to be monitored more easily following the acquisition. Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the portion of future cash flows that could be generated by the trademark, compared with the future cash flows that the activity could generate without the trademark;
- royalty-based approach: this involves estimating the value of the trademark by reference to the levels of royalties demanded for the use of similar trademarks, based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the trademark in order to ensure that the assumptions selected are relevant. The discount rate used is based on the weighted average cost of capital (WACC) for the target acquired. Terminal growth rates are consistent with available market data (generally 2.5% for Europe and 3% for the rest of the world, except in specific cases).

A trademark may have a finite or an indefinite useful life span.

Local trademarks which are to be gradually replaced by an international trademark already existing within the Group have a finite useful life span.

They are amortised over their useful lives as estimated at the date of acquisition.

International trademarks are trademarks which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable amount of the trademark based on the model adopted when the acquisition took place.

Customer relationships refer to relations developed with customers either through contractual arrangements or by non-contractual means through constant revenue streams resulting from the target's competitive position or reputation in its market.

The useful life of a customer relationship is limited and varies depending on the estimated attrition rate of existing customers at the time of the acquisition.

The Group may decide to identify and value patents and formulas that it intends to develop.

The value of a patent or a formula is assessed on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection. Formulas, which are not protected by legal means, are amortised over a maximum period of 5 years.

b) Internally generated intangible assets

These mainly consist of software.

The development costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised development costs are amortised from the date on which the software is made available in the entity concerned over its probable useful life, which in most cases is between 5 and 8 years.

€ millions **2015**	12.31.2014	**Acquisitions/ Amortisation**	**Disposals/ Reversals**	**Change in the scope of consolidation (1)**	**Other movements**	**12.31.2015**
Brands with indefinite useful life (2)	1,875.6			28.6	127.3	2,031.5
Amortisable brands and product ranges	110.7	0.4			5.0	116.1
Licences and patents	288.0	14.0	-1.2		18.8	319.6
Software	906.5	62.0	-31.4	0.9	93.2	1,031.2
Customer relationships	479.5			13.8	46.2	539.5
Other	258.5	108.9	-2.7	2.9	-65.4	302.2
Gross value	**3,918.8**	**185.3**	**-35.3**	**46.2**	**225.1**	**4,340.1**
Brands with indefinite useful life	109.9				7.0	116.9
Amortisable brands and product ranges	69.3	4.8			2.2	76.3
Licences and patents	123.1	13.6	-1.2			135.5
Software	640.6	109.0	-31.4	0.8	20.6	739.6
Customer relationships	181.5	39.0			20.6	241.1
Other	79.9	10.4	-2.1		-0.3	87.9
Amortisation and provisions	**1,204.2**	**176.8**	**-34.7**	**0.8**	**50.1**	**1,397.2**
Other intangible assets - net	**2,714.6**	**8.5**	**-0.6**	**45.4**	**175.0**	**2,942.9**

(1) This item consists mainly of changes in the scope of consolidation resulting from Niely and The Body Shop Australia.
(2) At December 31st, 2015, brands with an indefinite useful life consist mainly of The Body Shop (€564.9 million), Matrix (€321.9 million), Kiehl's (€141.8 million), Shu Uemura (€105.9 million), Clarisonic (€99.8 million), Decléor and Carita (€81.4 million), NYX Professional Makeup (€103.4 million) and Magic (€140.4 million).

Other movements mainly consisted of the positive change in exchange rates over the period for €155.7 million as well as the allocation of the purchase price of Coloright acquired in 2014 (shown on the *Licences and patents* line for €16.4 million under the technology).

Accumulated impairment losses amount to €14.0 million on Biomedic, €47.2 million on Yue-Sai and €55.7 million on Softsheen-Carson at December 31st, 2015.

€ millions 2014	12.31.2013	Acquisitions/ Amortisation	Disposals/ Reversals	Change in the scope of consolidation (1)	Other movements	12.31.2014
Brands with indefinite useful life (2)	1,447.2	7.2		283.7	137.5	1,875.6
Amortisable brands and product ranges	91.9	0.1		9.2	9.5	110.7
Licences and patents	285.3	0.3		0.7	1.7	288.0
Software	788.4	57.7	-44.0	2.3	102.1	906.5
Customer relationships	324.4		-5.3	106.4	54.0	479.5
Other	206.5	94.0	-8.8	5.2	-38.4	258.5
Gross value	**3,143.7**	**159.3**	**-58.1**	**407.5**	**266.4**	**3,918.8**
Brands with indefinite useful life	101.4				8.5	109.9
Amortisable brands and product ranges	60.6	4.7			4.0	69.3
Licences and patents	108.9	13.1			1.1	123.1
Software	558.1	98.2	-43.9	1.7	26.5	640.6
Customer relationships	136.9	29.4	-5.3	0.4	20.1	181.5
Other	72.5	13.5	-8.7	-0.3	2.9	79.9
Amortisation and provisions	**1,038.3**	**158.9**	**-57.9**	**1.8**	**63.1**	**1,204.2**
Other intangible assets - net	**2,105.4**	**0.4**	**-0.2**	**405.7**	**203.3**	**2,714.6**

(1) This item consists mainly of changes in the scope of consolidation resulting from Decléor and Carita, NYX Cosmetics, Magic Holdings and Carol's daughter.
(2) At December 31st, 2014, brands with an indefinite useful life consist mainly of The Body Shop (€532.3 million), Matrix (€295.5 million), Kiehl's (€131.3 million), Shu Uemura (€98.6 million), Clarisonic (€91.2 million), Decléor and Carita (€81.4 million), NYX Cosmetics(€94.0 million) and Magic (€131.5 million).

Other movements mainly consisted of the positive change in exchange rates over the period as well as the allocation of the purchase price of Cheryl's Cosmeceuticals, Emporio Body Store and Nickel acquired in 2013 (shown on the *Other* line for €11.7 million and on *Amortisable brands* line for €4.7 million).

Accumulated impairment losses amount to €14.0 million on Biomedic, €44.2 million on Yue-Sai and €51.7 million on Softsheen-Carson at December 31st, 2014.

€ millions 2013	12.31.2012	Acquisitions/ Amortisation	Disposals/ Reversals	Change in the scope of consolidation (1)	Other movements	12.31.2013
Brands with indefinite useful life (2)	1,501.1				-53.9	1,447.2
Amortisable brands and product ranges	74.3	1.0	-1.7	19.0	-0.7	91.9
Licences and patents	277.2	9.6	-0.2		-1.2	285.3
Software	756.7	59.1	-25.0	0.1	-2.4	788.4
Customer relationships	337.6				-13.2	324.4
Other	156.2	69.0	-5.9		-12.8	206.5
Gross value	**3,103.1**	**138.6**	**-32.8**	**19.1**	**-84.2**	**3,143.7**
Brands with indefinite useful life	103.2				-1.9	101.4
Amortisable brands and product ranges	56.6	6.6	-1.7		-1.0	60.6
Licences and patents	96.4	12.6	-0.2		0.1	108.9
Software	503.9	97.5	-24.9		-18.4	558.1
Customer relationships	118.2	24.7			-6.0	136.9
Other	60.8	15.1	-3.7		0.3	72.5
Amortisation and provisions	**939.0**	**156.5**	**-30.5**	**-**	**-26.8**	**1,038.3**
Other intangible assets - net	**2,164.0**	**-18.0**	**-2.3**	**19.1**	**-57.4**	**2,105.4**

(1) This item consists mainly of changes in the scope of consolidation resulting from Vogue and Interbeauty.
(2) At December 31st, 2013, brands with an indefinite useful life consist mainly of The Body Shop (€497.3 million), Matrix (€268.1 million), Kiehl's (€120.4 million), Shu Uemura (€98.8 million) and Clarisonic (€82.3 million).

Other movements mainly consisted of the negative change in exchange rates over the period.

Accumulated impairment losses amount to €14.0 million on Biomedic, €39.9 million on Yue-Sai and €47.5 million on Softsheen-Carson at December 31st, 2013.

7.3. Impairment tests on intangible assets

ACCOUNTING PRINCIPLES

Goodwill is not amortised. It is tested for impairment at least once a year during the fourth quarter or whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

Impairment tests consist of comparing the carrying amount of assets including goodwill with the recoverable amount of each Cash Generating Unit. A Cash Generating Unit corresponds to one or more worldwide brands. A Cash Generating Unit can contain several brands depending on organisational criteria and particularly when distribution circuits and commercial/management structures are pooled. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, in the same way as the net carrying amounts to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is based on the weighted average cost of capital (WACC), which amounts to 6.9% in 2015 and 7.9% in 2014 and 2013 for amounts in euro, adjusted where appropriate by a country risk premium according to the geographic zones concerned. The discount rates are post-tax rates applied to post-tax cash flows, and result in recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows. The assumptions adopted in terms of sales growth and terminal values are reasonable and consistent with the available market data (generally 2.5% for Europe and 3% for the rest of the world for terminal values except in specific cases).

The use of discounted cash flow forecasts is preferred in order to determine recoverable amounts, unless details of similar recent transactions are readily available.

Impairment charged against goodwill cannot be reversed.

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

		Discount rate *(%)*	
€ millions	Net carrying amount of goodwill and brands with indefinite useful lives	International excluding USA	USA
2015 TEST			
Maybelline/Garnier	1,215.1	6.9	8.1
The Body Shop	1,014.7	7.3	(1)
Lancôme	803.0	6.9	8.1
L'Oréal Paris	795.0	6.9	8.1
Matrix	748.2	6.9	8.1
Redken/PureOlogy	640.0	6.9	8.1
Magic	594.3	9.5	
YSL Beauté	519.8	6.9	(1)
L'Oréal Professionnel/Kérastase	388.4	6.9	8.1
Clarisonic	411.7	6.9	8.1
Vichy/Dermablend	321.7	6.9	(1)
2014 TEST			
Maybelline/Garnier	1,141.4	7.9	8.9
The Body Shop	921.7	8.5	(1)
Lancôme	797.5	7.9	8.9
L'Oréal Paris	782.2	7.9	8.9
Matrix	686.5	7.9	8.9
Redken/PureOlogy	585.5	7.9	8.9
YSL Beauté	519.8	7.9	(1)
L'Oréal Professionnel/Kérastase	364.6	7.9	8.9
Clarisonic	376.4	7.9	8.9
Vichy/Dermablend	309.7	7.9	(1)
2013 TEST			
Maybelline/Garnier	1,053.4	7.9	8.9
The Body Shop	869.1	8.5	(1)
Lancôme	779.0	7.9	8.9
L'Oréal Paris	770.6	7.9	8.9
Matrix	623.6	7.9	8.9
Redken/PureOlogy	528.3	7.9	8.9
YSL Beauté	519.8	7.9	(1)
L'Oréal Professionnel/Kérastase	344.6	7.9	8.9
Clarisonic	339.8	7.9	8.9
Vichy/Dermablend	302.3	7.9	(1)

(1) Since the USD amounts for the YSL Beauté, The Body Shop and Vichy/Dermablend CGUs are not material, no specific discount rate has been used in this respect.

At December 31st, 2015, a 1% increase in the discount rate on all Cash Generating Units would lead to an impairment loss risk of around €106 million.

The terminal growth rate is consistent in accordance with market data, *i.e.* 2.5% for Europe and 3% for the rest of the world.

A 1% decrease in the terminal growth rate on all Cash Generating Units would lead to an impairment loss risk of around €54 million.

A 1-point decrease in the margin rate over the business plan period on all Cash Generating Units would lead to an impairment loss risk of around €9 million.

NOTE 8 Investments in associates

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Investments in associates			
GALDERMA [(1)]	-	-	433.0
INNÉOV [(2)]	1.0	-	2.2
TOTAL	**1.0**	**-**	**435.2**

(1) Classified within assets held for sale since January 1st, 2014; the sale was completed on July 8th, 2014 (note 2.3.).
(2) Classified in provisions for liabilities and charges at December 31st, 2014 (€10.8 million), since the Group's share in net assets was negative (note 12.1). In late November 2014, L'Oréal and Nestlé announced their intention to end the operations of their joint venture Innéov. As a result, a provision was booked in 2014 for the costs relating to this discontinued operation in an amount of €10.6 million before the tax effect (see note 11.4.1). At June 30th, 2015, a part of the assets of Innéov was sold to Nestlé Skin Health subsidiary, Galderma (note 2.1.1.B.).

The key figures for Galderma (based on an interest of 100%) for 2013 can be summarized as follows:

€ millions	2013/ 12.31.2013
Net sales	1,652.6
Net profit	159.9
Balance sheets total	2,704.4
Net debt	999.5

NOTE 9 Financial assets and liabilities – Cost of debt

ACCOUNTING PRINCIPLES

Finance costs, net

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Net finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

Borrowings and debt

Borrowings and debt are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under *Non-current liabilities.* Short-term borrowings and debt and the current portion of medium- and long-term borrowings and debt are presented under *Current liabilities.*

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash and are presented under *Other current assets.*

Bank overdrafts considered to be financing are presented in *Current borrowings and debt.*

Units of cash unit trusts are considered to be assets available-for-sale. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in *Finance costs*, net in the income statement.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are considered to be financial assets available-for-sale. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line *Other comprehensive income.*

The fair value of listed securities is determined on the basis of the share price at the closing date. If the fair value of unlisted securities cannot be reliably determined, these securities are valued at cost.

If the unrealised loss accounted for through equity is representative of significant or prolonged impairment, this loss is recorded in the income statement.

Long-term loans and receivables are considered to be assets generated by the business. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

9.1. Borrowings and debt

The Group uses bank loans for its medium-term financing needs and commercial paper issues in France and in the United States for its short-term financing needs. None of these loans contain an early repayment clause linked to financial ratios (covenants).

9.1.1. Debt by type

	12.31.2015		12.31.2014		12.31.2013	
€ millions	**Non-current**	**Current**	Non-current	Current	Non-current	Current
Short-term paper	-	505.4	-	2,294.8	-	-
MLT bank loans	1.6	0.4	0.1	0.2	0.1	-
Debt on capital lease contracts	24.3	5.8	25.4	5.3	28.0	7.3
Overdrafts	-	57.3	-	48.4	-	34.4
Other borrowings and debt	14.9	172.1	41.6	172.6	55.8	213.6
TOTAL	**40.8**	**741.0**	**67.1**	**2,521.2**	**83.9**	**255.3**

9.1.2. Debt by maturity date

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Under 1 year (1)	741.0	2,521.2	255.3
1 to 5 years	24.7	51.2	65.7
Over 5 years	16.1	15.9	18.2
TOTAL	**781.8**	**2,588.3**	**339.2**

(1) *At December 31st, 2015, the Group had confirmed undrawn credit lines for €3,813.3 million compared with €3,300.0 million at December 31st, 2014 and €3,236.3 million at December 31st, 2013. These lines were not subject to any covenants.*

Estimated interest expense in 2015 is not material given outstanding debt at December 31st, 2015, which comprised commercial paper drawn at very short term and at negative interest rates in France, miscellaneous short-term borrowings contracted locally by subsidiaries and liabilities under finance leases.

At the end of 2014, estimated interest payments totalled around €1.2 million for 2015, €0 million for the period 2016-2019 and €0 million after 2019.

At the end of 2013, estimated interest payments were not material due to the debt outstanding at December 31st, 2013, which consisted of very short-term loans contracted locally by subsidiaries, and payments outstanding under finance leases.

These estimates are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and assuming that no debt is rolled over at maturity. Amounts payable under capital leases are not taken into account as they are not material.

9.1.3. Debt by currency

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Euro (EUR)	127.2	1,850.6	25.1
US Dollar (USD)	415.5	479.0	11.9
Chinese Yuan Renminbi (CNY)	55.4	43.4	43.7
Brazilian Real (BRL) (1)	41.6	83.6	111.9
Canadian Dollar (CAD)	38.4	20.4	61.5
Egyptian Pound (EGP)	24.4	18.6	4.2
Indonesian Rupiah (IDR)	21.8	19.9	18.2
British Pound (GBP)	18.7	18.5	18.1
Russian Ruble (RUB)	0.2	16.3	0.9
Other	38.6	38.0	43.8
TOTAL	**781.8**	**2,588.3**	**339.2**

(1) *Including €5.1 million, €32.6 million and €48.3 million in amounts due to non-controlling interests respectively in 2015, 2014 and 2013 in respect of the Emporio Body Store acquisition.*

9.1.4. Breakdown of fixed rate and floating rate debt (after allowing for interest rate hedging instruments)

€ millions	**12.31.2014**	12.31.2014	12.31.2013
Floating rate	748.9	2,555.4	302.5
Fixed rate	32.9	32.9	36.7
TOTAL	**781.8**	**2,588.3**	**339.2**

9.1.5. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are 0.22% in 2015 and 0.30% in 2014 for short-term paper. The Group no longer had any short-term paper at December 31st, 2013.

Bank loans amounted to €2.0 million at December 31st, 2015. The Group did not hold bank loans at either December 31st, 2014 or December 31st, 2013.

9.1.6. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	12.31.2015	12.31.2014	12.31.2013
Euro (EUR) (1)	0.04%	0.37%	0.10%
US Dollar (USD)	0.15%	0.07%	0.10%

(1) The decrease in the euro rate reflects the extended average maturity of the Group's drawdowns on commercial paper together with the decrease in EURO short-term rates.

9.1.7. Fair value of borrowings and debt

The fair value of fixed-rate debt is determined for each loan by discounting future cash flows, based on bond yield curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net carrying amount of outstanding bank loans and other floating-rate loans is a reasonable approximation of their fair value.

The fair value of borrowings and debt amounted to €782.5 million at December 31st, 2015. The fair value of borrowings and debt amounted to €2,589.2 million at December 31st, 2014. The fair value of borrowings and debt amounted to €340.0 million at December 31st, 2013.

9.1.8. Debt covered by collateral

No debt was covered by material amounts of collateral at December 31st, 2015, 2014 and 2013.

9.1.9. Confirmed credit lines

At December 31st, 2015, L'Oréal and its subsidiaries had €3,813.3 million of confirmed undrawn credit lines, compared with €3,300.0 million at December 31st, 2014 and €3,236.3 million at December 31st, 2013.

Credit lines fall due as follows:

- €350.0 million in less than 1 year;
- €3,463.3 million between 1 year and 4 years.

9.2. Cash and cash equivalents

€ millions	12.31.2015 Carrying amount	12.31.2015 Acquisition cost	12.31.2014 Carrying amount	12.31.2014 Acquisition cost	12.31.2013 Carrying amount	12.31.2013 Acquisition cost
Marketable securities	335.3	335.3	666.5	666.4	1,024.2	1,023.9
Bank accounts and other cash and cash equivalents	1,064.5	1,064.5	1,250.5	1,250.5	1,635.1	1,635.1
TOTAL	**1,399.8**	**1,399.8**	**1,917.0**	**1,917.0**	**2,659.3**	**2,659.0**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). Marketable securities are considered as *Financial assets available-for-sale.*

Unrealised gains amount to €0.0 million in 2015 compared with €0.1 million and €0.3 million respectively in 2014 and in 2013.

Term accounts with a maturity of less than 3 months at inception are shown on the *Bank accounts and other cash and cash equivalents* line.

9.3. Non-current financial assets

€ millions	12.31.2015 Carrying amount	12.31.2015 Acquisition cost	12.31.2014 Carrying amount	12.31.2014 Acquisition cost	12.31.2013 Carrying amount	12.31.2013 Acquisition cost
Financial assets available-for-sale						
• Sanofi (1)	9,292.7	4,033.5	8,945.1	4,033.5	9,117.7	4,033.5
• Unlisted securities (2)	4.1	99.0	5.1	5.6	4.7	5.3
Financial assets at amortised cost						
• Non-current loans and receivables	114.1	118.3	118.9	123.2	81.6	86.5
TOTAL	**9,410.9**	**4,250.8**	**9,069.0**	**4,162.3**	**9,204.0**	**4,125.3**

(1) L'Oréal's stake in Sanofi was 9.05% at December 31st, 2015. The carrying amount at December 31st, 2015, December 31st, 2014 and December 31st, 2013 (€9,292.7 million, €8,945.1 million and €9,117.7 million respectively) corresponds to the market value of the shares based on the closing price at each of these dates (€78.60, €75.66 and €77.12 respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.

(2) As the fair value of unlisted securities cannot be reliably determined, they are stated at cost less any impairment losses. Changes in "Acquisition cost" chiefly concern the value of L'Oréal Venezuela which was deconsolidated at December 31st, 2015 (note 2.4.) and written down in full.

9.4. Other financial income and expenses

This item breaks down as follows:

€ millions	2015	2014	2013
Interest component of pension costs	-32.1	-29.1	-38.3
Other financial income and expenses	-13.6	-6.0	-6.4
TOTAL	**-45.7**	**-35.1**	**-44.7**

NOTE 10 Derivatives and exposure to market risks

ACCOUNTING PRINCIPLES

Derivative instruments entered into to hedge identifiable foreign exchange and interest rate risks are accounted for in accordance with hedge accounting principles.

Forward foreign exchange contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. Hence changes in the fair value of these hedging instruments is recorded as follows:

- changes in the market value linked to variations in the time value of forwards used as hedges are recognised in equity and the amount accumulated in equity impacts the income statement at the date on which the hedged transactions are completed;
- changes in the market value linked to variations in the time value of options are recognised in the income statement;
- changes in the market value linked to variations in the spot rate between the inception of the hedge and the closing date are charged to equity, and the amount accumulated in equity impacts income statements at the date on which the transactions hedged are completed. Any remaining hedge ineffectiveness is recognised directly in the income statement.

In application of hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to hedge certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated equity, under the item *Cumulative translation adjustments*.

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the *Other comprehensive income* line.

The fair value of interest rate derivative instruments is their market value. Market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

10.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions.

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge at the end of the year a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or by options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by REGEFI (the Group's bank) or, in exceptional cases, directly by the Group's subsidiaries when required by local regulations. Such operations are supervised by REGEFI.

As the Group's bank, REGEFI is subject to the European Market Infrastructure Regulation (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralized model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of hedging a large part of annual requirements for the following year at the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at December 31st is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivatives held for currency risk hedging purposes, including those intended to hedge the currency risk on Galderma and Innéov, have a maturity of less than 18 months at inception, and can be analysed as follows:

	Nominal			Market value		
€ millions	**12.31.2015**	12.31.2014	12.31.2013	**12.31.2015**	12.31.2014	12.31.2013
Currency futures						
Purchase of EUR against foreign currencies	**1,648.5**	**1,810.8**	**1,960.4**	**15.5**	**-10.3**	**45.9**
GBP/EUR	293.1	165.5	172.7	-1.8	-11.0	-3.3
USD/EUR	204.8	411.3	252.2	-17.3	-32.3	8.3
RUB/EUR	203.2	139.9	174.4	27.0	53.1	3.9
MXN/EUR	177.4	214.0	203.5	5.2	6.5	5.5
CAD/EUR	104.0	86.8	58.0	5.9	-2.9	2.7
AUD/EUR	89.7	90.1	50.8	-0.5	0.6	2.2
TRY/EUR	82.8	72.4	31.8	-1.3	-2.4	3.4
BRL/EUR	55.8	81.9	75.1	7.4	-1.0	5.2
HKD/EUR	54.3	27.9	-26.5	-7.3	-10.7	3.5
CLP/EUR	45.3	40.7	36.4	1.5	-1.1	1.6
EUR/Asia Pacific currencies	131.1	330.9	271.2	-10.9	-15.1	7.1
EUR/Eastern European currencies	69.5	54.4	61.6	0.0	0.5	0.0
EUR/Other currencies	137.6	95.0	599.1	7.4	5.7	5.8
Purchase of USD against foreign currencies	**236.1**	**119.3**	**124.6**	**24.6**	**8.3**	**2.0**
USD/Latin American currencies	112.2	66.7	93.0	16.5	5.5	1.4
USD/CAD	80.1	52.6	31.6	6.0	2.8	0.6
USD/Other currencies	43.8	-	-	2.1	-	-
Sale of USD against foreign currencies	**128.8**	**216.9**	**355.4**	**15.6**	**15.5**	**8.2**
USD/CHF	-	0.6	146.5	-	0.3	7.5
USD/Asia Pacific currencies	128.8	216.2	154.9	15.6	13.3	2.2
USD/Other currencies	-	0.1	54.1	-	1.9	-1.5
Other currency pairs	**324.1**	**200.5**	**318.3**	**0.5**	**2.0**	**3.0**
CURRENCY FUTURES TOTAL	**2,337.5**	**2,347.5**	**2,758.7**	**56.1**	**15.6**	**59.1**
Currency options						
EUR/USD	186.1	141.6	313.0	1.3	1.3	11.4
EUR/HKD	68.8	67.9	114.8	0.5	0.9	5.3
EUR/CNY	44.0	52.9	62.9	0.9	1.1	2.6
EUR/RUB	35.6	60.9	58.6	10.4	24.8	4.0
EUR/BRL	13.6	19.5	59.9	3.2	2.5	7.8
EUR/Other currencies	26.1	95.6	202.4	1.5	1.9	14.2
CHF/USD	-	-	62.8	-	-	3.5
Other currency pairs	**18.4**	**17.5**	**40.2**	**4.1**	**2.0**	**3.7**
CURRENCY OPTIONS TOTAL	**392.6**	**456.1**	**914.5**	**21.9**	**34.5**	**52.4**
of which total options purchased	392.6	456.1	914.5	21.9	34.5	52.4
TOTAL	**2,730.1**	**2,803.6**	**3,673.2**	**78.0**	**50.0**	**111.6**

The market values by type of hedging are as follows:

€ millions	**2015**	2014	2013
Fair value hedges (1)	0.2	11.9	13.4
Cash flow hedges	77.8	38.1	98.2
Net foreign investment hedges	-	-	-
TOTAL	**78.0**	**50.0**	**111.6**

(1) Fair value hedges relate to currency risks on operating receivables and payables as well as on foreign currency investments and financing.

The fair value of the derivatives is their market value.

The Group has no significant foreign currency exposures that are not hedged in the balance sheet.

10.2. Foreign exchange gains and losses

ACCOUNTING PRINCIPLES

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the appropriate income and expense lines, after allowing for hedging derivatives.

Foreign exchange gains and losses break down as follows:

€ millions	**2015**	2014	2013
Time value	-34.6	-15.8	-25.7
Other foreign exchange gains and losses	-27.2	50.7	67.0
TOTAL	**-61.7**	**34.9**	**41.3**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using the exchange rates effective at the closing date. Foreign exchange gains and losses also include the following items relating to derivative instruments:

- changes in market value linked to variations in the time value;
- changes in market value linked to variations in the spot rate between the inception of the hedge and the date on which the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for a positive €3.9 million in 2015, for a positive €0.4 million in 2014 and for a positive €0.5 million in 2013.

These amounts are allocated to the appropriate operating expense items as follows:

€ millions	**2015**	2014	2013
Cost of sales	-71.7	32.6	46.2
Research and development	29.8	-5.7	-15.4
Advertising and promotion	-12.4	4.7	6.3
Selling, general and administrative expenses	-7.4	3.2	4.2
Foreign exchange gains and losses	**-61.7**	**34.9**	**41.3**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at December 31st, 2015, 2014 and 2013.

10.4. Sensitivity to changes in interest rates

An increase of 100 basis points in interest rates would have a direct positive impact of €6.5 million on the Group's net finance costs at December 31st, 2015, compared with a direct negative impact of €6.4 million at December 31st, 2014 and a direct positive impact of €23.8 million at December 31st, 2013. This calculation allows for cash, cash equivalents and derivatives, and assumes that total net debt/net cash remains stable and that fixed-rate debt at maturity is replaced by floating-rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed-rate financial assets and liabilities, after allowing for any interest rate derivatives, can be estimated at €0.2 million at December 31st, 2015 compared with €0.3 million at December 31st, 2014 and €0.3 million at December 31st, 2013.

10.5. Counterparty risk

The Group has financial relations with international banks rated investment grade. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used to manage exchange rate and interest rate risk are issued by leading international banking counterparties.

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its paper programme. If these bank facilities were not renewed, the Group had confirmed undrawn credit lines of €3,813.3 million at December 31st, 2015. The availability of these credit lines is not dependent on financial covenants.

10.7. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At December 31st, 2015, marketable securities consist mainly of unit trusts (note 9.2.).

At December 31st, 2015, the Group holds 118,227,307 Sanofi shares for an amount of €9,292.7 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €78.60 on December 31st, 2015 would have an impact of plus or minus €929.3 million before tax on Group equity.

If the share price were to fall significantly below €34.12 (the initial cost of the Sanofi shares), or fall below that price for a prolonged length of time, L'Oréal may have to recognise an impairment loss on its asset through profit or loss.

At December 31st, 2014, the Group held 118,227,307 Sanofi shares for an amount of €8,945.1 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €75.66 on December 31st, 2014 would have an impact of plus or minus €894.5 million before tax on Group equity.

At December 31st, 2013, the Group held 118,227,307 Sanofi shares for an amount of €9,117.7 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €77.12 on December 31st, 2013 would have an impact of plus or minus €911.8 million before tax on Group equity.

10.8. Fair value hierarchy

IFRS 7 as amended in 2009 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The following table provides an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

€ millions

December 31st, 2015	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		283.0		283.0
Sanofi shares	9,292.7			9,292.7
Marketable securities	335.3			335.3
TOTAL ASSETS AT FAIR VALUE	**9,628.0**	**283.0**	**-**	**9,911.0**
Liabilities at fair value				
Foreign exchange derivatives		205.4		205.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**205.4**	**-**	**205.4**

€ millions

December 31st, 2014	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		262.4		262.4
Sanofi shares	8,945.1			8,945.1
Marketable securities	666.5			666.5
TOTAL ASSETS AT FAIR VALUE	**9,611.6**	**262.4**	**-**	**9,874.0**
Liabilities at fair value				
Foreign exchange derivatives		215.8		215.8
TOTAL LIABILITIES AT FAIR VALUE	**-**	**215.8**	**-**	**215.8**

€ millions

December 31st, 2013	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		195.2		195.2
Sanofi shares	9,117.7			9,117.7
Marketable securities	1,024.2			1,024.2
TOTAL ASSETS AT FAIR VALUE	**10,141.9**	**195.2**	**-**	**10,337.1**
Liabilities at fair value				
Foreign exchange derivatives		90.4		90.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**90.4**	**-**	**90.4**

10.9. Offsetting financial assets and financial liabilities

Financial assets and liabilities resulting from foreign exchange and/or interest rate hedging transactions entered into with the Group's counterparty banks are not offset in the balance sheet since they are FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) agreements that only provide for offsetting in the event of default by one of the parties to the agreement. Accordingly, they do not meet the offsetting criteria set out in IAS 32.

Had the agreements been offset at the level of each counterparty bank, assets and liabilities would have decreased by €114.2, €116.4 and €26.7 million respectively at December 31st, 2015, 2014 and 2013.

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NOTE 11 Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 562,983,348 shares with a par value of €0.20 at December 31st, 2015 following the exercise of subscription options for 4,657,509 shares and 450 free shares and the cancellation of 2,905,000 shares.

Share capital consists of 561,230,389 shares with a par value of €0.20 at December 31st, 2014 following the exercise of subscription options for 3,439,202 shares and 389,300 free shares and the cancellation of 48,500,000 shares (see note 2.3).

Share capital consisted of 605,901,887 shares with a par value of €0.20 at December 31st, 2013, following the exercise of subscription options for 5,961,501 shares and 238,200 free shares and the cancellation of 9,108,641 shares.

11.2. Treasury stock

ACCOUNTING PRINCIPLES

Treasury stock is recorded at acquisition cost and deducted from equity. Capital gains/losses on disposal of Treasury stock net of tax are charged directly to equity and do not contribute to profit for the financial year.

a) 2015

The change in the number of shares in 2015 is as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
AT 01.01.2015	**561,230,389**	**-6,988,511**	**554,241,878**
Shares cancelled	-2,905,000	2,905,000	-
Options and free shares exercised	4,657,959	1,088,341	5,746,300
Treasury stock purchased	-	-	
AT 12.31.2015	**562,983,348**	**-2,995,170**	**559,988,178**

The change in Treasury stock in 2015 is as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	**Total**	€ millions
AT 01.01.2015	**2,905,000**	**4,083,511**	**6,988,511**	**683.0**
Shares cancelled	-2,905,000		-2,905,000	-363.4
Options and free shares exercised		-1,088,341	-1,088,341	-86.3
Treasury stock purchased	-	-	-	-
AT 12.31.2015	**-**	**2,995,170**	**2,995,170**	**233.3**
€ millions	-	233.3	233.3	-

b) 2014

The change in the number of shares in 2014 was as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
AT 01.01.2014	**605,901,887**	**-6,107,857**	**599,794,030**
Shares cancelled	-48,500,000	48,500,000	-
Options and free shares exercised	3,828,502	69,346	3,897,848
Treasury stock purchased (1)		-49,450,000	-49,450,000
AT 12.31.2014	**561,230,389**	**-6,988,511**	**554,241,878**

(1) The strategic transaction with Nestlé led to the cancellation of 48,500,000 shares at July 8th, 2014 (note 2.3).

The change in Treasury stock in 2014 was as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	**Total**	€ millions
AT 01.01.2014	**1,955,000**	**4,152,857**	**6,107,857**	**568.1**
Shares cancelled	-48,500,000		-48,500,000	-6,045.6
Options and free shares exercised		-69,346	-69,346	-4.0
Treasury stock purchased	49,450,000		49,450,000	6,164.5
AT 12.31.2014	**2,905,000**	**4,083,511**	**6,988,511**	**683.0**
€ millions	363.4	319.6	683.0	-

c) 2013

The change in the number of shares in 2013 was as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
AT 01.01.2013	**608,810,827**	**-10,454,165**	**598,356,662**
Shares cancelled	-9,108,641	9,108,641	-
Options and free shares exercised	6,199,701	1,224,058	7,423,759
Treasury stock purchased		-5,986,391	-5,986,391
AT 12.31.2013	**605,901,887**	**-6,107,857**	**599,794,030**

The change in Treasury stock in 2013 is as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	**Total**	€ millions
AT 01.01.2013	**5,077,250**	**5,376,915**	**10,454,165**	**904.5**
Shares cancelled	-9,108,641		-9,108,641	-998.5
Options and free shares exercised		-1,224,058	-1,224,058	-81.7
Treasury stock purchased	5,986,391		5,986,391	743.8
AT 12.31.2013	**1,955,000**	**4,152,857**	**6,107,857**	**568.1**
€ millions	244.5	323.6	568.1	

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	12.31.2015	12.31.2014	12.31.2013
Financial assets available-for-sale			
Reserve at beginning of period	4,911.6	5,084.2	4,406.7
Changes in fair value over period	347.6	-172.6	677.5
Impairment loss recorded in profit and loss	-	-	-
Changes in fair value recorded in profit and loss	-	-	-
Reserve at end of period	**5,259.2**	**4,911.6**	**5,084.2**

€ millions	12.31.2015	12.31.2014	12.31.2013
Cash flow hedges – foreign exchange			
Reserve at beginning of period	88.8	108.6	95.4
Changes in fair value over period	168.0	16.0	137.2
Changes in fair value recorded in profit and loss	-108.0	-33.2	-124.0
Deconsolidation	-	-2.6	-
Reserve at end of period	**148.8**	**88.8**	**108.6**

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The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	12.31.2015	12.31.2014	12.31.2013
Impact of a 10% increase in the EUR against all other Group currencies	+216.2	+199.1	+247.5
Impact of a 10% decrease in the EUR against all other Group currencies	-200.4	-187.0	-212.2
Impact of a 10% increase in the USD against key Group currencies	-11.7	-38.9	-44.5
Impact of a 10% decrease in the USD against key Group currencies	+21.9	+51.0	+74.0

€ millions	12.31.2015	12.31.2014	12.31.2013
Cash flow hedges – interest rates			
Reserve at beginning of period	-	-	-
Changes in fair value over period	-	-	-
Changes in fair value recorded in profit and loss	-	-	-
Reserve at end of period	**-**	**-**	**-**

€ millions	12.31.2015	12.31.2014	12.31.2013
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-1,542.2	-879.5	-1,068.4
Actuarial gains/(losses) over the period	594.7	-651.8	188.9
Impact of asset ceiling	3.4	-20.9	-
Deconsolidation	-0.1	10.0	-
Reserve at end of period	**-944.2**	**-1,542.2**	**-879.5**

€ millions	12.31.2015	12.31.2014	12.31.2013
Other comprehensive income			
Gross reserve	4,463.8	3,458.2	4,313.3
Associated tax effect	53.7	287.7	56.8
Reserve net of tax	**4,517.5**	**3,745.9**	**4,370.1**

11.4 Net profit of continuing operations attributable to owners of the Company excluding non-recurring items - Earnings per share

ACCOUNTING PRINCIPLES

Earnings per share are calculated in accordance with the rules set out in IAS 33.

Basic earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, less the average number of treasury shares held deducted from equity.

Where applicable, diluted earnings per share take into account dilutive stock options and free shares in accordance with the Treasury stock method, under which sums collected on exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

11.4.1. Reconciliation with net profit from continuing operations

Net profit of continuing operations attributable to owners of the Company excluding non-recurring items reconciles as follows with net profit of continuing operations attributable to owners of the Company:

€ millions	**2015**	2014	2013
Net profit of continuing operations attributable to owners of the Company	**3,297.4**	**2,767.6**	**2,878.3**
Capital gains and losses on property, plant and equipment and intangible assets	0.2	-1.0	0.1
Impairment of property, plant and equipment and intangible assets	-	-	35.4
Restructuring costs	85.1	77.9	65.9
Other (1)	108.1	230.3	27.2
Tax effect on non-recurring items	-29.3	-23.2	-15.9
Non-controlling interests on non-recurring items	-0.2	-1.6	-
Tax effect on acquisitions	-13.4	21.1	-
3% additional levy on paid dividends (2)	45.3	45.2	41.4
Costs net of tax of the discontinuation of the Innéov operation by L'Oréal and disposal of a part of its assets (note 2.1.1.B)	-3.4	9.0	-
NET PROFIT OF CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**3,489.8**	**3,125.3**	**3,032.4**

(1) Including €107.2 million relating to the deconsolidation of our subsidiaries in Venezuela at December 31st, 2015 (note 2.4) and €189.5 million relating to the fine handed levied against L'Oréal S.A. by the competition authority at December 31st, 2014.

(2) The 3% additional levy on the amount of dividends paid by L'Oréal represents an additional tax payment on past profit distributions and depending on decisions made at the Annual General Meeting. So as not to distort the presentation of the Group's operational performance in the period, this surtax is recognised on the Income tax line of the income statement as a non-recurring item.

11.4.2. Earnings per share of continuing operations

The tables below set out earnings per share of continuing operations attributable to owners of the Company (excluding the dilutive impact of shares carrying preferential dividend rights, see note 11.4.5):

2015	**Net profit attributable to owners of the company** *(€ millions)*	**Number of shares**	**Earnings per share attributable to owners of the Company** *(€)*
Earnings per share	3,297.4	557,351,236	5.92
Stock options	-	4,480,499	-
Free shares	-	3,059,653	-
DILUTED EARNINGS PER SHARE	**3,297.4**	**564,891,388**	**5.84**

2014	Net profit attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the Company (€)
Earnings per share	2,767.6	577,258,167	4.79
Stock options	-	5,206,652	-
Free shares	-	2,773,855	-
DILUTED EARNINGS PER SHARE	**2,767.6**	**585,238,674**	**4.73**

2013	Net profit attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the Company (€)
Earnings per share	2,878.3	597,734,044	4.82
Stock options	-	8,053,243	-
Free shares	-	2,214,120	-
DILUTED EARNINGS PER SHARE	**2,878.3**	**608,001,407**	**4.73**

11.4.3. Earnings per share of continuing operations excluding non-recurring items

The tables below set out in detail earnings per share of continuing operations attributable to owners of the Company excluding non-recurring items (excluding the dilutive impact of shares carrying preferential dividend rights, see note 11.4.5):

2015	**Net profit attributable to owners of the company excluding non-recurring items** (€ millions)	**Number of shares**	**Earnings per share attributable to owners of the Company excluding non-recurring items** (€)
Earnings per share excluding non-recurring items	3,489.8	557,351,236	6.26
Stock options	-	4,480,499	-
Free shares	-	3,059,653	-
Diluted earnings per share excluding non-recurring items	**3,489.8**	**564,891,388**	**6.18**

2014	Net profit attributable to owners of the company excluding non-recurring items (€ millions)	Number of shares	Earnings per share attributable to owners of the Company excluding non-recurring items (€)
Earnings per share excluding non-recurring items	3,125.3	577,258,167	5.41
Stock options	-	5,206,652	-
Free shares	-	2,773,855	-
Diluted earnings per share excluding non-recurring items	**3,125.3**	**585,238,674**	**5.34**

2013	Net profit attributable to owners of the company excluding non-recurring items (€ millions)	Number of shares	Earnings per share attributable to owners of the Company excluding non-recurring items (€)
Earnings per share excluding non-recurring items	3,032.4	597,734,044	5.07
Stock options	-	8,053,243	-
Free shares	-	2,214,120	-
Diluted earnings per share excluding non-recurring items	**3,032.4**	**608,001,407**	**4.99**

11.4.4. Calculation of the number of shares

All potential ordinary shares are included in the calculation of earnings per share since all stock option plans have a dilutive impact on the periods presented.

11.4.5. Diluted earnings per share including the impact of shares carrying preferential dividend rights

The table below shows the calculation of diluted earnings per share taking into account the 10% preferential dividend payable for 2015 on shares held continuously in registered form between December 31st, 2013 and the 2016 dividend payment date. The number of shares eligible for the preferential dividend cannot exceed 0.5% of the share capital for any one shareholder.

2015	**Number of shares**	**Diluted earnings per share**	**Diluted earnings per share of continuing operations**
Shares carrying ordinary dividend rights	529,927,154	5.80	5.80
Shares carrying preferential dividend rights	34,964,234	6.38	6.38

2014	Number of shares	Diluted earnings per share	Diluted earnings per share of continuing operations
Shares carrying ordinary dividend rights	552,329,500	8.34	4.70
Shares carrying preferential dividend rights	32,909,174	9.18	5.17

2013	Number of shares	Diluted earnings per share	Diluted earnings per share of continuing operations
Shares carrying ordinary dividend rights	573,977,958	4.84	4.71
Shares carrying preferential dividend rights	34,023,449	5.32	5.18

NOTE 12 Provisions for liabilities and charges - Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges

ACCOUNTING PRINCIPLES

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without any equivalent consideration being received by the Group in return. They relate mainly to restructuring costs and tax risks and litigation, industrial, environmental and commercial risks relating to operations (breach of contract, product returns) and employee-related risks.

These provisions are estimated on the basis of the assumptions deemed most probable or by using statistical methods, depending on the type of provisions.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their nature. Provisions for liabilities or litigation which must be settled within 12 months of the closing date, and those linked to the normal operating cycle (such as product returns), are recorded as *Current liabilities*. Other provisions for liabilities and charges are recorded as *Non-current liabilities*.

12.1.1. Closing balances

€ millions	12.31.2015	12.31.2014	12.31.2013
Non-current provisions for liabilities and charges	**195.9**	**193.6**	**174.5**
Other non-current provisions (1)	195.9	193.6	174.5
Current provisions for liabilities and charges	**754.6**	**722.0**	**528.8**
Provisions for restructuring	50.9	65.5	98.2
Provisions for product returns	309.3	244.4	226.6
Other current provisions (1)	394.4	412.1	204.0
TOTAL	**950.4**	**915.6**	**703.3**

(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.
The provisions relating to investigations carried out by competition authorities amount to €212.5 million at December 31st, 2015 compared with €239.4 million at December 31st, 2014 and €43.0 million at December 31st, 2013 (note 12.2.2.A and B).
This caption also includes investments in associates when the Group's share in net assets is negative (note 8).

12.1.2. Changes in provisions for liabilities and charges during the period

€ millions	12.31.2013	12.31.2014	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	12.31.2015
Provisions for restructuring	98.2	65.5	37.1	-36.4	-20.7	5.4	50.9
Provisions for product returns	226.6	244.4	263.7	-172.9	-46.6	20.7	309.3
Other provisions for liabilities and charges	378.5	605.7	141.7	-107.2	-95.4	45.4	590.2
TOTAL	**703.3**	**915.6**	**442.5**	**-316.5**	**-162.7**	**71.5**	**950.4**

(1) Mainly resulting from translation differences and €24.7 million relating to the dispute on IPI with the tax administration in Brazil (note 12.2.1.).
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
◆ Other income and expenses	37.1	-54.3	-30.0
◆ Operating profit	387.1	-253.4	-78.2
◆ Financial (income)/expense	-	-	-
◆ Income tax	18.3	-8.8	-54.5

The change in this caption in 2014 can be analysed as follows:

€ millions	12.31.2012	12.31.2013	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/Exchange rate/ Other (1)	12.31.2014
Provisions for restructuring	129.4	98.2	31.0	-56.0	-12.4	4.7	65.5
Provisions for product returns	211.3	226.6	202.3	-159.7	-48.3	23.5	244.4
Other provisions for liabilities and charges	375.1	378.5	333.3	-89.0	-54.4	37.3	605.7
TOTAL	**715.8**	**703.3**	**566.6**	**-304.7**	**-115.1**	**65.5**	**915.6**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
◆ Other income and expenses	228.6	-56.5	-12.5
◆ Operating profit	317.5	-235.0	-81.0
◆ Financial (income)/expense	-	-	-
◆ Income tax	20.5	-13.2	-21.6

The change in this caption in 2013 can be analysed as follows:

€ millions	12.31.2011	12.31.2012	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/Exchange rate/ Other (1)	12.31.2013
Provisions for restructuring	93.4	129.4	30.7	-46.8	-12.5	-2.6	98.2
Provisions for product returns	208.2	211.3	187.3	-140.3	-26.7	-5.0	226.6
Other provisions for liabilities and charges	414.4	375.1	140.2	-74.1	-47.6	-15.1	378.5
TOTAL	**716.0**	**715.8**	**358.2**	**-261.2**	**-86.8**	**-22.7**	**703.3**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
◆ Other income and expenses	31.0	-50.6	-13.1
◆ Operating profit	284.6	-209.2	-45.4
◆ Financial (income)/expense	0.2	-	-
◆ Income tax	42.4	-1.4	-28.3

12.2. Contingent liabilities and material ongoing disputes

Besides certain disputes arising in the ordinary course of its operations and for which the provisions set aside are considered to be appropriate by the Group (see note 12.1), L'Oréal is party to several material disputes, described below:

12.2.1. Tax dispute in Brazil

- In terms of taxation, in early January 2013, L'Oréal Brasil received a tax reassessment notice regarding the indirect IPI tax for fiscal year 2008. The reassessment concerned an amount of BRL. 380.2 million, including BRL. 227.6 million in interest and penalties (€88.2 million).
- The Brazilian tax authorities questioned the price used to calculate the IPI tax base. After consulting its tax advisors, L'Oréal Brasil considers that the Brazilian tax authorities' position is unfounded and has challenged this notice. L'Oréal Brasil continues its legal proceedings with the tax authorities and no provision has therefore been recognised in this respect.
- In December 2015, L'Oréal Brasil received a further tax reassessment notice for BRL. 545 million (€126 million), concerning the indirect IPI tax for 2011 and based on the same grounds as those set forth in the 2008 reassessment. L'Oréal is challenging this notice and no provision has therefore been recognised in this respect.
- In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from May 1st, 2015. L'Oréal refutes the legal basis of this decree and has challenged its application.

  Pending the court rulings, the IPI tax is included on L'Oréal's invoices and the Company collects the corresponding amounts which are invested in term deposits with a leading bank. The amounts collected are shown in Provisions for liabilities and charges within liabilities while the deposits are booked symmetrically in Non-current financial assets. Interest recognised on the IPI liability (based on the SELIC rate) and income on the amounts invested are carried in Other financial income and expenses.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

The proceedings are at different stages:

- in Spain, the decision in first instance was appealed against and a cassation appeal was then filed. The decision is now at appeal before the Constitutional Court. The amount of the fine initially levied remains fully provisioned by the Group;
- in Belgium, the proceedings launched in 2006 by the Belgian competition authority were settled out of court in June 2015 and the case is now closed. The fine amounts to €8.0 million;
- in Germany, the proceedings launched in 2008 in the household and personal care sector are now closed following L'Oréal's decision to withdrawal its appeal against the decision in first instance handed down in 2013. As a result, a fine was paid for €9.7 million (excluding interest).

b) France

As regards France, the decision in first instance was handed down on December 18th, 2014 by the French competition authority in the household and personal care sector concerning events that took place in the early 2000s. The decision ordered L'Oréal S.A. to pay a fine of €189.5 million. L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in personal care products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches. L'Oréal is extremely surprised by this decision and by the amount of the fine, which it considers totally out of proportion. L'Oréal has filed an appeal against this decision and the pleadings will be heard by the Paris Court of Appeal in 2016. As the appeal does not stay the judgement, the fine provisioned at December 31st, 2014 was paid on April 28th, 2015.

At December 31st, 2015, the provision continues to be recorded in liabilities and the payment of the fine is shown in *Other current assets*.

A provision has been set aside for all disputes still in progress at December 31st, 2015 amounting to €212.5 million at the year-end, versus €239.4 million at end-2014 and €43.0 million at end-2013.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial position, assets, or operations of the Company or the L'Oréal Group.

NOTE 13 Off-balance sheet commitments

13.1. Operating lease commitments

These amount to €2,773.0 million at December 31st, 2015 compared with €1,690.5 million at December 31st, 2014 and €1,657.4 million at December 31st, 2013, of which:

- €511.3 million was due in within 1 year at December 31st, 2015, compared with €457.9 million at December 31st, 2014 and €425.2 million at December 31st, 2013;
- €1,353.5 million was due in 1 to 5 years at December 31st, 2015, compared with €994.3 million at December 31st, 2014 and €983.8 million at December 31st, 2013;
- €908.2 million was due in over 5 years at December 31st, 2015, compared with €238.1 million at December 31st, 2014 and €248.4 million at December 31st, 2013.

13.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.9.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within 1 year and are as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Guarantees given (1)	229.2	238.3	163.1
Guarantees received	54.4	61.8	58.2
Capital expenditure orders (2)	302.8	249.8	247.9
Firm purchase commitments under logistics supply contracts	533.8	482.0	454.1

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action program.
(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

13.3. Acquisitions in progress

On January 4th, 2016, L'Oréal USA announced the signing of an agreement to acquire key assets from Raylon Corporation owned by the Hafetz family, a full-service wholesale distributor of salon professional products.

The acquisition will expand SalonCentric's distribution coverage of salon professional products in Pennsylvania, New Jersey, Delaware, and portions of Maryland, West Virginia and New York, representing approximately 3,500 salons.

13.4. Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect that they will have any significant impact on the future operations, financial position, earnings or assets.

The risks identified at December 31st, 2015 are not material.

NOTE 14 Transactions with related parties

14.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	**2015**	2014	2013 (1)
Sales of goods and services	-	0.5	1.1
Financial expenses and income	-	-	6.8

(1) Including Galderma.

The following receivables and payables were recorded on the balance sheet for the related parties:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Operating receivables	0.6	3.6	3.0
Operating payables	-	0.4	0.6
Financial receivables	-11.0	-1.0	559.8

14.2. Related parties with a significant influence on the Group

In 2015, no significant transactions were carried out with a member of senior management or a shareholder with a significant.

NOTE 15 Fees accruing to auditors and members of their networks payable by the Group

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Amount		%		Amount		%	
€ millions excl. VAT	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Audit								
Statutory audit	7.0	6.4	72%	52%	6.5	6.4	77%	75%
L'Oréal	1.0	1.2	10%	10%	1.2	1.1	14%	13%
Fully consolidated subsidiaries	6.0	5.2	62%	43%	5.4	5.3	63%	62%
Other directly related audit assignments (1)	1.8	4.0	18%	33%	1.2	1.6	14%	18%
L'Oréal	0.7	1.6	8%	13%	0.7	0.6	8%	6%
Fully consolidated subsidiaries	1.0	2.4	11%	20%	0.5	1.0	6%	12%
Audit sub-total	**8.8**	**10.4**	**90%**	**85%**	**7.7**	**8.0**	**90%**	**94%**
Other services								
Other services (legal, tax, employee-related, other)	0.9	1.8	10%	15%	0.8	0.5	10%	6%
TOTAL	**9.7**	**12.2**	**100%**	**100%**	**8.5**	**8.5**	**100%**	**100%**

(1) Mainly concerning acquisition audits.

NOTE 16 Subsequent events

No events occurred between the balance sheet date and the date when the Board of Directors authorised the consolidated financial statements for issue.

4.7. CONSOLIDATED COMPANIES AT DECEMBER 31ST, 2015

4.7.1. FULLY CONSOLIDATED COMPANIES

Company	Head office	% control
Banque de Réalisations de Gestion et de Financement (Regefi)	France	100.00
Beauté Créateurs	France	100.00
Beauté, Recherche & Industries	France	100.00
Beautycos International Co. Limited	China	100.00
Beautylux International Cosmetics (Shanghai) Co. Ltd	China	100.00
Biotherm	Monaco	99.80
Canan Kozmetik Sanayi Ve Ticaret A.S.	Turkey	100.00
Centre Logistique d'Essigny	France	100.00
Chimex	France	100.00
Cobelsa Cosmeticos, S.A	Spain	100.00
Colainaf	Morocco	100.00
Coloright Ltd	Israel	100.00
Compagnie Thermale Hôtelière et Financière	France	99.98
Cosbel S.A. de C.V.	Mexico	100.00
Cosmelor KK	Japan	100.00
Cosmelor Ltd	Japan	100.00
Cosmephil Holdings Corporation Philippines	The Philippines	100.00
Cosmetil	Morocco	49.80
Cosmétique Active France	France	100.00
Cosmétique Active International	France	100.00
Cosmétique Active Production	France	100.00
Cosmétique Beauté Distribution France	France	100.00
Decléor et Carita (as a group)	France	100.00
Egyptelor LLC	Egypt	100.00
Elebelle (Pty) Ltd	South Africa	100.00
EpiSkin	France	99.89
Erwiton S.A.	Uruguay	100.00
Exclusive Signatures International	France	100.00
Fapagau & Cie	France	100.00
Faprogi	France	100.00
Finval	France	100.00
Frabel S.A. de C.V.	Mexico	100.00
Gemey Maybelline Garnier	France	100.00

Company	Head office	% control
Gemey Paris – Maybelline New York	France	100.00
Goldys International	France	100.00
Helena Rubinstein	France	100.00
Helena Rubinstein Italia S.p.A	Italy	100.00
Holdial	France	100.00
Hygiène Beauté Distribution France	France	100.00
Interbeauty Products Limited	Kenya	100.00
Kosmepol Sp z.o.o	Poland	100.00
L & J Ré	France	100.00
LOA1	France	100.00
LOA3	France	100.00
LOA5	France	100.00
LOA6	France	100.00
LOA7	France	100.00
La Roche-Posay Laboratoire Pharmaceutique	France	99.98
Laboratoire Sanoflore	France	100.00
Laboratorios de cosmeticos Vogue S.A.S.	Colombia	100.00
Lancôme Parfums & Beauté & Cie	France	100.00
LaSCAD	France	100.00
Lehoux et Jacque	France	100.00
Logistica 93 S.r.l.	Italy	100.00
L'Oréal Adria d.o.o.	Croatia	100.00
L'Oréal Argentina S.A.	Argentina	100.00
L'Oréal Australia Pty Ltd	Australia	100.00
L'Oréal Balkan d.o.o.	Serbia	100.00
L'Oréal Baltic SIA	Latvia	100.00
L'Oréal Belgilux S.A.	Belgium	100.00
L'Oréal Brasil Comercial de Cosméticos Ltda	Brazil	100.00
L'Oréal Brasil Licenciamentos Empresariais, Cosmeticos e Perfumes Ltda	Brazil	100.00
L'Oréal Brasil Pesquisas E Desenvolvimentos LTDA	Brazil	100.00
L'Oréal Bulgaria EOOD	Bulgaria	100.00
L'Oréal Canada, Inc.	Canada	100.00
L'Oréal Central America	Panama	100.00
L'Oréal Central West Africa	Nigeria	100.00
L'Oréal Ceska Republika s.r.o	Czech Republic	100.00
L'Oréal Chile S.A.	Chile	100.00
L'Oréal (China) Co. Ltd	China	100.00
L'Oréal Colombia S.A.	Colombia	100.00
L'Oréal Cosmetics Industry SAE	Egypt	100.00
L'Oréal Côte d'Ivoire	Ivory Coast	100.00
L'Oréal Danmark A/S	Denmark	100.00
L'Oréal Deutschland GmbH	Germany	100.00
L'Oréal East Africa Ltd	Kenya	100.00
L'Oréal Egypt LLC	Egypt	100.00
L'Oréal España S.A.	Spain	100.00
L'Oréal Finland Oy	Finland	100.00
L'Oréal Guatemala S.A.	Guatemala	100.00

Company	Head office	% control
L'Oréal Hellas S.A.	Greece	100.00
L'Oréal Hong Kong Ltd	Hong Kong	100.00
L'Oréal India Pvt Ltd	India	100.00
L'Oréal Investments B.V.	The Netherlands	100.00
L'Oréal Israël Ltd	Israel	92.97
L'Oréal Italia S.p.A	Italy	100.00
L'Oréal Japan Ltd	Japan	100.00
L'Oréal Kazakhstan LLP	Kazakhstan	100.00
L'Oréal Korea Ltd	Korea	100.00
L'Oréal Liban SAL	Lebanon	99.88
L'Oréal Libramont	Belgium	100.00
L'Oréal Magyarorszag Kozmetikai Kft	Hungary	100.00
L'Oréal Malaysia SDN BHD	Malaysia	100.00
L'Oréal Manufacturing Midrand Pty Ltd	South Africa	100.00
L'Oréal Maroc	Morocco	50.00
L'Oréal Mexico S.A. de C.V.	Mexico	100.00
L'Oréal Mexico Servicios S.A. de C.V.	Mexico	100.00
L'Oréal Middle East	United Arab Emirates	100.00
L'Oréal Nederland B.V.	The Netherlands	100.00
L'Oréal New Zealand Ltd	New Zealand	100.00
L'Oréal Norge A/S	Norway	100.00
L'Oréal Osterreich GmbH	Austria	100.00
L'Oréal Pakistan Private Limited	Pakistan	100.00
L'Oréal Panama S.A.	Panama	100.00
L'Oréal Peru S.A.	Peru	100.00
L'Oréal Philippines, Inc.	The Philippines	100.00
L'Oréal Polska Sp z.o.o	Poland	100.00
L'Oréal Portugal, Lda	Portugal	100.00
L'Oréal Produits de Luxe France	France	100.00
L'Oréal Produits de Luxe International	France	100.00
L'Oréal Produktion Deutschland Beteiligung GmbH	Germany	100.00
L'Oréal Produktion Deutschland GmbH & Co. Kg	Germany	100.00
L'Oréal Romania SRL	Romania	100.00
L'Oréal Saipo Industriale S.p.A	Italy	100.00
L'Oréal Saudi Arabia	Saudi Arabia	75.00
L'Oréal Singapore Pte Ltd	Singapore	100.00
L'Oréal Slovenija Kozmetika d.o.o	Slovenia	100.00
L'Oréal Slovensko s.r.o	Slovakia	100.00
L'Oréal SLP S.A. de C.V.	Mexico	100.00
L'Oréal South Africa Holdings Pty Ltd	South Africa	100.00
L'Oréal Suisse S.A.	Switzerland	100.00
L'Oréal Sverige AB	Sweden	100.00
L'Oréal Taiwan Co. Ltd	Taiwan	100.00
L'Oréal Thailand Ltd	Thailand	100.00
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	Turkey	100.00
L'Oréal UAE General Trading LLC	United Arab Emirates	99.80
L'Oréal UK Ltd	United Kingdom	100.00

Company	Head office	% control
L'Oréal Ukraine	Ukraine	100.00
L'Oréal Uruguay S.A.	Uruguay	100.00
L'Oréal USA, Inc. (as a group)	United States	100.00
L'Oréal Venezuela, C.A. (2)	Venezuela	100.00
L'Oréal Verwaltungs GmbH	Germany	100.00
L'Oréal Vietnam Co. Ltd	Vietnam	100.00
L'Oréal West Africa Ltd	Ghana	100.00
Magic Holding (sous-groupe)	China	100.00
Masrelor LLC	Egypt	100.00
Matrix Distribution GmbH	Germany	100.00
Niely Cosméticos (as a group)	Brazil	100.00
Nihon L'Oréal K.K.	Japan	100.00
NLO K.K.	Japan	100.00
NYX Cosmetics BV	The Netherlands	100.00
Oomes B.V.	The Netherlands	100.00
P.T. L'Oréal Indonesia	Indonesia	100.00
P.T. Yasulor Indonesia	Indonesia	100.00
Parbel of Florida, Inc.	United States	100.00
Parfums Cacharel & Cie	France	100.00
Parfums Guy Laroche	France	100.00
Parfums Paloma Picasso & Cie	France	100.00
Parfums Ralph Lauren	France	100.00
Prestige et Collections International	France	100.00
Procosa Productos de Beleza Ltda	Brazil	100.00
Productos Capilares L'Oréal S.A.	Spain	100.00
Redken France	France	100.00
SLP Asistencia S.A. de C.V.	Mexico	100.00
Scental Ltd	Hong Kong	100.00
Shanghai Episkin BioTechnology Co. Ltd	China	99.89
Shanghai L'Oréal International Trading Co Ltd	China	100.00
Shu Uemura Cosmetics Inc.	Japan	100.00
Sicôs & Cie	France	100.00
Société Hydrominérale de La Roche-Posay	France	99.98
Soprocos	France	100.00
Soproréal	France	100.00
Sparlys	France	100.00
The Body Shop (as a group)	United Kingdom	100.00 (1)
Urban Decay Shanghai Cosmetics Consulting Co. Ltd	Chine	100.00
Venprobel (2)	Venezuela	100.00
Viktor&Rolf Parfums	France	100.00
Yichang Tianmei International Cosmetics Co. Ltd	China	100.00
Zao L'Oréal	Russia	100.00

(1) Except for Body Store S.A. in which the Group has a 51% interest.
(2) Deconsolidated at December 31st, 2015 (note 2.4.).

4.7.2. EQUITY-ACCOUNTED COMPANIES

Company	Head office	% interest
Innéov Adria d.o.o. for trade and services	Croatia	50.00 (1)
Innéov Argentina S.A.	Argentina	50.00 (1)
Innéov Belgique	Belgium	50.00 (1)
Innéov Deutschland GmbH	Germany	50.00 (1)
Innéov España S.A.	Spain	50.00 (1)
Innéov France	France	50.00 (1)
Innéov Hellas A.E.	Greece	50.00 (1)
Innéov Italia S.r.l.	Italy	50.00 (1)
Innéov Mexico S.A. de C.V.	Mexico	50.00 (1)
Innéov Österreich Handelsgesellschaft mbH	Austria	50.00 (1)
Innéov Polska Sp. z.o.o.	Poland	50.00 (1)
Innéov Taiwan Co. Ltd	Taiwan	50.00 (1)
Laboratoires Innéov Portugal Unipessoal Lda	Portugal	50.00 (1)
Nutricos (Shanghai) Trading Co., Ltd	China	50.00 (1)
Nutricos Suisse	Switzerland	50.00 (1)
Nutricos Technologies	France	50.00 (1)
O.O.O Innéov	Russia	50.00 (1)

(1) Companies jointly owned with Nestlé.

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4.8 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended December 31st, 2015)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the Group's Management Report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of L'Oréal;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- L'Oréal performs impairment tests on goodwill and intangible assets with indefinite useful lives at least once a year and whenever there is an indication that an asset may be impaired, in accordance with the methods set out in Note 7.3 to the consolidated financial statements. We have reviewed the terms and conditions for implementing these impairment tests as well as the assumptions applied;
- Obligations relating to pensions, early retirement benefits and other related benefits granted to employees have been valued and recorded in accordance with the accounting policies described in Note 5.4 to the consolidated financial statements. We have reviewed and analyzed the valuation methods of these obligations, the data used and the assumptions applied.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's Management Report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit Gérard Morin	Deloitte & Associés Frédéric Moulin

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2015 parent company Financial Statements *

* *This information forms an integral part of the Annual Financial Report as provided for in the article L. 451-1-2 of the French Monetary and Financial Code.*

The individual financial statements set out in this chapter are those of L'Oréal parent company. They show the financial position of the parent company *stricto sensu*. Unlike the consolidated financial statements, they do not include the results of the Group's subsidiaries.

The information with regard to the parent company financial statements that was previously included in the Management Report of the Board of Directors is now included in this chapter. The pages concerned are the table showing the main changes and thresholds crossed regarding investments in subsidiaries and holdings, the table of subsidiaries and holdings and the five-year financial summary as well as the amount of expenses and charges provided for in Article 223 *quater* of the French Tax Code and the table showing trade accounts payable provided for by Articles L. 441-6-1 and D. 441-4 of the French Commercial Code. The Statutory Auditor's Report on the parent company financial statements completes this information

5.1. COMPARED INCOME STATEMENTS

€ millions	Notes	**12.31.2015**	12.31.2014	12.31.2013
Operating revenue		**3,283.1**	**3,091.0**	**3,070.0**
Sales	2	2,967.6	2,818.6	2,777.0
Reversals of provisions and transfers of charges		50.5	40.5	59.2
Other revenue	3	265.0	231.9	233.8
Operating expenses		**-3,053.9**	**-2,942.9**	**-2,837.5**
Purchases and change in inventories		-209.3	-195.6	-215.6
Other purchases and external charges		-1,667.6	-1,573.2	-1,486.8
Taxes and similar payments		-100.6	-150.4	-140.1
Personnel costs		-825.9	-795.1	-776.9
Depreciation, amortisation and charges to provisions	5	-147.3	-139.4	-130.0
Other charges		-103.2	-89.2	-88.1
Operating profit		**229.2**	**148.1**	**232.5**
Net financial revenue	6	2,671.9	2,496.5	2,236.0
Net charges to (-)/reversals of (+) provisions and transfers of charges	6	118.4	-39.2	-108.3
Exchange gains and losses		-12.2	33.2	2.3
Net financial income		**2,778.1**	**2,490.5**	**2,130.0**
Profit before tax and exceptional items		**3,007.3**	**2,638.6**	**2,362.5**
Exceptional items	7	**42.0**	**2,431.3**	**8.1**
Employee Profit Sharing		-17.2	-19.0	-14.2
Income tax	8	23.3	-112.9	9.7
NET PROFIT		**3,055.4**	**4,938.0**	**2,366.1**

5.2. COMPARED BALANCE SHEETS

ASSETS

€ millions (net amounts)	Notes	12.31.2015	12.31.2014	12.31.2013
Intangible assets	11	1,298.8	1,179.5	886.1
Tangible assets	12	455.6	422.7	390.7
Financial assets	14	10,229.0	10,239.5	9,989.9
Non-current assets		**11,983.4**	**11,841.7**	**11,266.7**
Inventories		36.2	34.3	39.2
Prepayments to suppliers		23.8	23.0	28.2
Trade accounts receivable	16	526.1	561.7	548.6
Other current assets	16	548.5	189.2	199.2
Marketable securities	15	234.8	266.1	210.5
Cash and cash equivalents	27	192.5	160.3	974.7
Current assets		**1,561.9**	**1,234.6**	**2,000.4**
Prepaid expenses		52.1	43.1	31.9
Unrealised exchange losses	21	20.0	17.2	16.2
TOTAL ASSETS		**13,617.4**	**13,136.6**	**13,315.2**

SHAREHOLDERS' EQUITY AND LIABILITIES

€ millions	Notes	12.31.2015	12.31.2014	12.31.2013
Share capital		112.6	112.2	121.2
Additional paid-in capital		2,654.5	2,316.8	2,101.2
Reserves and retained earnings		5,454.1	2,389.7	7,560.3
Net profit		3,055.4	4,938.0	2,366.1
Regulated provisions		80.7	87.1	90.4
Shareholders' equity		**11,357.3**	**9,843.8**	**12,239.2**
Provisions for liabilities and charges	**18**	**460.8**	**485.0**	**234.9**
Borrowings and debts	19	868.0	1,949.4	32.6
Trade accounts payable	20	508.9	459.2	454.6
Other current liabilities	20	407.3	392.8	347.0
Other liabilities		**1,784.2**	**2,801.4**	**834.2**
Unrealised exchange gains	21	15.1	6.4	6.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**13,617.4**	**13,136.6**	**13,315.2**

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5.3. CHANGES IN SHAREHOLDERS' EQUITY

The share capital comprises 562,983,348 shares with a par value of €0.2 each following transactions carried out in 2015:

- subscription to 4,657,509 shares following the exercise of options, and grant of 450 free shares,
- cancellation of 2,905,000 treasury shares.

Changes in shareholders' equity are as follows:

€ millions	Share capital	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	**Total**
Balance at December 31st, 2012 before appropriation of net profit	**121.8**	**1,679.0**	**45.4**	**7,482.5**	**2,408.0**	**88.5**	**11,825.2**
Changes in share capital	-0.6	422.2		-995.0			-593.4
Appropriation of 2012 net profit				1,027.4	-1,027.4		-
Dividends paid for 2012					-1,380.6		-1,380.6
2013 net profit					2,366.1		2,366.1
Other movements during the period						1.9	1.9
Balance at December 31st, 2013 before appropriation of net profit	**121.2**	**2,101.2**	**45.4**	**7,514.9**	**2,366.1**	**90.4**	**12,239.2**
Changes in share capital	0.7	215.6					216.3
Cancellation of Treasury stock	-9.7			-6,027.7			-6,037.4
Appropriation of 2013 net profit				858.8	-858.8		-
Dividends paid for 2013					-1,507.3		-1,507.3
2014 net profit					4,938.0		4,938.0
Other movements during the period			-1.7			-3.3	-5.0
Balance at December 31st, 2014 before appropriation of net profit	**112.2**	**2,316.8**	**43.7**	**2,346.0**	**4,938.0**	**87.1**	**9,843.8**
Changes in share capital	1.0	337.7					338.7
Cancellation of Treasury stock	-0.6			-362.2			-362.8
Appropriation of 2014 net profit				3,426.6	-3,426.6		0
Dividends paid for 2014					-1,511.4		-1,511.4
2015 net profit					3,055.4		3,055.4
Other movements during the period						-6.4	-6.4
BALANCE AT DECEMBER 31ST, 2015 BEFORE APPROPRIATION OF NET PROFIT	**112.6**	**2,654.5**	**43.7**	**5,410.4**	**3,055.4**	**80.7**	**11,357.3**

Reserves include an amount of €12.8 million in 2015 corresponding to unpaid dividends on treasury shares, compared with €16 million in 2014 and €16.8 million in 2013.

Regulated provisions consist partially of the provision for investments which amounted to €6.1 million at December 31st, 2015, compared with €11.8 million at December 31st, 2014 and €17.2 million at December 31st, 2013. In 2015, no charge was done to the provision for investments consequently to the changes of law since 2012. This provision includes the transfer to L'Oréal S.A. of some of the provisions set aside by our subsidiaries under a Group agreement. In 2015, an amount of € 5.7 millions set aside to the provision in 2010 was reversed (compared with €5.3 million in 2014 and €3.8 million in 2013).

Accelerated tax-driven depreciation at December 31st, 2015 amount to €74,3 million compared with €75.1 million at December 31st, 2014 and €73.1 million at December 31st, 2013.

Details of option plans and free share plans are provided in note 17.

5.4. STATEMENTS OF CASH FLOWS

€ millions	Notes	12.31.2015	12.31.2014	12.31.2013
Operating activities				
Net profit		**3,055.4**	**4,938.0**	**2,366.1**
Depreciation and amortisation	12	95.1	91.4	90.6
Charges to provisions (net of reversals)		-119.6	256.8	100.8
Gains and losses on disposals of non-current assets		1.6	-2,596.9	9.7
Other non-cash transactions (1)		118.0	0.9	-
Gross cash flow		**3,150.5**	**2,690.2**	**2,567.2**
Changes in working capital	25	-314.8	-25.8	-17.9
Net cash provided by operating activities		**2,835.7**	**2,664.4**	**2,549.3**
Investing activities				
Investments in non-current assets		-577.3	-7,234.1	-905.3
Changes in other financial assets	26	-25.2	490.3	-519.6
Disposals of non-current assets		21.8	2,659.7	11.7
Net cash from (used in) investing activities		**-580.7**	**-4,084.1**	**-1,413.2**
Financing activities				
Capital increase		338.6	216.3	423.5
Dividends paid		-1,511.4	-1,507.3	-1,381.0
Changes in financial debt		-1,733.8	1,814.5	-34.6
Net cash from (used in) financing activities		**-2,906.6**	**523.5**	**-992.1**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		34.1	-17.8	0.4
Change in cash and cash equivalents		**-617.5**	**-914.0**	**144.3**
Net Cash and cash equivalents at beginning of year		60.0	974.0	829.7
NET CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**27**	**-557.5**	**60.0**	**974.0**

(1) Relating mainly to the value of free shares vested under the 2011 plan which matured in 2015 for €77.8 million.

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5.5. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Notes contents

NOTE 1 Accounting principles

The Company's annual financial statements are prepared in accordance with French law and regulations (French Chart of Accounts) and with French generally accepted accounting principles.

1.1. Sales

These are comprised of sales of goods (net of rebates and discounts) and services (including technological assistance fees).

1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses for the year in which the advertisement or promotional initiative takes place.

1.3. Research and development costs

Research and development costs are recognised in expenses in the period in which they are incurred.

1.4. Income tax

The Company has opted for the French tax group regime. French companies included in the scope of tax consolidation recognise an income tax charge in their own accounts on the basis of their own taxable profits and losses.

L'Oréal, as the parent company of the tax group, recognises as tax income the difference between the aggregate tax charges recognised by the subsidiaries and the tax due on the basis of consolidated taxable profit or loss of the tax group.

1.5. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost, including acquisition costs.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

In accordance with regulation no. 2004-06 on assets, certain trademarks have been identified as amortisable in accordance with their estimated useful life.

Non-amortisable trademarks are tested for impairment at least once a year on the basis of the valuation model used at the time of their acquisition. An impairment is recorded where appropriate. Initial trademark registration costs are recorded as expenses.

Patents are amortised over a period ranging from two to ten years.

Business goodwill is not amortised. It is written down whenever the present value of future cash flows is less than the book value.

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and seven years. It is also subject to accelerated tax-driven amortisation, which is recognised over a 12-month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

1.6. Tangible assets

Tangible assets are recognised at purchase cost, including acquisition expenses.

The useful lives of tangible assets are as follows:

	Useful lives
Buildings	20-50 years
Fixtures and fittings	5-10 years
Industrial machinery and equipment	10 years
Other tangible assets	3-10 years

Both straight-line and declining-balance depreciation is calculated over the actual useful lives of the assets concerned. Exceptionally, industrial machinery and equipment is depreciated using the straight-line method over a period of ten years, with all additional depreciation classified as accelerated tax-driven depreciation.

1.7. Financial assets

1.7.1. Investments

These items are recognised in the balance sheet at purchase cost excluding incidental expenses.

Their value is assessed annually by reference to their value in use, which is mainly based on the current and forecast profitability of the subsidiary concerned and the share of equity owned. If the value in use falls below the net book value, an impairment is recognised.

1.7.2. Other financial assets

Loans and other receivables are valued at their nominal amount. Loans and other receivables denominated in foreign currencies are translated at the exchange rate prevailing at the end of the financial year. If necessary, impairments are recognised against these items to reflect their value in use at the end of the financial year.

Treasury stock acquired in connection with buyback programmes to be cancelled is recognised in other long-term investments.

At the end of the financial year, other long-term investments are compared with their probable sale price and a provision for impairment recognised where appropriate.

1.8. Inventories

Inventories are valued using the weighted average cost method.

An impairment is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

1.9. Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recorded at their nominal value. Where appropriate, an impairment is recognised based on an assessment of the risk of non-recovery.

1.10. Marketable securities

Marketable securities are recognised at purchase cost and are valued at the end of the financial year at their probable sale price.

Treasury stock held that is specifically allocated to employee stock option and free shares plans is recognised in marketable securities.

No discount is granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no impairment is required. However, an impairment is recognised in the event of a decline in the market price, representing the difference between the book value of the Treasury stock and the average share price in the month preceding the reporting date.

A provision for liabilities and charges in respect of shares of Treasury stock allocated to free share plans for L'Oréal parent company employees is recognised over the period during which the rights to the free shares vest. Shares of Treasury stock allocated to free share plans for employees of Group subsidiaries are written down in full. However, the subsidiaries concerned will bear most of the cost of granting these free shares.

1.11. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to third parties, without receipt of equivalent consideration by the Company. They relate mainly to commercial and financial contingencies and litigation (subsidiaries...) and to Administration and employee-related contingencies.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on their type.

1.12. Accounting for foreign currency transactions and exchange rate hedges

All receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year.

Exchange rate hedging instruments are contracted to hedge transactions recognised in the balance sheet or future transactions that are considered to be highly probable. Gains and losses generated by these instruments are recognised symmetrically with the gains and losses arising on the hedged items.

Translation differences on assets and liabilities and related hedging instruments are recognised in the balance sheet as *Unrealised exchange losses* or *Unrealised exchange gains*. A provision is recognised if the sum of these unrealised exchange gains and losses shows a potential exchange loss based on the overall exchange position of all currencies taken together.

Hedges have already been taken out in respect of forecasted operating transactions for the next financial year. The impact of such hedges on profit or loss will be recorded during the same accounting period as the transactions hedged.

1.13. Accounting for interest rate instruments

Gains and losses arising on interest rate swaps and caps hedging financial liabilities exposed to interest rate risk are recorded on a time-proportion basis symmetrically with the gains and losses on the items hedged.

1.14. Employee retirement obligations and related benefits

L'Oréal S.A. operates pension, early retirement and other benefit schemes for employees and retired employees in accordance with local legislation and regulations. Corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

These obligations are partially funded by an external scheme where the funds are gradually built up through contributions paid. The contributions are expensed as incurred under the *Other purchases and external charges* caption.

The related obligations are measured using an actuarial valuation method based on final salaries. The method takes account of length of service, life expectancy, turnover by category of personnel and economic assumptions such as inflation and discount rates.

No provision is recognised in the balance sheet for net unfunded obligations, which are shown in off-balance sheet commitments.

Since 2004, the obligation in respect of long-service awards is no longer recognised as an off-balance sheet commitment; instead, a provision is recognised in the balance sheet based on an actuarial valuation of the obligation.

NOTE 2 Sales

€ millions	12.31.2015	12.31.2014	12.31.2013
Sales of Goods	905.7	893.2	919.4
Services [1]	1,781.5	1,628.4	1,321.3
Other revenues	280.4	297.0	536.3
TOTAL	**2,967.6**	**2,818.6**	**2,777.0**

(1) Including invoicing of technological assistance.

The Company generated €1,411.8 million of its sales in France in 2015, compared with €1,397.4 million in 2014 and €1,372.9 million in 2013.

NOTE 3 Other revenue

This account mainly includes trademark royalties.

NOTE 4 Average headcount

Average headcount can be broken down as follows:

	2015	2014	2013
Executives	3,671	3,534	3,405
Supervisors	1,958	1,956	1,982
Administrative staff	234	226	250
Manual workers	219	214	234
Sales representatives	303	290	292
TOTAL	**6,385**	**6,220**	**6,163**
of which apprentices	211	193	174
External temporary staff	178	157	171

NOTE 5 Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions can be broken down as follows:

€ millions	12.31.2015	12.31.2014	12.31.2013
Depreciation and amortisation	-93.8	-90.9	-89.7
Impairment of non-current assets	-	-0.6	-
Impairment of current assets	-6.9	-4.1	-4.4
Provisions for liabilities and charges	-46.6	-43.8	-35.9
TOTAL	**-147.3**	**-139.4**	**-130.0**

NOTE 6 Net financial income

Net financial income amounts includes the following items:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Dividends received	2,796.0	2,516.3	2,205.2
Revenues on other receivables and marketable securities	0.4	1.9	2.3
Interest expense on borrowings and financial debt	-1.7	-6.1	-0.2
Losses settled at the level of partnership entities (SNCs)	-	-4.1	-7.9
Other (1)	-122.8	-11.5	36.6
TOTAL	**2,671.9**	**2,496.5**	**2,236.0**

(1) *Including in 2015 mainly the net carrying amount of free shares vested under the 2011 plan which matured in 2015. This should be looked at in conjunction with the reversal of the impairment loss on treasury shares.*

Additions to provisions net of reversals and expense transfers chiefly concern:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Impairment of financial investments	0.3	-17.2	-59.8
Impairment of other financial assets	39.8	0.3	ns
Impairment of Treasury stock	79.6	5.9	-44.8
Provisions for liabilities and charges relating to financial items	-7.2	-27.3	-3.0
Other movements	5.9	-0.9	-0.7
TOTAL	**118.4**	**-39.2**	**-108.3**

NOTE 7 Exceptional items

Exceptional items represented €42.0 million in 2015, compared to €2,431.3 million in 2014 and €8.1 million in 2013.

In 2014, exceptional items chiefly reflect the €2,601.7 million capital gain on the disposal of Galderma shares and the €189.5 million fine handed down against L'Oréal S.A. by the competition authority ruling in the first instance on December 18th, 2014. A provision was set aside for the full amount of this fine.

NOTE 8 Income tax

The income tax breaks down as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Tax on profit before tax and exceptional items	18.3	1.8	1.0
Tax on exceptional items and employee Profit Sharing	5.0	-114.7	8.7
INCOME TAX	**23.3**	**-112.9**	**9.7**

In 2015, the income tax gain recognised by L'Oréal includes the additional 3% tax on dividends (€45.3 million) and saving of €144.9 million resulting from tax consolidation.

In 2014, the income tax charge recognised by L'Oréal includes the tax on the capital gain arising on the disposal of the Galderma shares (€118.1 million), the additional 3% tax on dividends (€45.2 million) and a tax consolidation deficit (€26.5 million).

In 2013, the income tax gain booked reflects the expense relating to the additional 3% levy on the amount of dividends paid (€ 41.4 million) and saving of € 79.3 million resulting from tax consolidation.

The application of tax legislation led to an increase of € 46.5 million in net profit for 2015, chiefly reflecting the net charge to regulated provisions along with research and corporate sponsorship tax credits among others.

Income tax are calculated taking account of the exceptional temporary 10.7 % contribution for 2015, 2014 and 2013.

As in 2014, the CICE (*Crédit d'Impôt Compétitivité Emploi*) tax credit was recognised as a deduction from personnel costs in an amount of €4.8 million in 2015 (€4.7 million in 2014 and €3.3 million in 2013). The CICE tax credit represents 6% of salaries paid in respect of 2015 versus 6% in 2014 and 4% in 2013, and was allocated to investments in real estate projects, mainly regarding the Clichy and Saint-Ouen sites.

NOTE 9 Increases or reductions in future tax liabilities

€ millions	12.31.2013		12.31.2014		Changes		**12.31.2015**	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Temporary differences								
Regulated provisions	-	25.2	-	25.9	8.2	7.9	-	25.6
Temporarily non-deductible charges	79.9	-	92.6	-	12.4	38.4	66.6	
Charges deducted (or revenue taxed) for tax purposes but not yet recognised	-	3.2	-	3.7	3.7	1.7	-	1.7
Temporarily non-taxable revenue	-	-	-	-	-	-	-	-
Deductible items								
Tax losses, deferred items	-	-	-	-	-	-	-	-
Potentially taxable items								
Special reserve for long-term capital gains	-	188.6	-	188.6	5.9	-	-	182.7

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NOTE 10 Research costs

Expenses booked in Research activities in 2015 totalled €825.7 million compared with €761.4 million in 2014 and €738.6 million in 2013.

NOTE 11 Intangible assets

€ millions	12.31.2013	12.31.2014	Acquisitions/ Amortisation	Disposals/ Reversals	Other movements	**12.31.2015**
Patents and trademarks	490.1	510.3	2.3	-	-	512.6
Business goodwill	268.8	475.0	-	-	331.2	806.2
Software	260.2	282.7	17.4	-15.6	7.1	291.6
Other intangible assets	211.1	280.4	-	-	-210.4	70.0
Intangible assets in progress	43.7	59.8	44.3	-19.4	-10.9	73.8
Gross value	**1,273.9**	**1,608.2**	**64.0**	**-35.0**	**117.0**	**1,754.2**
Patents and trademarks	68.1	80.1	11.4	-	-	91.5
Business goodwill	0.3	0.3	-	-	-	0.3
Software	180.4	205.9	27.7	-15.3	-	218.3
Other intangible assets	42.5	45.5	3.3	-	-	48.8

€ millions	12.31.2013	12.31.2014	Acquisitions/ Amortisation	Disposals/ Reversals	Other movements	12.31.2015
Amortisation	**291.3**	**331.8**	**42.4**	**-15.3**	**-**	**358.9**
Patents and trademarks	51.4	51.4	-	-	-	51.4
Business goodwill	41.6	41.6	-	-	-	41.6
Other intangible assets	3.5	3.9	-	-0.4	-	3.5
Depreciation	**96.5**	**96.9**	**-**	**-0.4**	**-**	**96.5**
NET VALUE	**886.1**	**1,179.5**	**21.6**	**-19.3**	**117.0**	**1,298.8**

In 2015, the increase in business goodwill comes from the complete transfer of assets and liabilities of YSL Beauté and a new allocation of the Other intangible assets.

In 2014, the increase in business goodwill comes from the complete transfer of assets and liabilities of Fipal (Decléor) and Roger & Gallet.

NOTE 12 Tangible assets

€ millions	12.31.2013	12.31.2014	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	12.31.2015
Land	76.1	78.5	0.1	-	-	78.6
Buildings	560.6	607.9	22.4	-10.3	4.8	624.8
Industrial machinery and equipment	199.9	191.1	9.9	-19.4	0.4	182.0
Other tangible assets	139.2	158.0	15.0	-19.1	3.5	157.4
Tangible assets in progress	23.6	15.3	38.5	-0.5	-8.3	45.0
Advances and prepayments	1.6	0.6	-	-	-0.2	0.4
Gross value	**1,001.0**	**1,051.4**	**85.9**	**-49.3**	**0.2**	**1,088.2**
Land	0.2	0.3	0.2	-	-	0.5
Buildings	356.4	377.3	21.7	-10.3	-	388.7
Industrial machinery and equipment	164.3	153.0	8.9	-19.3	-	142.6
Other tangible assets	89.4	97.8	21.8	-19.1	-	100.5
Amortisation	**610.3**	**628.4**	**52.6**	**-48.7**	**-**	**632.3**
Industrial machinery and equipment	-	0.2	-	-0.2	0.3	0.3
Depreciation	**-**	**0.2**	**-**	**-0.2**	**0.3**	**0.3**
NET VALUE	**390.7**	**422.8**	**33.3**	**-0.4**	**-0.1**	**455.6**

Depreciation and amortisation recognised in 2015 against tangible and intangible assets included:

- a charge of € 89.2 million on a straight-line basis;
- a charge of € 4.5 million on a declining-balance basis;
- a charge of € 1.3 million relating to exceptional depreciation and amortisation.

NOTE 13 Non-current assets held under finance leases

€ millions	Non-current assets held under finance leases at 12.31.2015				Balance sheet total including noncurrent assets held under finance leases		
	Cost on initial recognition [(1)]	Depreciation [(2)]		Net book value			
Balance sheet captions		Period	Accumulated		Gross value	Depreciation	Net book value
Land and buildings	9.2	-0.5	-2.9	6.3	712.6	-392.1	320.5
TOTAL AT 12.31.2015	**9.2**	**-0.5**	**-2.9**	**6.3**	**712.6**	**-392.1**	**320.5**
Total at 12.31.2014	9.2	-0.5	-2.4	6.8	695.6	-380.1	315.5
Total at 12.31.2013	9.2	-0.5	-1.9	7.3	645.9	-358.5	287.4

(1) Value of the assets on the date the leases were signed.
(2) Depreciation charge for the year and accumulated depreciation that would have been recognised for these assets had they been purchased outright – Depreciation method on a straight-line basis over 20 years.

€ millions	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year-end				Residual purchase price under the lease
Balance sheet captions	Period	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	
Land and buildings	1.1	6.8	1.1	2.7	-	3.8	-
TOTAL AT 12.31.2015	**1.1**	**6.8**	**1.1**	**2.7**	**-**	**3.8**	**-**
Total at 12.31.2014	1.1	5.7	1.1	3.8	-	4.9	-
Total at 12.31.2013	1.1	4.6	1.1	4.4	0.5	6.0	-

NOTE 14 Financial assets

€ millions	12.31.2013	12.31.2014	Acquisitions/ Subscriptions	Disposals/ Reductions	Other movements	12.31.2015
Investments (1)	9,396.1	10,122.0	490.5	-1.9	-150.4	10,460.2
Loans and other receivables	232.7	146.5	105.4	-124.0	-27.2	100.7
L'Oréal shares (2)	244.1	362.8	-	-362.8	-	0
Other (3)	502.6	10.7	-	-	17.9	28.6
Gross value	**10,375.5**	**10,642.0**	**595.9**	**-488.7**	**-159.7**	**10,589.5**
Investments	344.5	361.7	37.5	-39.0	-0.6	359.6
Loans and other receivables	41.0	40.7	0.8	-40.7	-	0.8
Other	0.1	0.1	-	-	-	0.1
Impairment	**385.6**	**402.5**	**38.3**	**-79.7**	**-0.6**	**360.5**
NET VALUE	**9,989.9**	**10,239.5**	**557.6**	**-409.0**	**-159.1**	**10,229.0**

(1) Subscriptions chiefly concern the Brazilian subsidiaries following the acquisition of the Niely Cosméticos group.
(2) L'Oréal shares were cancelled pursuant to the decision of the Board of Directors' meeting of April 22nd, 2015.
(3) Mainly include the cash-collateral agreements granted to the bank of the Group.

The detailing subsidiaries and affiliates is presented at the end of the present notes.

NOTE 15 Marketable securities

This account can be broken down as follows:

€ millions	12.31.2015	12.31.2014	12.31.2013
L'Oréal shares	233.3	319.6	323.6
Financial instruments/Premiums paid on options	100.6	94.8	41.1
Gross value	**333.9**	**414.4**	**364.7**
L'Oréal shares	-99.1	-148.3	-154.2
Financial instruments/Premiums paid on options	-	-	-
Impairment	**-99.1**	**-148.3**	**-154.2**
NET VALUE	**234.8**	**266.1**	**210.5**

L'Oréal shares of Treasury stock acquired in connection with employee stock purchase option plans and free share plans had a net value of €134.2 million at December 31st, 2015 against €171.3 million at December 31st, 2014 and €169.4 million at December 31st, 2013.

During 2015, stock options were exercised on 150,606 shares, and 937,735 free shares were granted.

Stock purchase options expiring in 2015 represent a total of 719,675 shares, for a gross value (equal to the net value) of € 52.4 million.

In 2015, the total market value of Treasury stock amounted to €474.2 million based on the average share price in December and to €465.1 million based on the closing share price on December 31st.

In 2014, the total market value of Treasury stock amounted to €558.4 million based on the average share price in December and to €568.8 million based on the closing share price on December 31st.

In 2013, the total market value of Treasury stock amounted to €519.8 million based on the average share price in December and to €530.3 million based on the closing share price on December 31st.

NOTE 16 Maturity of receivables

€ millions	Less than 1 year	More than 1 year	Gross	Impairment	Net
Loans and other receivables	**94.3**	**6.3**	**100.6**	**0.9**	**99.7**
Other financial assets	**28.4**	**-**	**28.4**	**-**	**28.4**
Trade accounts receivable	**438.8**	**88.8**	**527.6**	**1.5**	**526.1**
Other current assets, of which	**551.9**	**-**	**551.9**	**3.4**	**548.5**
Tax and employee-related receivables (1)	491.9	-	491.9	-	491.9
Receivable from Group and shareholders	10.8	-	10.8	-	10.8
Other receivables	49.2	-	49.2	3.4	45.8
Prepaid expenses	**52.1**	**-**	**52.1**	**-**	**52.1**

(1) *Including an income tax receivable amounting to €240.1 million and the fine paid to the French competition authority on April 28th, 2015 for €189.5 million and against which L'Oréal has appealed.*

Accrual accounts included in receivables amount are as follow :

€ millions	12.31.2015	12.31.2014	12.31.2013
Trade accounts receivable	**89.9**	**134.2**	**141.3**
Other receivables from suplliers	**22.6**	**29.4**	**14.3**
TOTAL	**112.5**	**163.6**	**155.6**

NOTE 17 Stock purchase or subscription options – free shares

17.1. Share subscription or purchase options

The table below sets out data concerning option plans in force at December 31st, 2015.

Grant date	Number of options	Number of options not yet exercised	Exercise period From	Exercise period To	Exercise price
11.30.2005	4,200,000	-	12.01.2010	11.30.2015	61.37
11.30.2005	1,800,000	6,255	12.01.2010	11.30.2015	62.94
04.25.2006	2,000,000	-	04.26.2011	04.25.2016	72.60
12.01.2006	5,500,000	722,856	12.02.2011	12.01.2016	78.06
11.30.2007	4,000,000	791,155	12.01.2012	11.30.2017	91.66
03.25.2009	3,650,000	865,222	03.26.2014	03.25.2019	50.11
04.27.2010	4,200,000	2,319,386	04.28.2015	04.27.2020	80.03
04.22.2011	1,470,000	1,228,500	04.23.2016	04.22.2021	83.19

All plans have a 5-year exercise period and no performance-related conditions, except the April 22nd, 2011 plan (for all participants) and the April 27th, 2010 and March 25th, 2009 plans (for members of the Management Committee). The performance conditions associated with these plans concern:

- April 22nd, 2011 plan:
  - for 50% of options granted, the increase in comparable Cosmetics revenues for the 2012, 2013, 2014 and 2015 fiscal years in relation to the growth in revenues for a panel of competitors;
  - for 50% of options granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in 2012, 2013, 2014 and 2015 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

- April 27th, 2010 and March 25th, 2009 plans:
  - for 50% of options granted, the increase in comparable Cosmetics revenues for the 2011, 2012, 2013 and 2014 fiscal years for the 2010 plan and for the 2010, 2011, 2012 and 2013 fiscal years for the 2009 plan compared to the growth of the cosmetics market;
  - for 50% of shares granted, the percentage, over the same period, resulting from the ratio between the contribution before advertising and promotion expenses, i.e. the sum of operating profit and advertising and promotion expenses, and published Cosmetics revenues.

The calculation will be based on the arithmetic average of performance in the 2011, 2012, 2013 and 2014 fiscal years for the 2010 plan and in the 2010, 2011, 2012 and 2013 fiscal years for the 2009 plan, and will use a predefined allocation scale based on the performance percentage achieved.

At December 31st, 2015, the performance conditions for plans of April 27th, 2010 et March 25th ,2009 were deemed to have been met.

The share price used as the basis for calculating the 10% social contribution for the April 22nd, 2011 plan was €18.58.

17.2. Free shares

The table below summarises data relating to the free share plan.

Grant date					
Share subscription plans	Share purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not definitively vested
03.25.2009		03.26.2013	270,000	237,800	
04.27.2010		04.28.2014	450,000	389,100	
	04.22.2011	04.23.2015	1,038,000	939,300	
	04.17.2012	04.18.2016	1,325,050		1,248,350
	04.26.2013	04.27.2017	1,057,820		1,020,890
04.17.2014		04.18.2018	1,086,565		1,050,515
04.22.2015		04.23.2019	860,150		857,250

For the conditional grant of shares, the plan provides for a 4-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2-year mandatory holding period applies for French residents, during which the shares cannot be sold.

The performance conditions concern:

- April 22nd 2015, April 17th, 2014, April 26th, 2013, and April 17th, 2012 plans:
  - for 50% of shares granted, the increase in comparable Cosmetics revenues for the 2016, 2017 and 2018 fiscal years under the 2015 plan ; for the 2015, 2016 and 2017 fiscal years under the 2014 plan; and the 2014, 2015 and 2016, fiscal years under the 2013 plan, and the 2013, 2014 and 2015, fiscal years under the 2012 plan in relation to the growth in revenues for a panel of competitors;
  - for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in the 2016, 2017 and 2018 fiscal years under the 2015 plan, in the 2015, 2016 and 2017 fiscal years under the 2014 plan, and 2014, 2015 and 2016 fiscal years under the 2013 plan, and 2013, 2014 and 2015 fiscal years under the 2012 plan, and will use a predefined allocation scale based on the performance percentage achieved.

No performance condition applies below a block of 200 shares.

At December 31st, 2015, the performance conditions were deemed to have been met.

A rebilling agreement concerning the cost of free shares has been set up between L'Oréal S.A. and the subsidiaries concerned for the plans 2011, 2012, 2013.

The share price used as the basis for calculating the social contribution is €161.49 for the April 22nd, 2015 plan, €104.58 for the April 17th, 2014 plan, €112.37 for free shares for the April 26th, 2013 plan and €77.07 for the April 17nd, 2012 plan, and € 70.36 for the April 22nd, 2011 plan.

NOTE 18 Provisions for liabilities and charges

€ millions	12.31.2013	12.31.2014	**Charges**	**Reversals (used)**	**Reversals (not used)**	**Other**	**12.31.2015**
Provisions for litigation (1)	10.8	204.7	2.5	3.1	1.6	-	202.5
Provisions for foreign exchange losses	9.3	10.8	4.9	10.8	-	-	4.9
Provisions for expenses	94.6	133.3	57.4	69.5	2.8	-	118.4
Other provisions for liabilities (2)	120.2	136.2	31.7	7.0	25.9	-	135.0
TOTAL	**234.9**	**485.0**	**96.5**	**90.4**	**30.3**	**-**	**460.8**

(1) L'Oréal S.A. was fined an amount of €189.5 million further to the appealable decision issued by the French competition authority on December 18th, 2014. L'Oréal has appealed this decision. The fine provisioned at end-2014 was paid in April 2015. At December 31st, 2015, the provision continued to be shown in liabilities and the payment was included in "other current assets" (see Note 16).

(2) This item mainly includes provisions set aside to cover tax risks and other risks related to government bodies, commercial and financial risks, and personnel-related costs.

The changes in provisions for liabilities and charges impact the income statement as follow:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	46.5	34.6	4.9
Net financial income	47.2	53.8	-
Exceptional items	2.8	2.0	25.4
Income tax	-	-	-
TOTAL	**96.5**	**90.4**	**30.3**

NOTE 19 Borrowings and debt

L'Oréal obtains financing through medium-term bank loans and from short-term commercial paper issued in France. The amount of the programme is € 4,000 million. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

Liquidity on the commercial paper issues is provided by confirmed short-term credit facilities with banks, which amounted to €3,813 million at December 31st, 2015 (€3,300 million at December 31st, 2014 and €3,200 million at December 31st, 2013).

All borrowings and debt are denominated in euros and can be broken down as follows:

BREAKDOWN BY TYPE OF DEBT

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Bonds	n/s	n/s	n/s
Commercial paper	100.0	1,825.0	-
Bank overdrafts and financing with the Group's cash pool.	750.3	100.5	0.7
Other borrowings and debt	17.7	23.9	31.9
TOTAL	**868.0**	**1,949.4**	**32.6**

BREAKDOWN BY MATURITY DATE

€ millions	12.31.2015	12.31.2014	12.31.2013
Less than 1 year	850.5	1,926.0	1.3
1 to 5 years	16.2	22.1	30.0
More than 5 years	1.3	1.3	1.3
TOTAL	**868.0**	**1,949.4**	**32.6**

EFFECTIVE INTEREST RATE AND AVERAGE INTEREST RATE ON BORROWINGS AND DEBT

The effective interest rate on commercial papers was -0.19 % at the end of 2015.
The average interest rate on commercial papers was 0.04 % in 2015, 0.37 % in 2014 and 0.10 % in 2013.

NOTE 20 Maturity of payables

€ millions	Less than 1 year	More than 1 year	Total
Trade accounts payable	**508.9**	**-**	**508.9**
Other current liabilities, of which	**401.7**	**5.6**	**407.3**
Tax and employee-related payables	280.4	-	280.4
Payables related to non-current assets (1)	52.2	5.6	57.8
Payable to Group and shareholders	6.9	-	6.9
Other payables	62.2	-	62.2

(1) Non-current payables relate to earn-out clauses on acquisitions.

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	12.31.2015	12.31.2014	12.31.2013
Trade accounts payable	**266.5**	**276.7**	**232.5**
Payables related to non-current assets	**49.3**	**36.7**	**47.4**
Tax and employee-related payables, of which	**234.9**	**158.2**	**149.1**
Provision for employee Profit Sharing	18.3	19.3	15.8
Provision for incentives	74.2	68.4	66.2
Other payables	**26.6**	**23.7**	**27.9**
TOTAL	**577.3**	**495.3**	**456.9**

NOTE 21 Unrealised exchange gains and losses

The revaluation of foreign currency receivables and payables at the exchange rates prevailing at December 31st, taking account of the related hedging instruments, led to the recognition of the following unrealised exchange gains and losses:

	Unrealised exchange losses			Unrealised exchange gains		
€ millions	12.31.2015	12.31.2014	12.31.2013	12.31.2015	12.31.2014	12.31.2013
Financial receivables	8.1	6.0	9.6	-	-	-
Trade accounts receivable	4.0	4.0	2.7	0.5	2.1	0.5
Borrowings and debt	-	0.1	-	-	-	-
Trade accounts payable	1.4	3.1	0.1	2.1	0.5	1.8
Derivative financial instruments	6.5	4.0	3.8	12.5	3.8	4.6
TOTAL	**20.0**	**17.2**	**16.2**	**15.1**	**6.4**	**6.9**

The overall foreign exchange position at December 31st, 2015 is an unrealised loss of €4.9 million. This loss is recognised through profit and loss. At December 31st, 2014, the overall foreign exchange position was an unrealised loss of €10.8 million compared with an unrealised loss of €9.3 million at December 31st, 2013.

NOTE 22 Derivative financial instruments

Derivative financial instruments can be broken down as follows:

	Notional			Market value		
€ millions	**12.31.2015**	12.31.2014	12.31.2013	**12.31.2015**	12.31.2014	12.31.2013
Currency futures						
Purchase of EUR against foreign currencies						
EUR/RUB	227.6	135.7	147.9	26.0	52.3	0.3
EUR/CNY	224.0	189.9	98.6	-7.9	-11.0	-
EUR/BRL	57.3	75.0	68.9	6.6	-1.2	4.7
EUR/GBP	55.3	40.1	35.9	-0.8	-1.7	-
EUR/KRW	46.0	36.0	1.7	-0.5	-2.0	0.3
EUR/TWD	37.0	28.0	1.3	0.3	-0.8	0.1
EUR/THB	31.1	29.3	7.8	-0.7	-1.9	-0.8
EUR/ZAR	27.0	26.8	8.8	4.1	-0.6	1.3
EUR/IDR	26.6	18.8	12.6	-1.5	-1.1	-
EUR/CAD	21.8	19.5	11.6	1.4	-0.7	2.2
EUR/AUD (1)	18.9	17.5	20.0	-0.1	0.1	0.4
EUR/INR	14.2	10.3	3.3	-0.8	-0.8	-
EUR/MYR	13.9	12.9	1.9	1.0	-0.1	-0.2
EUR/CLP	10.0	8.9	7.0	0.3	-0.2	0.3
EUR/PLN	9.6	8.2	10.5	0.1	-	-0.2
EUR/CHF (1)	9.1	8.6	381.4	0.2	-0.1	0.2
EUR/Other currencies	68.2	77.3	109.3	-2.5	-3.3	5.3
Sale of EUR against foreign currencies						
EUR/JPY	27.2	22.7	-	0.9	-1.2	-
EUR/SGD (1)	15.9	15.0	10.1	-0.2	0.4	-1.1
EUR/Other currencies	2.9	2.3	-	0.2	0.2	-
Purchase of USD against foreign currencies						
USD/BRL	67.4	63.1	57.2	9.3	6.3	0.7
USD/THB	55.9	35.1	-	1.3	-0.1	-
USD/KRW	25.7	22.5	-	0.7	1.0	-
USD/MYR	21.8	17.4	-	2.1	0.9	-
USD/TWD	21.2	22.4	-	0.9	1.0	-
USD/Other currencies	65.7	38.2	24.6	3.1	1.7	2.5
Sale of USD against foreign currencies						
USD/CNY	57.1	29.4	22.9	-2.0	-0.5	-0.6
USD/IDR	3.7	-	9.6	0.1	-	-0.9
Other currencies pairs						
JPY/CNY	17.4	13.0	6.7	0.1	-0.5	-
RUB/PLN	13.0	6.8	6.9	1.5	2.2	-
Other currencies	20.9	9.1	6.3	0.8	-	0.2
Currency futures total	**1,313.4**	**1,039.8**	**1,072.8**	**49.0**	**38.3**	**14.7**
Currrency options						
EUR/USD	68.7	51.7	102.5	0.4	0.5	3.8
EUR/CNY	44.0	52.9	62.9	0.9	1.1	2.6
EUR/RUB	35.6	60.9	58.6	10.4	24.8	4.0
USD/BRL	14.8	11.8	31.6	3.5	1.6	2.9
EUR/BRL	13.6	17.7	54.6	3.2	2.2	7.1
Other currencies	7.5	25.6	37.6	0.8	0.7	3.7
Currencies options total	**184.2**	**220.6**	**356.8**	**19.2**	**30.9**	**24.1**
◆ Of which total options purchased	184.2	221.9	356.8	19.2	31.1	24.1
◆ Of which total options sold	-	-1.3	-	-	-0.2	-
TOTAL INSTRUMENTS	**1,497.6**	**1,260.4**	**1,429.6**	**68.2**	**69.2**	**38.8**

(1) The balance at the end of 2013 mainly concerns the hedges of cash-collateral agreements in foreign currencies granted to the bank of the Group.

NOTE 23 Transactions and balances with related entities and parties

Related-party data can be analysed as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Financial assets	9,766.2	9,434.8	8,810.1
Trade accounts receivable	310.4	302.5	300.9
Other accounts receivable	11.1	8.4	18.5
Cash and cash equivalents	190.7	158.7	967.0
Borrowings	750.0	100.0	-
Trade accounts payable	126.8	106.4	126.6
Other payables	6.9	6.8	4.6
Financial expenses	41.1	7.0	8.2
Financial revenues	2,459.9	2,517.9	2,207.1

All material related-party transactions were entered into on an arm's length basis.

NOTE 24 Off-balance sheet commitments

24.1. Lease commitments

Operating lease commitments amount to €107.1 million due in less than one year, €323.7 million due between 1 and 5 years and €232.3 million due after 5 years.

The breakdown of finance lease commitments is provided in note 13.

24.2. Other off-balance sheet commitments

Confirmed credit facilities are set out in note 19.

Other off-balance sheet commitments can be broken down as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Commitments granted in connection with employee retirement obligations and related benefits (1)	297.3	926.4	486.1
Commitments to buy out non-controlling interests	8.7	7.7	6.7
Guarantees given (2)	797.2	714.2	647.1
Guarantees received	8.5	10.7	10.3
Capital expenditure orders	62.0	56.4	65.4
Documentary credits	-	-	-

(1) The discount rate used to measure these commitments at December 31st, 2015 is 2.25 % for plans providing for payment of capital and 2.50 % for annuity plans, compared with respectively, 2.0% and 2.25% at end-2014, and 3.25% and 3.50% at end-2013.
An agreement for the pooling of employee-related liabilities was set up in 2004. Pursuant to this agreement, commitments are allocated among the French companies in the Group and their financing is organised in proportion to their respective payroll costs (customised for each plan) so that the companies are joint and severally liable for meeting the aforementioned commitments within the limit of the collective funds built up.

(2) This caption includes miscellaneous guarantees and warranties, including €788.0 million at December 31st, 2015 on behalf of direct and indirect subsidiaries (€696.2 million at December 31st, 2014 and €618.7 million at December 31st, 2013). Seller's warranties are also included in this amount as appropriate.

24.3. Contingent liabilities

In the ordinary course of its operations, L'Oréal is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Company sets aside a provision when a risk is found to exist and the related cost can be reliably estimated.

No exceptional event or dispute is highly likely to have a material impact on the earnings, financial position, assets or operations of the Company.

NOTE 25 Changes in working capital

Changes in working capital can be broken down as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Inventories	-3.0	5.0	-5.1
Accounts Receivable (1)	-349.1	8.8	-72.2
Accounts Payable	37.3	-39.6	59.4
TOTAL	**-314.8**	**-25.8**	**-17.9**

(1) Chiefly includes changes in income tax receivables for €178.8 million and the fine levied by the French authority amounting to €189.5 million.

NOTE 26 Changes in other financial assets

This caption mainly includes flows related to Treasury stock, classified within marketable securities, as well as flows related to cash-collateral agreements granted to the bank of the Group, classified within financial assets.

NOTE 27 Cash and cash equivalents at the end of the year

Cash and cash equivalents can be broken down as follows:

€ millions	**12.31.2015**	12.31.2014	12.31.2013
Cash	192.5	160.3	974.7
Accrued interest receivable	-	-	-
Bank overdrafts and financing with the Group's cash pool (see section 19)	-750.3	-100.5	-0.7
Accrued interest payable	0.3	0.2	-
TOTAL	**-557.5**	**60.0**	**974.0**

NOTE 28 Other disclosures

Statutory audit fees are presented in the note 15 to the Consolidated financial statements.

NOTE 29 Highlights

Investigations carried out by the competition authority

On December 18th, 2014, the decision in first instance was handed down by the French competition authority in the household and personal care sector concerning events which took place in the early 2000s. The decision ordered L'Oréal S.A. to pay a fine of €189.5 million. L'Oréal refutes all accusations of concerted practices with its competitors, and regrets that the French competition authority did not take into account the highly competitive French market in personal care products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches. L'Oréal is extremely surprised by this decision and by the amount of the fine, which it considers totally out of proportion. L'Oréal has filed an appeal against this decision and the pleadings will be heard by the Paris Court of Appeal in 2016. As the appeal does not stay enforcement of the judgement, the fine provisioned at December 31st, 2014 was paid on April 28th, 2015.

At December 31st, 2015, the provision continues to be recorded in liabilities and the payment of the fine is shown in *Other current assets*.

NOTE 30 Subsequent events

No event occurred between the balance sheet date and the date when the Board of Directors authorised the financial statements for issue.

5.6. TABLE OF SUBSIDIARIES AND HOLDINGS AT DECEMBER 31ST, 2015

SUBSIDIARIES AND AFFILIATES AT DECEMBER 31ST, 2015 (€ THOUSANDS)

DETAILED INFORMATION

	SHARE CAPITAL	Other equity	% holding	BOOK VALUE of investment		PROFIT or LOSS in last year	DIVIDENDS (1) booked during the year
				Gross	Net		
A. Main French subsidiaries (holding of over 50%)							
Banque de Réalisations de Gestion et de Financement (Regefi)	19,250	109,141	100.00	75,671	75,671	34,628	27,957
Beauté Créateurs	612	-27,655	100.00	31,599	0	222	0
Beauté, Recherche & Industries	10,690	8,892	100.00	19,116	19,116	7,161	1,818
Chimex	1,958	30,443	100.00	21,501	21,501	3,250	3,321
Cosmétique Active France	24	19,354	61.97	130	130	32,343	16,082
Cosmétique Active International	19	19,014	88.97	15,100	15,100	25,524	18,974
Cosmétique Active Production	186	16,964	80.13	5,081	5,081	5,728	5,177
Decléor Production	3,110	437	100.00	0	0	78	0
EpiSkin	13,609	6,160	99.89	17,978	17,978	1,171	0
Exclusive Signatures International	10	0	99.00	10	10	4,062	7,593
Fapagau & Cie	15	4,598	79.00	12	12	4,987	4,522
Faprogi	15	4,745	59.90	9	9	3,038	2,771
Finval	2	0	99.00	2	2	1,832	9,027
Gemey Maybelline Garnier	50	511	66.61	34	34	37,209	25,297
Gemey Paris - Maybelline New York	35	6,773	99.96	46	46	15,801	16,833
Goldys International	15	0	99.90	15	8	-9	0
H.B.D.F.	5	0	100.00	5	5	51	43
Helena Rubinstein	30	1	99.95	46,661	46,661	4,395	5,529
Holdial	1	0	98.00	1	1	601	483
L & J Ré	1,500	11,946	100.00	1,500	1,500	2,727	0
La Roche-Posay Laboratoire Pharmaceutique	380	4,437	99.98	27,579	27,579	18,425	16,586
Laboratoires Décléor	2,680	43,742	100.00	116,671	116,671	-24,219	0
Laboratoire Sanoflore	10	1,147	100.00	5,197	1,697	628	410
Lancôme Parfums & Beauté & Cie	1,192	0	100.00	3,235	3,235	58,054	53,874
LaScad	20	12,776	99.26	12,796	12,796	63,050	63,945
Lehoux et Jacque	39	108	100.00	263	263	-616	0
L'Oréal Produits de Luxe France	84	56,209	93.08	53,612	53,612	13,440	11,526
L'Oréal Produits de Luxe International	98	75,253	99.38	73,872	73,872	36,691	34,635
LOA3	90,402	0	100.00	90,400	90,400	-392	0
LOA5	3	0	100.00	3	3	-2	0
LOA6	3	0	100.00	3	3	-1	0
LOA7	3	0	100.00	3	3	-1	0
Nutricos Technologies	535	-6,062	50.00	38,125	0	5,987	0
Parfums Cacharel & Cie	1	1	99.00	2	2	440	434
Parfums Guy Laroche	332	54	100.00	1,656	1,656	269	183
Parfums Paloma Picasso & Cie	2	0	99.00	2	2	47	2
Parfums Ralph Lauren	2	-445	99.00	2	0	27	0
Prestige & Collections International	45	25,405	87.26	25,290	25,290	27,707	17,628
Sicôs & Cie	375	7,799	80.00	999	999	6,222	3,416
Soprocos	8,250	8,863	100.00	11,904	11,904	5,846	5,077
Soproréal	15	3,677	99.90	15	15	2,610	1,602
Sparlys	750	89	100.00	3,826	3,826	1,749	2,833
Viktor & Rolf Parfums	2	0	99.00	1	1	609	612
B. Main French investments (holding of over 50%)							
Innéov France	130	-2,622	0.00	n/s	n/s	355	0
Sanofi (2)			9.05	423,887	423,887		336,948

(1) The SNCs (general partnership), and Sociétés civiles (non trading companies), that are not tax consolidated, distribute.
(2) Sanofi : listed company. At the end of 2015 L'Oréal owns 118,227,307 shares. The market value amounts to 9,292,666 thousand euros.

	SHARE CAPITAL	Other equity	% holding	BOOK VALUE of investment Gross	Net	PROFIT or LOSS in last year	DIVIDENDS (1) booked during the year
A. MAIN FOREIGN SUBSIDIARIES (Holdings of over 50%)							
Beautycos International Co. Ltd (China)	52,482	56,145	73.46	46,195	46,195	9,398	25,558
Beautylux International Cosmetics (Shanghai) Co.Ltd (China)	5,629	-802	100.00	16,871	3,822	221	0
Biotherm (Monaco)	152	16	99.80	3,545	3,545	6,058	5,450
Canan Kozmetik Sanayi Ve Ticaret A.S. (Turkey)	6,451	19,090	100.00	30,290	30,290	4,747	3,308
Cosmelor Ltd (Japan)	3,554	3,313	100.00	35,810	10,810	1,774	0
Cosmephil Holdings Corporation (Philippines)	171	-135	100.00	400	14	0	0
Egyptelor LLC (Egypt)	6	234	99.80	7	7	62	0
Elebelle (Proprietary) Ltd (South Africa)	806	23,437	100.00	61,123	46,783	3,369	3,401
Erwiton S.A. (Uruguay)	739	1,019	100.00	17	17	8,912	7,263
Kosmepol Sp. z.o.o. (Poland)	38,844	49,414	99.73	48,965	48,965	4,436	0
L'Oréal Adria d.o.o. (Croatia)	131	1,104	100.00	1,503	1,503	6,236	7,619
L'Oréal Argentina SA (Argentina)	24,187	85,128	95.48	148,602	102,688	48,966	0
L'Oréal Australia Pty Ltd	2,711	15,359	100.00	33,867	33,867	44,081	40,296
L'Oréal Balkan d.o.o. (Serbia)	1,283	-445	100.00	1,285	1,285	1,361	797
L'Oréal Baltic SIA (Latvia)	387	1,196	100.00	529	529	2,647	3,398
L'Oréal Belgilux S.A. (Belgium)	16,124	19,973	98.93	77,150	77,150	37,009	20,078
L'Oréal Brasil	315,133	2,594	90.82	287,833	287,833	8,680	0
L'Oréal Brasil Pesquisas	21,321	-3,638	99.99	21,321	21,321	406	0
L'Oréal Bulgaria EOOD	102	708	100.00	102	102	3,553	2,834
L'Oréal Canada Inc.	3,979	20,457	100.00	146,517	146,517	75,726	71,313
L'Oréal Central America (Panama)	8	-469	100.00	8	8	-39	0
L'Oréal Central West Africa (Nigeria)	217	-5,610	99.91	3,053	305	-9,704	0
L'Oréal Ceska Republika s.r.o (Czech Republic)	5,939	1,390	100.00	8,678	8,678	7,140	5,516
L'Oréal Chile S.A. (Chile)	20,888	8,866	100.00	43,784	43,784	31,803	28,383
L'Oréal China Co Ltd (China)	43,498	79,278	100.00	345,733	345,733	320,683	224,832
L'Oréal Colombia S.A. (Colombia)	10,688	37,922	96.57	72,547	72,547	905	955
L'Oréal Cosmetics Industry S.A.E (Egypt)	56,082	-14,164	100.00	56,063	40,263	131	0
L'Oréal Côte D'Ivoire	100	0	100.00	100	100	31	0
L'Oréal Danmark A/S (Denmark)	270	5,248	100.00	8,336	8,336	12,233	14,017
L'Oréal Deutschland Gmbh (Germany)	12,647	277,195	100.00	76,855	76,855	122,845	169,043
L'Oréal East Africa Ltd (Kenya)	3	-6,871	99.90	191	191	-7,873	0
L'Oréal Espana S.A. (Spain)	59,911	20,528	63.86	299,154	299,154	44,781	30,286
L'Oréal Finland Oy (Finland)	673	13	100.00	1,280	1,280	9,663	10,870
L'Oréal Guatemala S.A.	1,044	1,264	100.00	2,162	2,162	939	1,083
L'Oréal Hellas S.A. (Greece)	9,736	9,506	100.00	35,307	35,307	9,825	8,304
L'Oréal Hong-Kong Ltd	3	2,057	99.97	604	604	87,911	256,555
L'Oréal India Private Ltd (Inde)	60,050	9,079	100.00	78,598	78,598	19,105	0
L'Oréal Investments B.V. (Netherlands)	18	-1	100.00	18	18	0	0
L'Oréal Israel Ltd	4,137	13,040	92.97	38,497	36,097	6,496	6,749
L'Oréal Italia Spa	1,680	54,382	100.00	226,469	226,469	70,624	56,242
L'Oréal Japan Ltd (Japan)	2,000	-2,536	100.00	1,904	1,630	545	0
L'Oréal Kazakhstan Llp (Kazakhstan)	422	-1,141	100.00	422	422	4,360	7,700
L'Oréal Korea Ltd (Korea)	1,991	-180	100.00	20,794	20,794	10,306	8,497
L'Oréal Liban SAL	3,139	1,364	99.88	7,692	7,692	21,461	18,632
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	428	-77	100.00	787	787	3,126	2,758
L'Oréal Malaysia SDN BHD (Malaysia)	3,268	6,510	100.00	6,762	6,762	9,515	5,727
L'Oréal Mexico S.A de C.V (Mexico)	2,349	104,845	100.00	8,443	8,443	30,482	31,354
L'Oréal Middle East (United Arab Emirates)	7,761	2,502	100.00	54,379	54,379	70,546	65,870
L'Oréal Nederland B.V. (Netherlands)	1,178	1,972	100.00	22,014	22,014	17,278	20,119
L'Oréal New Zealand Ltd (New Zealand)	44	2,262	100.00	6,110	6,110	7,254	7,335
L'Oréal Norge A/S (Norway)	1,384	4,199	100.00	4,050	4,050	14,536	17,312
L'Oréal Osterreich Gmbh (Austria)	2,915	1,366	100.00	3,818	3,818	13,642	14,762
L'Oréal Pakistan Private Ltd	16,910	-16,126	100.00	16,929	0	-1,481	0
L'Oréal Panama S.A.	159	2,494	100.00	168	168	11,025	11,638
L'Oréal Peru S.A. (Pérou)	2,322	-1,423	100.00	3,739	3,739	483	0

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	SHARE CAPITAL	Other equity	% holding	BOOK VALUE of investment		PROFIT or LOSS in last year	DIVIDENDS (1) booked during the year
				Gross	Net		
L'Oréal Philippines Inc.	12,344	-16,172	99.46	27,241	0	-4,978	0
L'Oréal Polska Sp. Z.O.O. (Poland)	405	-137	100.00	707	707	30,795	32,627
L'Oréal Portugal Lda	495	1,365	100.00	6,459	6,459	13,412	11,263
L'Oréal Romania SRL (Romania)	2,187	353	100.00	5,883	5,883	5,669	5,151
L'Oréal Saudi Arabia (Saudi Arabia)	5,682	1,217	74.63	4,260	4,260	1,373	653
L'Oréal Singapore Pte Ltd (Singapore)	1,165	4,712	100.00	18,991	18,991	12,683	5,344
L'Oréal Slovenija kosmetika d.o.o. (Slovenia)	465	383	100.00	856	856	517	691
L'Oréal Slovensko s.r.o. (Slovakia)	1,598	825	100.00	1,673	1,673	2,507	4,439
L'Oréal Suisse S.A.	346	7,039	100.00	160,311	160,311	30,840	38,511
L'Oréal Sverige AB (Sweden)	2,038	-240	100.00	2,247	2,247	16,802	17,231
L'Oréal Taiwan Co Ltd (Taiwan)	187	-162	100.00	17,881	17,881	26,099	22,984
L'Oréal Thailand Ltd	3,992	125	100.00	5,238	5,238	30,423	21,792
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	39,142	-17,336	100.00	55,093	51,093	14,629	0
L'Oréal UK Ltd (United Kingdom)	121,150	-101,996	100.00	145,573	145,573	178,283	121,168
L'Oréal Ukraine	3,033	5,486	100.00	2,990	2,990	7,327	0
L'Oréal Uruguay S.A.	485	8,457	100.00	5,435	5,435	4,840	2,665
L'Oréal USA Inc. (4)	4,402	3,352,302	100.00	3,797,447	3,797,447	584,876	531,280
L'Oréal Venezuela C.A.	588,568	3,345,366	100.00	26,953	0	7,948,899	0
L'Oréal Vietnam Co Ltd	9,645	-16,108	100.00	9,754	4	-939	0
Magic Holdings International Limited	9,765	86,700	100.00	615,198	615,198	-363	0
Masrelor LLC (Egypt)	17,686	-787	100.00	17,573	2,073	77	0
Nihon L'Oréal KK (Japan)	138,845	45,360	100.00	415,182	396,441	12,741	0
Parbel of Florida Inc. (USA)	40	-5,130	100.00	100,317	100,317	32,780	30,809
Procosa Productos de Beleza Ltda (Brazil)	154,342	35,049	100.00	223,938	223,938	6,952	0
P.T. L'Oréal Indonesia	1,510	2,669	99.00	2,305	2,305	2,260	0
P.T. Yasulor Indonesia	73,931	-5,241	99.99	110,022	65,522	4,063	0
Scental Limited (Hong-Kong)	5	204	100.00	8	8	0	0
The Body Shop International PLC (United Kingdom) (3)	15,445	1,088,743	100.00	992,445	992,445	65,375	21,296
Venprobel (Venezuela)	188	-2,837	100.00	2,722	0	0	0
B. Main foreign subsidiaries (Holding of less than 50%)							
	n/s	n/s	n/s	n/s	n/s	n/s	n/s

For foreign subsidiaries and investments, the capital reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchanges rates, while profits and losses have been translated at average rate. It is specified that the list above is not exclusive.
(3) The Body Shop : Consolidated figures for the sub-group.
(4) Figures from the sub-consolidation of L'Oréal USA Inc.

GLOBAL INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

	Subsidiaries		Other Investments	
	French	Foreign	French	Foreign
Book value of shares held				
◆ Gross (after revaluation)	699,979	9,336,396	423,887	1
◆ Net	626,746	9,050,148	423,887	1
Amount of loans and advances granted	0	89,470		
Amount of guarantees and security granted	12,898	775,119		
Amount of dividends booked	358,218	2,100,878	336,948	0

5.7. OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF L'ORÉAL PARENT COMPANY

5.7.1. EXPENSES AND CHARGES FALLING UNDER ARTICLE 223 *QUATER* OF THE FRENCH TAX CODE

It is stipulated that the total amount of expenses and charges falling under Article 223 *quater* of the French Tax Code and the amount of tax applicable to such expenses and charges are as follows:

Expenses and charges	€1.5 million
Corresponding tax amount	€0.6 million

5.7.2 TRADE ACCOUNTS PAYABLE

In accordance with the French law on the Modernisation of the Economy of August 4th, 2008 and the resulting Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of the balance of trade accounts payable by L'Oréal parent company at year-end is as follows:

€ millions	**2015**	2014	2013
Trade accounts payable not yet due	**180.1**	**175.6**	**197.5**
including:			
at 30 days	100.0	118.2	116.9
between 30 days and 45 days	80.1	57.4	80.6
more than 45 days	-	-	-
TRADE ACCOUNTS PAYABLE DUE	**7.4**	**6.1**	**14.5**

5.7.3 NET SALES (EXCLUDING TAXES)

Net sales

€ millions	**2015**	2014	Variation in %
1st quarter	783.3	754.6	3.8
2nd quarter	773.3	710.8	8.8
3rd quarter	685.5	654.1	4.8
4th quarter	725.5	699.1	3.8
TOTAL	**2,967.6**	**2,818.6**	**5.3**

N.B: This includes sales of goods net of any rebates and discounts granted, along with services provided and technology royalties.

5.8. FIVE-YEAR FINANCIAL SUMMARY

L'ORÉAL PARENT COMPANY (EXCLUDING SUBSIDIARIES)

€ millions (except for earnings per share, shown in euros)	2011	2012	2013	2014	**2015**
I. Financial position at financial year-end					
• a) Share capital	120.6	121.8	121.2	112.2	112.6
• b) Number of shares	602,984,082	608,810,827	605,901,887	561,230,389	562,983,348 (1)
• c) Number of convertible bonds	0	0	0	0	0
II. Overall results of operations					
• a) Net pre-tax sales	2,421.1	2,606.8	2,777.0	2,818.6	2,967.6
• b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment and Profit Sharing reserve)	2,344.8	2,517.5	2,562.0	5,418.1	3,024.7
• c) Income tax	-51.3	11.4	-9.7	112.9	-23.3
• d) Net profit	2,169.8	2,408.0	2,366.1	4,938.0	3,055.4
• e) Amount of distributed profits	1,204.3	1,380.6	1,507.3	1,511.4	1,756.1 (2)
III. Results of operations per share					
• a) Profit after tax and Profit Sharing, but before depreciation, amortisation and provisions	3.94	4.09	4.22	9.42	5.38
• b) Net profit	3.60	3.96	3.91	8.80	5.43
• c) Dividend paid on each share (not including tax credit)	2.00	2.30	2.50	2.70	3.10 (2)
IV. Personnel					
• a) Number of employees	6,016	6,097	6,163	6,220	6,385
• b) Total salaries	459.0	489.5	515.6	541.7	560.9
• c) Amount paid for welfare benefits (social security, provident schemes, etc)	200.4	208.6	261.3	253.5	265.0

(1) The share capital comprises 562,983,348 shares with a par value of €0.2, following the subscription of 4,657,509 shares following the exercise of options and grant of 450 of free shares, as well as cancellation of 2,905,000 treasury shares.

(2) The dividend will be proposed to the Annual General Meeting of April 20th, 2016.

5.9. INVESTMENTS (MAIN CHANGES INCLUDING SHAREHOLDING THRESHOLD CHANGES)

INVESTMENTS

(main changes including shareholding threshold changes > 5%)

€ millions	Situation at 12.31.2014 Including revaluation		Acquisitions		Subscriptions		Others		Situation at 12.31.2015	
Headings	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Areca	0.0	100.00					(0.0)	[1]	0.0	
L'Oréal Argentina S.A	123.7	94.90			24.9				148.6	95.48
YSL Beauté Holding	312.8	100.00					(312.8)	[1]	0.0	
L'Oréal produits de luxe France	1.5	68.55					52.2	[1]	53.6	93.08
L'Oréal produits de luxe International	0.1	77.36					73.8	[1]	73.9	99.38
Cosmétique active international	0.0	80.43					15.1	[1]	15.1	88.97
Prestige et collections	3.8	81.67					21.5	[1]	25.3	87.26
L'Oreal Central West Africa	2.7	99.91			0.3				3.1	99.91
L'Oréal Côte d'Ivoire	0.0	100.00			0.1				0.1	100.00
L'Oréal Brasil comercial de cosmeticos Ltda	0.0				287.8				287.8	90.82
Jacques Dessange	0.0	99.90	0.0	0.10			0.0	[1]	0.0	
Procosa	170.2	99.99			53.7				223.9	99.99
Laboratoires Decléor	58.3	100.00					58.3	[1]	116.7	100.00
Carita International	58.3	99.99					(58.3)	[1]	0.0	
Sofamo	1.3	99.99	0.0	0.01			(1.3)	100.00 [2]	0.0	
LOA4	0.0	100.00					0.0	100.00 [3]	0.0	
L'Oréal Pakistan Private Ltd	15.6	99.99			1.3				16.9	99.99
Masrelor	15.5	99.99			2.0				17.6	99.99
L'Oreal Cosmetics Industry	48.1	99.99			8.0				56.1	99.99
L'Oréal Brasil Pesquisas Ltda	7.6	99.96			13.7				21.3	99.98
L'Oréal Japan Ltd	0.3	100.00			1.6				1.9	100.00
LOA3	0.0	1.00			90.4				90.4	99.99
Nutricos Technologies	31.7	50.00			6.5				38.1	50.00
LOA6					0.0	100.00			0.0	100.00
LOA7					0.0	100.00			0.0	100.00
	851.6		0.0		490.4		(151.6)		1190.4	

(1) Complete transfer of assets and liabilities.
(2) Liquidation.
(3) Disposal.

5.10. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Year ended December 31st, 2015)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the Management Report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of L'Oréal;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2015, and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter:

Investments have been valued in accordance with the accounting methods described in Note 1.7.1 "Accounting policies – Financial Assets – Investments" to the Company's financial statements. As part of our audit, we reviewed whether these accounting methods were appropriate and evaluated the assumptions used.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers
Gérard Morin

Deloitte & Associés
Frédéric Moulin

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Stock Market Information Share capital

** This information forms an integral part of the Annual Financial Report as provided in Article L. 451-1-2 of the French Monetary and Financial Code.*

L'Oréal is a French "société anonyme" *(limited company)* listed in Paris.

This chapter sets out the information relating to its share capital and the main details of its legal form and its Articles of Association.

All the information on the L'Oréal share and L'Oréal share market are also included in this chapter.

6.1. INFORMATION RELATING TO THE COMPANY

6.1.1. LEGAL FORM

L'Oréal is incorporated in France as a société anonyme.

6.1.2. LAW GOVERNING THE ISSUER

French law.

6.1.3. BUSINESS ACTIVITY

L'Oréal S.A. is a French company, with its head office in France. It performs a sales activity that is specific to France. L'Oréal parent company also functions as a holding company and has a role of strategic coordination as well as scientific, industrial and marketing coordination for the L'Oréal Group on a global basis. The Group's subsidiaries develop the Group's business in their respective territory. In this role, they manufacture or commission and commercialize the products they decide to sell on their market.

L'Oréal wholly owns the vast majority of its subsidiaries. It also has substantial investments in non-consolidated companies, details of which are set out in chapter 4, pages 249 to 253.

6.1.4. DATE OF INCORPORATION AND TERM OF THE COMPANY (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)

"The Company's term shall be ninety-nine years, which began to run on January 1st, 1963 and which shall thus expire on December 31st, 2061, except in the event of early dissolution or of extension, as provided for in these Articles of Association."

6.1.5. PURPOSE OF THE COMPANY (EXTRACTS FROM ARTICLE 2 OF THE ARTICLES OF ASSOCIATION)

"The Company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, shall be as follows:

- the manufacturing and the sale of cosmetics products in general; of all devices intended for the same uses as the products listed above; of all household maintenance products; of all products and articles relating to feminine and/or child hygiene and to the embellishment of human beings; the demonstration and advertising of such products; the manufacturing of packaging articles;
- the filing and acquisition of all patents, licenses, processes and manufacturing trademarks, their exploitation, their assignment and/or their contribution;
- all diversification transactions and all commercial, financial, movable property and/or real property transactions, made in the Company's interest, under any form whatsoever;
- the direct or indirect involvement in all transactions such as those listed above, in particular by means of the creation of companies, the contribution to pre-existing companies, the merger or the alliance with such companies."

6.1.6. COMPANY REGISTRATION NUMBER

632 012 100 Paris Trade and Companies Registry.

6.1.7. CONSULTATION OF DOCUMENTS RELATING TO THE COMPANY

The Articles of Association, financial statements, reports and information for shareholders can be consulted at 41, rue Martre, 92117 Clichy Cédex, France, preferably by appointment. See also the www.loreal-finance.com website.

6.1.8. GENERAL MANAGEMENT (ARTICLE 11 OF THE ARTICLES OF ASSOCIATION)

1. "In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The choice between these two modes of exercising General Management is made by the Board of Directors each time a Chairman of the Board of Directors or a Chief Executive Officer is appointed or has his tenure renewed. The Board of Directors must inform shareholders and third parties of this choice in accordance with the statutory provisions.

The choice of the Board of Directors concerning the mode of exercise of the General Management is made on the basis of a majority vote of the Directors present or represented.

Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.

2. Depending on the choice made by the Board of Directors in accordance with the provisions of § 1 above, the General Management is carried out either by the Chairman, or by a natural person, appointed by the Board of Directors and bearing the title of Chief Executive Officer.

3. The Chief Executive Officer is granted the most extensive powers to act in all circumstances on behalf of the Company. He exercises these powers within the limitations of the object of the Company, and subject to the powers expressly granted by law to Shareholders' Meetings.

The Chief Executive Officer represents the Company in its relations with third parties. The Company is bound even by actions of the Chief Executive Officer which are outside the object of the Company, unless the Company can prove that the third party was aware that the action was outside the object of the Company, or that the third party could not be unaware of this in view of the circumstances, it being stated however that the mere publication of the Articles of Association does not constitute such proof.

4. On the proposal of the Chief Executive Officer, whether this office is assumed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons in charge of assisting the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to the Deputy Chief Executive Officers."

6.1.9. FISCAL YEAR (ARTICLE 14 OF THE ARTICLES OF ASSOCIATION)

"Each fiscal year shall have a duration of twelve months, to begin on January 1st and to end on December 31st of each year."

6.1.10. STATUTORY DISTRIBUTION OF PROFITS (ARTICLE 15 OF THE ARTICLES OF ASSOCIATION)

A. From the distributable profits, the following amounts shall be withheld, in the following order:

1. The amount required to pay the "primary dividend" to the shareholders equal to five percent (5%) of the amounts paid up on the unredeemed securities in accordance with calls for funds, provided however that (where the profits for a given year do not allow such dividend to be paid) the shareholders shall not be entitled to claim such dividend from out of the profits of subsequent years.

2. From the available remainder, the Ordinary General Meeting, upon a proposal by the Board of Directors, shall have the authority to resolve to withhold the amounts that it deems appropriate (and even the entire amount of such available remainder), either to be carried forward to the next fiscal year, or to be paid into a "prudential fund" or into one or more ordinary, extraordinary or special reserve funds. Such reserve fund(s), which shall not bear any interest, may be distributed to the shareholders, or allocated to complete the 5% primary dividend for the shareholders, in the event of insufficient results during one or more fiscal years, or to acquire and to cancel shares in the Company, or to redeem in whole or in part such shares.

3. The remaining balance (if any) shall be divided up among all the shareholders, without any discrimination, and each share shall entitle its holder to receive the same income.

However, any shareholder who can prove at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of payment of the dividend paid for such financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend (initial dividend and additional dividend) paid on the other shares, including in the event of payment of the dividend in new shares, the preferential dividend thus paid being rounded down to the nearest lower cent, if necessary.

Similarly, any shareholder who can prove, at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of completion of an increase in capital carried out through capitalisation of reserves, profits or share premiums by the distribution of bonus shares, shall be entitled to an increase in the number of bonus shares to be distributed to him, equal to 10%, this number being rounded down to the nearest lower unit in the event of fractional share rights.

The new shares created in this manner will be identical, for the purposes of calculating the rights to the preferential dividend and to the increased share allocations, to the old shares from which they result.

The number of shares eligible for these preferential dividends may not exceed 0.5% of the share capital at the closing date of the past financial year, for the same shareholder.

B. The losses (if any) shall be charged to the retained earnings from preceding fiscal years or to the reserve funds, and the balance shall be booked into a special 'carry forward' account."

6.1.11. SHAREHOLDERS GENERAL MEETING

Annual General Meetings are governed by all the legal provisions and regulations laid down in this connection. It is specified that, in accordance with Article 12 of the Company's Articles of Association, if the Board of Directors decides when the General Meeting is called, any shareholder may take part in the Meeting by videoconference or by any other telecommunication or remote transmission means including the Internet, in the conditions stipulated by the applicable regulations at the time it is used. If this decision is taken, it is communicated in the meeting notice published in the Bulletin des Annonces Légales Obligatoires (B.A.L.O).
In 2012, the shareholders updated the Company's Articles of Association pursuant to the new regulations aimed at simplifying the participation of shareholders at Annual General Meetings. Thus, a paragraph concerning the irrevocability of proxies has been removed and a paragraph on the use of electronic communication and signature has been inserted.

Since the Annual General Meeting of April 29th, 2004, double voting rights have been eliminated. Applying the provisions of French Law No. 2014-384 of March 29th, 2014, the General Meeting of April 22nd, 2015 confirmed that each shares entitles the holder to only one vote at General Meetings.

6.1.12. STATUTORY SHARE OWNERSHIP THRESHOLD

"Any holder, whether direct or indirect, of a fraction of the Company's share capital equal to 1%, or a multiple of this percentage lower than 5%, is required to inform the Company within a period of fifteen days in the event that these thresholds have been passed in either direction" (Article 7, paragraph 2 of the Articles of Association). This provision of the Articles of Association supplements the legal requirements covering disclosures concerning the crossing, upwards or downwards, of thresholds relating to one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, three-tenths, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of share capital or of voting rights" (Article L. 233-7 of the French Commercial Code).

"If not disclosed in accordance with the conditions stipulated by law or by the Articles of Association, shares exceeding the fraction which should have been disclosed are deprived of voting rights at Shareholders' Meetings, in accordance with the conditions stipulated in the French Commercial Code, if during a meeting the failure to disclose is noted, and if one or more shareholders together holding at least 5% of the share capital so request during the meeting" (Article 7, paragraph 3 of the Articles of Association).

See also the complete text of the Company's Articles of Association on the www.loreal-finance.com website, Regulated information section.

6.2. INFORMATION CONCERNING THE SHARE CAPITAL*

6.2.1. STATUTORY REQUIREMENTS GOVERNING CHANGES IN THE SHARE CAPITAL AND SHAREHOLDERS' RIGHTS

None.

6.2.2. ISSUED SHARE CAPITAL AND AUTHORISED UNISSUED SHARE CAPITAL

The share capital amounted to €112,596,669.60 as of December 31st, 2015. It was divided into 562,983,348 shares with a par value of €0.20 each, all of the same class and ranking *pari passu.*

The table set out below which summarises (particularly in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code) the currently valid authorisations granted to the Board of Directors by the Annual General Meeting of shareholders concerning the capital. It shows the use made of such authorisations over the financial year and presents the authorisations which are to be put to the vote at the Annual General Meeting on April 20th, 2016.

** This information forms an integral part of the Annual Financial Report as provided in Article L. 451-1-2 of the French Monetary and Financial Code.*

	Authorisations in force				Authorisations proposed to the Annual General Meeting of April 20th, 2016		
Nature of the authorisation	Date of AGM (resolution No.)	Length (expiry date)	Maximum authorised amount	Use made of the authorisation in 2015	**Resolution No.**	**Length**	**Maximum ceiling**
Share capital increases							
Capital increase through the issue of shares with maintenance of preferential subscription rights or via the capitalisation of share premiums, reserves, profits or other amounts	April 22nd, 2015 (8th)	26 months (June 22nd, 2017)	An increase in the share capital to €157,144,508	None			
Capital increase reserved for employees	April 22nd, 2015 (10th)	26 months (June 22nd, 2017)	1% of share capital at the date of the Annual General Meeting (*i.e.*, as an indication, 5, 612,303 shares at December 31st, 2014)	None	16th	26 months (June 20th, 2018)	1% of share capital at the date of the Annual General Meeting (*i.e.* a maximum of 5,629,833 shares at December 31st, 2015)
Buyback by the Company of its own shares							
Buyback by the Company of its own shares	April 22nd, 2015 (7th)	18 months (October 22nd, 2016)	10% of share capital on the date of the buybacks (i.e., as an indication, 56,123,038 shares at December 31st, 2014)	None	13th	18 months (October 20th, 2017)	10% of share capital on the date of the buybacks (*i.e.*, as an indication, 56,298,334 shares at December 31st, 2015)
Reduction in the share capital via cancellation of shares							
Cancellation of shares purchased by the Company within the scope of Article L. 225-209 of the French Commercial Code	April 17th, 2014 (11th)	26 months (June 17th, 2016)	10% of share capital on the date of cancellation per 24-month period (*i.e.*, as an indication, 60,590,188 shares at December 31st, 2013)	2,905,000	14th	26 months (June 20th, 2018)	10% of share capital on the date of the cancellation (*i.e.*, as an indication, 56,298,334 shares at December 31st,2015)
Cancellation of shares purchased by the Company within the scope of Article L. 225-208 of the French Commercial Code	April 17th, 2014 (11th)	26 months (June 17th, 2016)	650,000 shares	None	14th	26 months (June 20th, 2018)	750,000 shares
Stock options and free grants of shares							
Grant of existing free shares or shares to be issued to the employees	April 22nd, 2015 (9th)	26 months (June 22nd, 2017)	0.6% of share capital on the date of the decision to grant the shares	860,150	15th	26 months (June 20th, 2018)	0.6% of share capital on the date of the decision to grant the shares

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Since June 22nd, 2013, the Board of Directors no longer has an authorisation to allocate stock options to purchase or subscribe for shares.

At December 31st, 2015, 5,927,119 share subscription options had been allocated and not yet exercised. All these options are exercisable on the basis of one new share per option, and are therefore liable to lead to the creation of the same number of shares. Furthermore, 4,177,005 conditional shares had been granted to Group employees. Out of these, 1,907,765 shares will be created when necessary and, where applicable, by capitalisation of reserves. Accordingly, the potential share capital of the Company amounts to €114,163,646.40, divided into 570, 818,232 shares with a par value of €0.20 each.

The Company has not issued any securities which grant indirect entitlement to shares in the capital.

The Chairman, on the delegation of the Board of Directors at its meeting on February 12th, 2015, recorded the amount of the share capital at December 31st, 2015 which was €112,596,669.60 divided into 562,983,348 shares.

6.2.3. CHANGES IN THE SHARE CAPITAL OVER THE LAST FIVE YEARS

Date	Nature of the transaction	Amount of the change in share capital	Share premiums	Amount of the share capital on completion of the transaction	Number of shares created or cancelled	Number of shares on completion of the transaction
12.31.2010				€120,198,517.00		600,992,585
01.01 to 05.30.2011	Exercise of share subscription options	€233,719.40	€71,517,702.03	€120,432,236.40	1,168,597	602,161,182
05.30.2011	Conditional grant of shares	€80.00		€120,432,316.40	400	602,161,582
05.31 to 12.31.2011	Exercise of share subscription options	€164,500.00	€51,578,602.50	€120,596,816.40	822,500	602,984,082
01.01 to 12.31.2012	Exercise of share subscription options	€1,165,349.00	€407,590,294.85	€121,762,165.40	5,826,745	608,810,827
01.01 to 02.10.2013	Exercise of share subscription options	€115,508.80	€48,046,701.36	€121,877,674.20	577,544	609,388,371
02.11.2013	Cancellation of shares	-€1,015,450.00		€120,862,224.20	-5,077,250	604,311,121
02.11 to 03.25.2013	Exercise of share subscription options	€154,620.00	€62,560,063.50	€121,016,844.20	773,100	605,084,221
03.26.2013	Conditional grant of shares	€47,560.00		€121,064,404.20	237,800	605,322,021
03.26 to 05.26.2013	Exercise of share subscription options	€105,598.00	€42,689,529.48	€121,170,002.20	527,990	605,850,011
05.27.2013	Conditional grant of shares	€80.00		€121,170,082.20	400	605,850,411
05.27 to 11.29.2013	Exercise of share subscription options	€422,853.40	€132,489,663.04	€121,592,935.60	2,114,267	607,964,678
11.29.2013	Cancellation of shares	-€806,278.20		€120,786,657.40	-4,031,391	603,933,287
11.30 to 12.31.2013	Exercise of share subscription options	€393,720.00	€136,453,362.00	€121,180,377.40	1,968,600	605,901,887
01.01 to 04.27.2014	Exercise of share subscription options	€160,065.40	€47,381,984.35	€121,340,442.80	800,327	606,702,214
04.28.2014	Conditional grant of shares	€77,860.00		€121,418,302.80	389,300	607,091,514
04.29 to 07.07.2014	Exercise of share subscription options	€243,377.00	€74,294,609.14	€121,661,679.80	1,216,885	608,308,399
07.08.2014	Cancellation of shares	-€9,700,000.00		€111,961,679.80	-48,500,000	559,808,399
07.09 to 12.31.2014	Exercise of share subscription options	€284,398.00	€93,932,388.88	€112,246,077.80	1,421,990	561,230,389
01.01 to 03.01.2015	Exercise of share subscription options	€197,786.40	€63,711,066.62	€112,443,864.20	988,932	562,219,321
02.03.2015	Conditional grant of shares	€90.00		€112,443,954.20	450	562,219,771
03.02 to 04.21.2015	Exercise of share subscription options	€62,240.80	€20,382,327.94	€112,506,195.00	311,204	562,530,975
04.22.2015	Cancellation of shares	-€581,000.00		€111,925,195.00	-2,905,000	559,625,975
04.22 to 12.31.2015	Exercise of share subscription options	€671,474.60	€253,534,790.22	€112,596,669.60	3,357,373	562,983,348

6.3. SHAREHOLDER STRUCTURE*

SHAREHOLDER STRUCTURE AT DECEMBER 31ST, 2015

- **32.99%** *Bettencourt Meyers family*
- **23.07%** *Nestlé*
- **30.15%** *International institutional investors*
- **7.46%** *French institutional investors*
- **4.98%** *Individual shareholders*
- **0.53%** *Treasury stock*
- **0.82%** *Employees(1)*

(1) Of which 0.74% is in the L'Oréal Company savings plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.

6.3.1. LEGAL ENTITIES OR INDIVIDUALS ACTING IN CONCERT OVER THE COMPANY TO THE COMPANY'S KNOWLEDGE

The Bettencourt Meyers family, on the one hand, and Nestlé S.A., on the other hand, are shareholders of the Company and have declared that they are acting in concert (see the sections below pp. 292-294 on *Changes in allocation of the share capital and voting rights* and *Shareholders' agreements relating to shares in the Company's share capital*).

6.3.2. CHANGES IN ALLOCATION OF THE SHARE CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	12.31.2015			12.31.2014			12.31.2013		
	Number of shares	**% of capital**	**% of voting rights (4)**	Number of shares	% of capital	% of voting rights (4)	Number of shares	% of capital	% of voting rights (4)
Bettencourt Meyers family (1) (2)	185,704,089	32.99	32.99	185,704,089	33.09	33.09	185,661,879	30.64	30.64
Nestlé S.A. (2)	129,881,021	23.07	23.07	129,881,021	23.14	23.14	178,381,021	29.44	29.44
Concert party	315,585,110	56.06	56.06	315,585,110	56.23	56.23	364,042,900	60.08	60.08
Company savings plan (3)	4,628,294	0.82	0.82	4,530,801	0.81	0.81	4,252,345	0.70	0.70
Public	239,774,774	42.59	42.59	234,125,967	41.71	41.71	231,498,785	38.21	38.21
Treasury stock	2,995,170	0.53	0.53	6,988,511	1.25	1.25	6,107,857	1.01	1.01
TOTAL	**562,983,348**	**100.00**	**100.00**	**561,230,389**	**100.00**	**100.00**	**605,901,887**	**100.00**	**100.00**

(1) Including 185,654,833 L'Oréal shares held in absolute or beneficial ownership by Téthys, a French Société par actions simplifiée (simplified joint-stock company) of which Mrs. Liliane Bettencourt holds almost all the shares and attached voting rights in beneficial ownership. Mrs. Françoise Bettencourt Meyers holds 76,441,389 L'Oréal shares in bare ownership, the beneficial ownership of which is held mainly by Téthys of which she is the Chairwoman.
(2) The Bettencourt Meyers family and Nestlé S.A. act in concert (see shareholders' agreements relating to shares in the Company's share capital).
(3) Of which 0.74% in the L'Oréal Company savings plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.
(4) Calculated in accordance with Article 223-11 of the General Regulation of the Autorité des Marchés Financiers.

To the Company's knowledge, at December 31st, 2015, the members of the Executive Committee held less than 1% of the share capital.

The number of shares held by each of the members of the Board of Directors is shown in the information sheets on the Directors set out in chapter 2 of this document, pp 53-64.

The Company is authorised to trade in its own shares on or off the Stock Exchange in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, within the limits and in accordance with the purposes defined by the authorisations that are granted to it by its Annual General Meeting.

At December 31st, 2015, the Company held, on this basis, 2,995,170 of its own shares (representing 0.53% of the share capital), which, valued at their purchase price, represented €233.3 million in L'Oréal's parent company financial statements. None of these shares (1) is allocated to covering the stock option plans for the purchase of shares allocated to employees and executive officers of Group companies that have not yet expired and 2,269,240 of these shares were allocated to covering a plan for the conditional grant of shares to employees.

** This information forms an integral part of the Annual Financial Report as provided in Article L. 451-1-2 of the French Monetary and Financial Code.*

6.3.3. EMPLOYEE SHARE OWNERSHIP

The employees of L'Oréal and its affiliates held 4,628,294 shares as at December 31st, 2015 representing 0.82% of the share capital, of which 0.74% in the Company savings plan, as defined by article L.225-102 of the French Commercial Code.

At that date, this stake in the capital is held by 10,709 employees participating in the Group Company savings plan.

6.3.4. DISCLOSURES TO THE COMPANY OF LEGAL THRESHOLDS CROSSED

None.

6.3.5. SHAREHOLDERS' AGREEMENTS RELATING TO SHARES IN THE COMPANY'S SHARE CAPITAL

The Company is not aware of any shareholders' agreements relating to shares in its share capital other than the agreement described below.

A memorandum of agreement was signed on February 3rd, 2004 between Mrs. Liliane Bettencourt and her family, and Nestlé, providing for the merger of Gesparal into L'Oréal (merger completed on April 29th, 2004) and it contains the following clauses:

6.3.5.1. Clauses relating to the management of the L'Oréal shares held

Clause limiting the shareholding

The parties agreed not to increase their shareholdings or their voting rights held in L'Oréal, either directly or indirectly, in any manner whatsoever, for a minimum period of three years as from April 29th, 2004, and in any case not until six months have elapsed after the death of Mrs. Bettencourt [1] .

Lock-up clause (clause expired on April 29th, 2009)

The parties agreed not to transfer any or all of their L'Oréal shares either directly or indirectly, for a period of five years as from April 29th, 2004.

Exceptions to the undertaking to limit the shareholding and the lock-up clause

a) The undertaking to limit the shareholding does not apply if the increase in the shareholding results from a reduction in the number of L'Oréal shares or voting rights, the acquisition by the Company of its own shares, or the suspension or removal of the voting rights of a shareholder.

b) The undertaking to limit the shareholding and the lock-up clause will no longer apply in the event of a takeover bid for L'Oréal shares, as from the date of publication of the clearance decision (*avis de recevabilité*) and up until the day after the publication of the notice of results (*avis de résultat*).

c) In the event of an increase in the share capital of L'Oréal, the parties may, provided that the other party has voted in favour of the capital increase, acquire shares or subscribe for new shares, in order to maintain their holding at the percentage existing prior to the said transaction.

d) The parties are free to carry out transfers of L'Oréal shares, in the case of individuals, in favour of an ascendant, descendant or spouse in the form of a gift, and in the case of individuals or legal entities, in favour of any company in which the individual or legal entity carrying out the transfer holds over 90% of the share capital and voting rights.

Pre-emption clause (expiring on April 29th, 2014)

The parties have reciprocally granted each other a pre-emption right concerning the L'Oréal shares they hold since the date of the merger, and those they will hold after such date.

This pre-emption right, that came into force on expiry of the lock-up clause for a period of five years, expired on April 29th, 2014.

"No concert party" provision (clause expiring on April 29th, 2014)

The parties have agreed for a period of ten years from the effective date of the merger not to conclude an agreement with any third party and not to form a concert party relating to the shares making up the share capital of L'Oréal.

Breach of such undertaking entitles the other party to exercise its pre-emption right with regard to the shareholding of the party having committed such breach, for a price per share equal to the average of the share prices for the last thirty trading sessions prior to notification of exercise of the pre-emption right.

(1) See the amendment agreement signed on February 10th, 2014, page 293.

6.3.5.2. Board of Directors

The memorandum of agreement did not provide for any change to the composition of the Board of Directors as compared to its composition at the date of signing, but did stipulate an undertaking by the parties to vote in favour of the appointment as Directors of three members proposed by the other party.

The Bettencourt Meyers family and Nestlé also agreed to vote in favour of the appointment of two Vice-Chairmen of the Board of Directors, one proposed by the Bettencourt family, and the other by Nestlé.

The parties provided for the creation on the Board of Directors of L'Oréal of a committee called the *Strategy and Implementation Committee* which has six members, and is chaired by the Chairman of the Board of Directors of L'Oréal and composed of two members proposed by the Bettencourt family, two members proposed by Nestlé and one other independent Director. The committee meets six times a year.

6.3.5.3. Term

Unless otherwise stipulated, the memorandum of agreement will remain in force for five years from April 29th, 2004, and in all cases until a period of six months has elapsed after the death of Mrs. Bettencourt.

6.3.5.4. Concerted action between the parties

The parties declared that they would act in concert for a period of five years from April 29th, 2004. On April 9th, 2009, the Bettencourt Meyers family and Nestlé published the following press release:

"On February 3rd, 2004, the Bettencourt family and Nestlé signed an agreement organising their relationship and the management of their stakes within the L'Oréal Company.

The agreement is public and remains unchanged. It foresees the non-transferability of their respective stakes in the capital of L'Oréal until April 29th, 2009, the other clauses (in particular, limitation on the shareholding, pre-emption, escrow, prohibition on constituting a concert party with any third party, composition of the Board of Directors and of the Strategy and Implementation Committee) continue to be effective until the expiry date mentioned in the 2004 deed.

The Bettencourt family and Nestlé will continue to act in concert with regard to the L'Oréal Company beyond April 29th, 2009."

6.3.5.5. Amendment agreement signed on February 10th, 2014

In meetings held on February 10th, 2014, the respective Boards of Directors of Nestlé and L'Oréal approved by unanimous decision of their voting members a strategic transaction for both companies under which L'Oréal would buy 48.5 million of its own shares (8% of its share capital) from Nestlé. L'Oréal and Nestlé's joint news release of February 11th, 2014 describes this transaction in detail.

The buyback was subject to fulfilment of a condition precedent, namely the closing of the acquisition by Nestlé of all the shares held by L'Oréal in the companies of the Galderma group. The condition was fulfilled and all the L'Oréal shares purchased by L'Oréal were cancelled; following the transaction, Nestlé's stake in L'Oréal's capital was reduced from 29.4% to 23.29% while the Bettencourt Meyers family's stake increased from 30.6% to 33.31% of the capital at December 31st, 2013.

In order to reflect the change in the stake held by Nestlé in their agreements, on February 10th, 2014, the Bettencourt Meyers family and Nestlé signed an amendment agreement to their memorandum of agreement of February 3rd, 2004.

Ownership ceiling clause

Subject to closing of the transaction and as from the date thereof, the clause limiting the respective shareholdings of the Bettencourt Meyers family and Nestlé both in terms of capital and voting rights will continue to apply under the same conditions, for the term of the memorandum of agreement, namely until the expiry of a period of six months after the death of Mrs. Liliane Bettencourt, and on the basis of their respective stakes in terms of capital and voting rights resulting from the transaction.

Board of Directors

Subject to closing of the transaction and as from the date thereof, it is provided that for the remaining term of the memorandum of agreement, the undertaking by the Bettencourt Meyers family to vote in favour of the appointment on L'Oréal's Board of Directors of members proposed by Nestlé will from now on only concern two members, as against three previously.

The reciprocal undertaking by Nestlé to vote in favour of the appointment on L'Oréal's Board of Directors of members proposed by the Bettencourt Meyers family will continue to concern three members.

Escrow agreement

The escrow agreement for the L'Oréal shares respectively held by the Bettencourt Meyers family and by Nestlé was terminated prior to its expiry date.

Agreement by the parties to act in concert

The parties stated that they would continue to act in concert for the remaining term of the memorandum of agreement.

The other provisions of the memorandum of agreement still in force that have not been expressly amended by the amendment agreement will remain unchanged.

Joint press release issued by the Bettencourt Meyers family and Nestlé on February 11th, 2014.

"Nestlé and L'Oréal announced today the buyback by L'Oréal of L'Oréal shares sold by Nestlé. Subject to completion of the transaction, Nestlé's ownership in L'Oréal will decrease from 29.4% to 23.29%, and the Bettencourt Meyers Family's ownership will increase from 30.6% to 33.31%.

The Bettencourt Meyers Family and Nestlé have amended the shareholders' agreement of February 3rd, 2004 to take into account the new shareholding structure, once the transaction is completed.

The number of Nestlé representatives on the Board of Directors of L'Oréal will be brought down from 3 to 2. The ownership ceiling provisions of the agreement will continue to apply to the new levels of ownership in the same conditions.

This amendment will be communicated to the Autorité des Marchés Financiers.

The Bettencourt Meyers family and Nestlé will continue to act in concert with respect to L'Oréal for the remaining duration of the shareholders' agreement."

6.3.6. BUYBACK BY THE COMPANY OF ITS OWN SHARES

6.3.6.1. Information concerning share buybacks during the 2015 financial year

In 2015, the Company did not buy back any of its own shares

6.3.6.2. Transactions carried out by L'Oréal with respect to its shares in 2015

Percentage of share capital held by the Company directly and indirectly at December 31st, 2015 of which:	0.532%
◆ those intended to cover existing share purchase option plans	0.001% (1)
◆ those intended to cover conditional shares	0.403%
◆ those intended for cancellation	0.000%
Number of shares cancelled during the last 24 months	51,405,000
Number of shares held in the portfolio at 12.31.2015	2,995,170
Net book value of the portfolio at 12.31.2015	€233.3 million
Portfolio market value at 12.31.2015	€465.1 million

(1) Pursuant to Article L. 225-183 3° of the French Commercial Code.

	Total gross transactions	
	Purchases	Sales/Transfers*
Number of shares	-	152,106
Average transaction price	-	
Average exercise price	-	€62.94
Amounts	-	€9.57 million

* *Exercises and cancellations of share purchase options granted to employees and executive officers of Group companies.*

No use was made of derivatives to make the share buybacks. There is no open purchase or sale position at December 31st, 2015.

6.3.6.3. Renewal by the Annual General Meeting of the authorisation given to the Board to trade in the Company's shares

By voting a new resolution, the Annual General Meeting could give the Board of Directors the means to enable it to continue with the buyback policy.

This authorisation would be given for a maximum period of 18 months as from the date of the Annual General Meeting and the purchase price per share could not exceed €230 (excluding expenses).

The Company would be able to buy its own shares for the following purposes:

- their cancellation;
- their transfer within the scope of employee share ownership programmes and their allocation to free grants of shares for the benefit of employees and executive officers of the L'Oréal Group;
- liquidity provision through a liquidity agreement in accordance with the Code of Ethics recognised by the *Autorité des Marchés Financiers*;
- retaining them and subsequently using them as payment in connection with external growth transactions.

The authorisation would concern up to 10% of the share capital, *i.e.* for information purposes at December 31st, 2015, 56,298,334 shares for a maximum amount of €12,948,616,820, it being stipulated that the Company may at no time hold over 10% of its own share capital.

The purchase, sale, exchange or transfer of these shares may be carried out by any means on one or more occasions, on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

6.4. LONG-TERM INCENTIVE PLANS*

6.4.1. PRESENTATION OF THE STOCK OPTION PLANS FOR THE PURCHASE OR SUBSCRIPTION OF SHARES AND PLANS FOR THE CONDITIONAL GRANT OF SHARES TO EMPLOYEES (ACAS)

Policy

For several years, L'Oréal has set up long-term incentive plans in favour of its employees and executive officers in an international context.

It pursues a dual objective:

- motivating and associating those who make big contributions with the future evolution of the Group's results;
- increasing solidarity and helping to instil a group spirit among its managers by seeking to foster their loyalty over time.

Until 2009, L'Oréal's Board of Directors exclusively granted stock options to the senior managers and executive officers whom L'Oréal wished to reward for their performance and their important role in business development and in the Group's current and future projects, wherever they might be located.

In 2009, L'Oréal's Board of Directors enlarged its policy by introducing a mechanism for the conditional grant of shares to employees (ACAs).

The objective was:

- to provide a long-term incentive offering greater motivation to all those who only received stock options occasionally or in limited numbers;
- to reach out to a broader population of potential beneficiaries, particularly internationally, in a context of increased competition with regard to talents.

In 2011, L'Oréal's Board of Directors decided to make plans for the conditional grant of shares to employees the primary tool for its long-term incentive policy by extending the grant of shares to the main senior managers of the Group who up till then had only received stock options: thus, except for the Chairman and Chief Executive Officer who received stock options only, the main senior managers of L'Oréal, including the members of the Executive Committee, received a mix of stock options and conditional grants of shares in order to encourage both their spirit of enterprise and to reward their performance in the medium to long term. Other eligible employees were stimulated by conditional grants of shares only.

In 2012, the Board of Directors, on the proposal of the Human Resources and Remuneration Committee, went one step further in this policy and decided to replace the grant of stock options by conditional grants of shares (ACAs) for all beneficiaries including the Chairman and Chief Executive Officer.

Since 2013, the Board of Directors, on the proposal of the Human Resources and Remuneration Committee, has continued this policy to make conditional grants of shares (ACAs), to the exclusion of the awarding of any other long-term incentive instrument.

The plans are proposed by General Management to the Board of Directors which decides, after receiving the opinion of the Human Resources and Remuneration Committee, with regard to the opening of these plans and the applicable conditions and rules.

Since 2009, these grants are made after publication of the financial statements for the previous financial year, in accordance with the AFEP-MEDEF recommendation.

The decision with regard to each individual grant is, in every case, contingent on the quality of the performance rendered at the time of implementation of the plan with particular attention being paid to the main talents for the future. According to the eligibility criteria linked to the position held by the beneficiary and the size of the entity or the country in which the beneficiary works, in a concern for equity on an international scale, these grants are made every year, every two years or every three years.

The General Management and the Board of Directors stress the importance that is given to bringing together the interests of the beneficiaries of stock options and conditional grants of shares and those of the shareholders themselves.

The employees and executive officers who are the beneficiaries share with the shareholders the same confidence in the strong steady growth of the Company with a medium- and long-term vision. This is why stock options were granted for a period of 10 years including a 5-year lock-up period, and conditional grants of shares for a period of 4 years followed by a 2-year waiting period for France during which these shares cannot be sold.

Nearly 3,500 employees representing 12% of the managers throughout the world, 62% of whom are in international subsidiaries, benefit from at least one stock option plan or plan for the conditional grant of shares. 47% of the beneficiaries of the April 22nd, 2015 plan are women.

The Board of Directors draws the attention of the beneficiaries of stock options and conditional grants of shares to the regulations in force concerning persons holding "inside information".

The beneficiaries of stock options and conditional grants of shares undertake to read the Stock Market Code of Ethics which is attached to the regulations for the stock option plans or the plans for the conditional grant of shares from which they benefit and to comply with the provisions thereof.

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* *This information forms an integral part of the Annual Financial Report as provided in Article L. 451-1-2 of the French Monetary and Financial Code.*

CHANGE IN THE NUMBER OF BENEFICIARIES OF STOCK OPTIONS AND ACAS SINCE 2006

6.4.2. STOCK OPTION PLANS FOR THE SUBSCRIPTION AND PURCHASE OF L'ORÉAL PARENT COMPANY SHARES

No stock options for the purchase or subscription of shares were granted in 2015, as the Board of Directors has decided since 2012, on the proposal of the Human Resources and Remuneration Committee, to replace the grant of stock options with ACAs for all beneficiaries including the Chairman and Chief Executive Officer.

6.4.2.1. Currently existing L'Oréal parent company share purchase or subscription option plans (1)

The main features of the plans that existed at December 31st, 2015 are included in the tables set out hereafter:

AGM authorisation date	**04.25.2006**	**04.25.2006**	**04.24.2007**
Date of Board of Directors' meeting	**04.25.2006**	**12.01.2006**	**11.30.2007**
Total number of beneficiaries6	1	788	839
Total number of shares that may be subscribed or purchased	2,000,000	5,500,000	4,000,000
Of which may be subscribed or purchased by the executive officers (2):			
◆ *Mr. Jean-Paul Agon*		*500,000*	*350,000*
◆ *Sir Lindsay Owen-Jones*	*2,000,000*		
Start date for exercise of the options	04.26.2011	12.02.2011	12.01.2012
Date of expiry	04.25.2016	12.01.2016	11.30.2017
Subscription or purchase price (euros)	72.60 (S)	78.06 (S)	91.66 (S)
Number of stock options exercised at 12.31.2015	2,000,000	4,168,394	2,744,245
Of which shares subscribed	*2,000,000*	*4,168,394*	*2,744,245*
Total number of options for subscription or purchase of shares that have been cancelled or lapsed	0	608,750	464,600
Number of option shares remaining to be subscribed or purchased at year-end	**0**	**722,856**	**791,155**
AGM authorisation date	**04.24.2007**	**04.16.2009**	**04.22.2011**
Date of Board of Directors' meeting	**03.25.2009**	**04.27.2010**	**04.22.2011**
Total number of beneficiaries	634	815	89
Total number of shares that may be subscribed or purchased	3,650,000	4,200,000	1,470,000
Of which may be subscribed or purchased by the executive officers (2):			
◆ *Mr. Jean-Paul Agon*	*0 (3)*	*400,000*	*200,000 (4)*
Start date for exercise of the options	03.26.2014	04.28.2015	04.23.2016
Date of expiry	03.25.2019	04.27.2020	04.22.2021
Subscription or purchase price (euros)	50.11 (S)	80.03 (S)	83.19 (S)
Number of stock options exercised at 12.31.2015	2,585,778	1,660,614	7,500
Of which shares subscribed	*2,585,778*	*1,660,614*	*7,500*
Total number of options for subscription or purchase of shares that have been cancelled or lapsed	199,000	220,000	234,000
Number of option shares remaining to be subscribed or purchased at year-end	**865,222**	**2,319,386**	**1,228,500**

(1) There are no share purchase or subscription option plans at subsidiaries of L'Oréal.
(2) This is the number of stock options granted to the executive officers during their terms of office within the scope of each of the above-mentioned plans. Mr. Jean-Paul Agon has been an executive officer since April 2006.
(3) As Mr. Jean-Paul Agon informed the Board of Directors that he did not wish to be granted any share subscription options with respect to 2009, he did not receive any share subscription option under the plan dated March 25th, 2009.
(4) The Board of Directors' meeting of April 22nd, 2011 allocated 400,000 share subscription options to Mr. Jean-Paul Agon. Mr. Jean-Paul Agon waived the right to 200,000 of such options. He therefore benefits from 200,000 stock options under the plan decided by the Board of Directors at its meeting on April 22nd, 2011.

There were 5,933,374 outstanding options granted by the Board of Directors within the scope of the authorisations voted by the Annual General Meetings and not yet exercised at December 31st, 2015, at an average price of €77.61, namely 1.05% of the des 562,983,348 shares making up the share capital at such date, including 6,255 options granted under the stock option plan of November 30th, 2005 pursuant to Article L 225-183 3° of the French Commercial Code.

6.4.2.2. Stock options to purchase or subscribe for shares granted to employees other than executive officers of L'Oréal or exercised by them during the 2015 financial year

	Total number of options granted	Weighted average price
Options granted by L'Oréal parent company to the ten employees (1) to whom the largest number of stock options was granted	No stock options granted in 2015	NA

(1) Employees other than executive officers of L'Oréal parent company or employees of companies included in the scope of grant of the stock options.

	Total number of shares subscribed or purchased	Weighted average price	Plan of 11.30.2005 (A)	Plan of 11.30.2005 (S)	Plan of 12.01.2006 (S)	Plan of 11.30.2007 (S)	Plan of 03.25.2009 (S)	Plan of 04.27.2010 (S)
Options held with regard to L'Oréal parent company exercised by the ten employees (1) who have thus purchased or subscribed for the largest number of options	**636,347**	**€74.49**	**1**	**13,101**	**97,275**	**110,000**	**145,970**	**270,000**

(1) Employees other than executive officers of L'Oréal parent company or employees of companies included in the scope of grant of the stock options.

6.4.2.3. Options that may be exercised under the April 22nd, 2011 plan

The exercise period for the stock options granted on April 22nd, 2011 will be open as from April 23rd, 2016 and until April 22nd, 2021.

The exercise of the options granted to the employees at the date of grant was subject to fulfilment of performance conditions.

At its meeting on February 11th, 2016, the Board of Directors recorded that the performance levels achieved during the 4 years taken into account within the scope of the April 22nd, 2011 plan, namely 2012, 2013, 2014 and 2015 exceeded the levels set to make it possible to exercise all the stock options granted.

Accordingly, the beneficiaries who fulfil the conditions under the plan on April 22nd, 2016, in particular the condition of continued presence in the Company, will be able to exercise their options until April 22nd, 2021.

6.4.2.4. Table monitoring the performance conditions under the Stock Option plan in process

Stock option plan of April 22nd, 2011 *Performance conditions related to the stock options granted to all the beneficiaries*	2012	2013	2014	2015	Arithmetical average of the performances for financial years 2012 / 2013 / 2014 and 2015
50% growth in comparable cosmetics sales as compared to that of a panel of competitors*	**+ 0.8 point** (+ 5.5 %/+ 4.7 %)	**+ 1.3 point** (+ 5.2 %/+ 3.9 %)	**+ 1.2 point** (+ 3.8 %/ + 2.6 %)	**+ 0.8 point** (+ 4.1 %/+ 3.3 %)	**+ 1.1 point**
50% increase in the Group's operating profit	**+ 12.30 %** (3,292.6/3,697.3)	**+ 4.80 %** (3,697.3/3,874.8)	**+ 3.47 %** (3,760.4/3,890.7)**	**+ 12.80 %** (3,890.7/4,387.7)	**+ 8.3 %**

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Revlon, Elizabeth Arden.*
*** Data has been restated to reflect exclusion of Galderma and Innéov.*

6.4.3. PLANS FOR THE CONDITIONAL GRANT OF SHARES (ACAS)

6.4.3.1. Authorisation of the Ordinary and Extraordinary General Meeting of April 22nd, 2015

The Ordinary and Extraordinary General Meeting of April 22nd, 2015 gave the Board of Directors the authorisation to carry out free grants of existing shares and/or shares to be issued of the Company to employees and executive officers of the Company and of its French or foreign affiliates under the conditions of Article L. 225-197-2 of the French Commercial Code.

The Ordinary and Extraordinary General Meeting set the period of validity of the authorisation, which may be used on one or more occasions, at 26 months.

The total number of free shares granted in this manner may not represent more than 0.6% of the share capital recorded on the date of the Board of Directors' decision.

The number of free shares granted to the Company's executive officers may not represent more than 10% of the total number of free shares granted during a financial year pursuant to such resolution.

The Board of Directors will determine the identity of the beneficiaries of the free grants of shares and the number of free shares granted to each of them as well as the conditions to be met in order for the shares to finally vest, and in particular the performance conditions.

These performance conditions will take into account:

- partly, growth in L'Oréal's comparable cosmetics sales as compared to those of a panel of its biggest direct competitors;
- partly, growth in L'Oréal's consolidated operating profit.

The grant of such shares to their beneficiaries will become final and binding, subject to satisfaction of the other conditions set at the time of grant, for all or part of the shares granted:

- either at the end of a minimum vesting period of four years, in such case without any minimum holding period; or
- at the end of a minimum vesting period of two years, it being specified that the beneficiaries will then be required to hold these shares for a minimum period of two years after the date of the final award thereof.

The grant of these shares to their beneficiaries will become final and binding prior to the expiry of the above-mentioned vesting periods in the event of disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L. 3411 of the French Social Security Code *(Code de la sécurité sociale)* and such shares will be freely transferable in the event of disability of the beneficiary corresponding to classification in the above-mentioned categories under the French Social Security Code.

The Board of Directors will be able to provide for vesting and holding periods which are longer than the minimum periods set above.

The mechanism for the Conditional Grant of Shares to employees complies with the AFEP-MEDEF Code of Corporate Governance and in particular:

- any conditional grants of shares to the executive officers will be decided by the Board of Directors after assessment of their performance;
- the final vesting of all or part of the shares will be linked to performance conditions to be met that are set by the Board;
- the executive officers will be obliged to retain 50% of the shares that are definitively granted to them at the end of the vesting period in registered form until the termination of their duties;
- an executive officer may not be granted any shares at the time of his departure.

6.4.3.2. Conditional Grants of Shares granted within the framework of the authorisation of April 22nd, 2015 (ACAs plan of April 22nd, 2015)

On the basis of the proposals made by the General Management and examined by the Human Resources and Remuneration Committee, the Board of Directors decided, at its meeting on April 22nd, 2015, to make a conditional grant of shares within the scope of the authorisation granted by the Annual General Meeting on April 22nd, 2015.

The share capital at April 22nd, 2015 consisted of 559,625,975 shares, which gave the possibility to distribute 3,357,755 shares.

The Board of Directors used this authorisation at its meeting of April 22nd, 2015, by granting 860,150 free shares to 1,943 beneficiaries

This is a free grant of shares to be issued.

Vesting of the shares is subject to a dual condition of:

- presence: the shares granted will only finally vest after a period of 4 years at the end of which the beneficiary must still be an employee of the Group (save the exceptions provided for by law or the plan regulations);
- performance:
  - vesting of all or part of 50% of the shares granted will depend on the growth in comparable cosmetics sales for financial years 2016, 2017 and 2018 as compared to those of a panel of L'Oréal's biggest direct competitors consisting of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty ;

- vesting of all or part of 50% of the shares granted will depend on growth in the Group's consolidated operating profit, over the same period.

The calculation will be made on the basis of the arithmetic mean of the performances for the 2016, 2017 and 2018 financial years.

With respect to the criterion relating to sales, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, L'Oréal must achieve a performance which is at least as good as the average growth in sales of the panel of competitors. Below this level, the grant decreases. The Board defines a threshold, but not made public for confidentiality reasons, below which no share will finally vest pursuant to this criterion.

With respect to the criterion relating to operating profit, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, a level of growth defined by the Board, but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The Human Resources and Remuneration Committee is responsible for communicating to the Board of Directors the level of indicators recorded for the years to be used for the calculation of the performance conditions. The Board of Directors records, at the appropriate time, the level of performance achieved on which the number of shares that finally vests depends.

The data recorded year after year to determine the levels of performance achieved are published in the Annual Financial Report.

The vesting of the first 200 conditional shares (ACAs) is not subject to fulfilment of the performance conditions except for the members of the Executive Committee including the Chairman and Chief Executive Officer.

At the end of the vesting period, beneficiaries who are French residents at the date of grant of the shares will be obliged to retain the shares that have vested for an additional period of 2 years during which these shares are non-transferable.

6.4.3.3. Existing Conditional Grants of shares at December 31st, 2015

Date of authorisation by the Extraordinary General Meeting	04.22.2011	04.26.2013	04.26.2013	04.22.2015
Date of grant by the Board of Directors	**04.17.2012**	**04.26.2013**	**04.17.2014**	**04.22.2015**
Total number of shares conditionally granted	1,325,050	1,057,820	1,068,565	860,150
Of which the ten employees other than executive officers granted the largest number of shares (1)	*185,000*	*146,700*	*153,400*	*126,100*
Number of beneficiaries	2,177	2,092	1,978	1,943
Performance conditions	◆ 50% growth in comparable cosmetics sales as compared to that of a panel of competitors (2) ◆ 50% growth in the L'Oréal Group's consolidated operating profit			
Date of final vesting for French tax residents at the date of grant	04.17.2016	04.26.2017	04.17.2018	04.22.2019
Date of final vesting for non-French tax residents at the date of grant	04.17.2016	04.26.2017	04.17.2018	04.22.2019
End of the waiting period for French tax residents at the date of grant	04.17.2018	04.26.2019	04.17.2020	04.22.2021

(1) Employees who are not executive officers of L'Oréal parent company or employees of companies included within the scope of the grant of shares.

*(2) **For the 2012, 2013, 2014 plans**, the panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Revlon, Elizabeth Arden.*
***For the 2015 plan**, the panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty.*

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6.4.3.4. Shares granted to the ten employees other than executive officers to whom the largest number of shares have been granted

The total number of shares granted in 2015 to the ten employees other than corporate officers who received the largest number of shares amounts to 126,100 shares

6.4.3.5. Shares that have finally vested within the scope of the April 17th, 2012 plan for the conditional grant of shares

The Board of Directors recorded at its meeting on February 11th, 2016 that the performance levels achieved during the three years taken into consideration within the scope of the April 17th, 2012 plan, namely 2013, 2014 and 2015, exceeded the levels set for the conditional grant of all the shares (ACAs).

Accordingly, the beneficiaries who fulfil the conditions under the plan on April 17th, 2016 and, in particular, the condition of presence in the Company, will receive all the shares that were granted to them.

For information purposes, 50,000 shares were granted to the executive officer.

TABLE MONITORING PERFORMANCE CONDITIONS: ACAS PLAN OF APRIL 17TH, 2012

ACAs plan of April 17th, 2012	2013	2014	2015	Arithmetical average of performances for financial years 2013 / 2014 and 2015
50% growth in comparable cosmetics sales as compared to that of a panel of competitors*	**+ 1.3 point** (+ 5.2 %/+ 3.9 %)	**+ 1.2 point** (+ 3.8 %/+ 2.6 %)	**+ 0.8 point** (+ 4.1 %/+ 3.3 %)	**+ 1.1 point**
50% increase in the Group's operating profit	**+ 4.80%** (3,697.3/3,874.8)	**+ 3.47%** (3,760.4/3,890.7)**	**+ 12.80%** (3 890,7/4 387,7)	**+ 7.02 %**

* Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Revlon, Elizabeth Arden
** Data has been restated to reflect exclusion of Galderma and Innéov.

6.4.3.6. Tables monitoring performance conditions for the ACAs plans that are currently in progress

ACAs plan of April 26th, 2013	2014	2015	2016
50% growth in comparable cosmetics sales as compared to that of a panel of competitors*	**+ 1.2 point** (+ 3.8 %/+ 2.6 %)	**+ 0.8 point** (+ 4.1 %/+ 3.3 %)	to come
50% increase in the Group's operating profit	**+ 3.47 %** (3,760.4/ 3,890.7)**	**+ 12.80%** (3 890,7/4 387,7)	to come

* Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Revlon, Elizabeth Arden
** Data has been restated to reflect exclusion of Galderma and Innéov.

ACAs plan of April 17th, 2014	2015	2016	2017
50% growth in comparable cosmetics sales as compared to that of a panel of competitors*	**+ 0.8 point** (+ 4.1 %/+ 3.3 %)	to come	to come
50% increase in the Group's operating profit	**+ 12.80%** (3 890,7/4 387,7)	to come	to come

* Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Revlon, Elizabeth Arden..

ACAs plan of April 22nd, 2015	2016	2017	2018
50% growth in comparable cosmetics sales as compared to that of a panel of competitors*	to come	to come	to come
50% increase in the Group's operating profit	to come	to come	to come

* Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty.

6.4.4. RENEWAL OF THE AUTHORISATION FOR THE CONDITIONAL GRANT OF SHARES SUBMITTED TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING ON APRIL 20TH, 2016

The authorisation granted by the Annual General Meeting on April 22nd, 2015 to the Board of Directors to make free grants of shares to the Group's employees and certain of its executive officers, which is due to expire in 2017, will be submitted to the Annual General Meeting on April 20th, 2016 for early renewal.

The grants will thus be able to benefit from the new regime applicable to free shares which applies to grants made pursuant to a resolution of an Annual General Meeting adopted after the publication of French law No. 2015-990 of August 6th, 2015 for "growth, activity and equality of economic opportunities", known as the "Macron law".

Within the scope of the requested authorisation, the number of free shares that may be granted may not represent more than 0.6% of the share capital on the date of the Board of Directors' decision.

The total number of free shares granted to the executive officers during a financial year may not represent more than 10% of the total number of free shares granted during that same financial year.

The free grant of shares to beneficiaries would only become final and binding, subject to satisfaction of the other conditions set at the time of grant, including in particular the condition of presence in the Company, for all or part of the shares granted:

- either at the end of a minimum vesting period of two years, in such case without any minimum holding period;
- or at the end of a minimum vesting period of one year, it being specified that the beneficiaries would then be required to hold these shares for a minimum period of one year as from the date of final vesting thereof.

The Board of Directors propose that, in any event, the minimum vesting period must be at least four years.

If the Annual General Meeting votes in favour of this resolution, any free grants of shares would be decided by the Board of Directors on the basis of the proposals of the General Management examined by the Human Resources and Remuneration Committee.

The Board of Directors would determine the identity of the beneficiaries of the grants, the number of shares granted to each of them and the performance conditions to be met for final vesting of all or part of the shares.

These performance conditions would take into account:

- partly the growth in L'Oréal's comparable cosmetics sales as compared to that of a panel of L'Oréal's biggest direct competitors;
- partly the increase in L'Oréal's consolidated operating profit.

The figures recorded year after year to determine the performance levels achieved are published in the Annual Financial Report.

The Board of Directors would once again apply the performance criteria that it uses pursuant to the authorisation in force which was voted by the Annual General meeting on April 22nd, 2015.

The Board of Directors indeed considers that these two criteria, assessed over a long period of 3 financial years and applied to several plans, are complementary, in line with the Group's objectives and suitable to its specificities and should make it possible to promote balanced, continuing growth over the long term.

In order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period pursuant to the criterion related to sales, growth in L'Oréal's comparable sales has to outperform the average growth in sales of the panel of competitors. This panel consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty. Below that level, the grant decreases. The Board defines a threshold, which is not made public for reasons of confidentiality, below which no share will finally vest pursuant to this criterion.

In order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period pursuant to the criterion related to operating profit, a level of growth defined by the Board, but not made public for reasons of confidentiality, must be met or exceeded. Below that level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

These performance conditions would apply to all the individual grants of more than 200 free shares per plan, with the exception of those for the executive officers and the Executive Committee members, to which they would apply in full.

The free grant of shares may be carried out without any performance conditions within the scope of grants made to all the employees of the Group, or for shares granted in respect of cash subscriptions made within the scope of an increase in capital reserved for the Group's employees pursuant to the sixteenth resolution.

Any grants of shares to the executive officers would be decided by the Board of Directors on the basis of the proposals of the Human Resources and Remuneration Committee after assessment of their performance.

L'Oréal's executive officers would be obliged to retain 50% of the free shares that will finally vest for them at the end of the vesting period in registered form until the termination of their duties.

An executive officer may not be granted free shares at the time of termination of his duties.

The authorisation requested from the Annual General meeting would be granted for a period limited to 26 months as from the decision by the Annual General meeting.

6.5. THE L'ORÉAL SHARE/L'ORÉAL SHARE MARKET

6.5.1. THE L'ORÉAL SHARE

6.5.1.1. Information on the L'Oréal share

ISIN code: FR0000120321.

Loyalty Bonus codes:

- Shares that already benefit from the preferential dividend: FR0011149590.
- Dividend + 10% in 2016: FR0011636133.
- Dividend + 10% in 2017: FR0012332245.
- Dividend + 10% in 2018: FR0013053097.

Minimum lot: 1 share.

Par value: €0.20.

Trading on the spot market of the Paris Stock Exchange.

Eligible for the Deferred Settlement Service (SRD).

Unsponsored "American Depositary Receipts" are freely traded in the United States through certain banks operating in the United States.

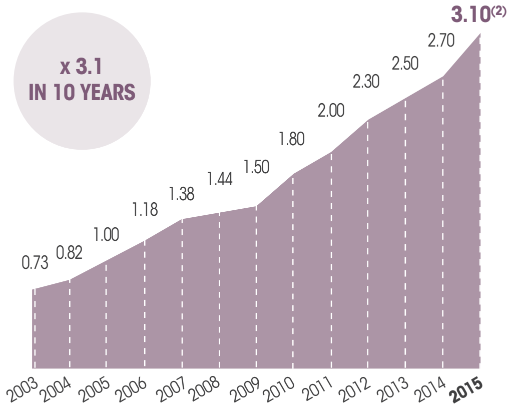
6.5.1.2. Stock market data

Price at December 31st, 2015	**€155.30**
Average of last 30 days' closing prices for 2015	€160.88
High	€181.30 April 21st, 2015
Low	€133.40 January 7th, 2015
Annual share price increase at December 31st, 2015	
◆ L'Oréal	+11.49%
◆ CAC 40	+8.53%
◆ Euronext 100	+7.96%
◆ DJ Euro Stoxx 50	+4.50%
◆ Stoxx Europe 600 Personal and Household Goods	+18.65%
Market capitalisation at December 31st, 2015	€87.4 billion (1)
At December 31st 2015, the L'Oréal share weighed:	
◆ in the CAC 40	+4.06%
◆ in the Euronext 100 (2)	+3.86%
◆ in the DJ Euro Stoxx 50	+1.78%
◆ in the Stoxx Europe 600 Personal and Household Goods	+6.15%

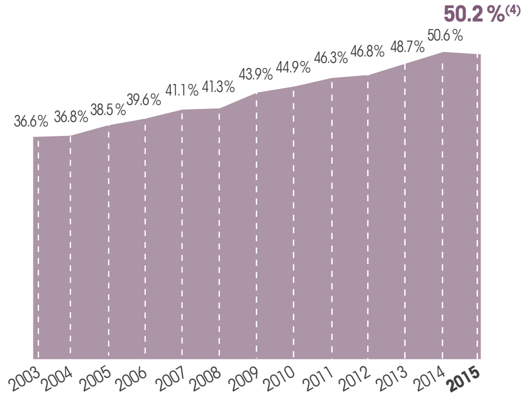
(1) Out of the number of shares at December 31st, 2015, i.e. 562,983,348 shares.
(2) Based on the total number of shares for the Euronext 100 index.

6.5.1.3. Dynamic shareholder return policy

- Net earnings per share: €6.18[1]
- Dividend per share: €3.10[2]
- A regular increase in the dividend per share (in euros):



- Share of profits dedicated to dividends[3] (as %): 50.2%[4]



(1) *Diluted net profit excluding non-recurring items, group share, per share from continuing operations.*
(2) *Dividend proposed to the Annual General Meeting of April 20th, 2016*
(3) *Dividend distribution rate based on diluted net profit excluding non-recurring items, group share, per share. Taking into account Sanofi not consolidated in 2003.*
(4) *On the basis of the dividend proposed to the Annual General Meeting of April 20th, 2016.*

6.5.2. L'ORÉAL SHARE MARKET

6.5.2.1. Trading volumes and change in the price of the Company's share

According to Euronext data, the only stock market for which reliable retrospective statistics could be collected.

Date	Price (€) High	Price (€) Low	Price (€) Average	Average daily trading volume (€ millions)
2013				
January	114.50	103.65	107.78	51.95
February	115.90	107.55	111.11	73.20
March	124.40	113.60	119.55	86.67
April	136.05	120.30	126.23	93.74
May	137.85	130.35	134.57	82.46
June	131.25	120.15	125.80	75.29
July	131.00	123.40	127.68	61.67
August	130.35	121.00	126.78	61.81
September	129.80	123.60	126.71	61.25
October	130.60	120.50	126.02	64.63
November	126.50	120.80	124.41	66.41
December	127.75	122.30	125.17	86.89

Date	Price (€) High	Price (€) Low	Price (€) Average	Average daily trading volume (€ millions)
2014				
January	129.20	119.25	124.21	90.06
February	134.75	120.15	123.09	121.84
March	123.40	114.55	118.60	90.10
April	124.60	116.35	120.60	86.16
May	129.65	123.15	127.09	77.66
June	129.85	125.25	127.57	74.31
July	129.25	124.55	126.76	66.53
August	128.60	123.20	125.62	80.23
September	130.25	123.30	125.96	88.92
October	126.25	117.05	121.73	107.22
November	137.60	120.40	130.99	109.07
December	140.40	127.70	136.74	99.11

Date	Price (€) High	Price (€) Low	Price (€) Average	Average daily trading volume (€ millions)
2015				
January	160.20	133.40	146.59	133.35
February	162.70	152.05	157.69	131.55
March	174.25	160.00	168.78	122.43
April	181.30	167.25	175.68	116.54
May	178.00	164.90	171.81	112.59
June	175.20	159.65	166.55	122.26
July	173.60	153.80	165.62	105.82
August	178.95	140.40	164.13	130.81
September	156.30	142.35	148.18	125.65
October	175.35	152.15	165.58	139.35
November	171.00	162.65	167.36	102.22
December	171.85	152.00	158.31	105.10

Date	Price (€) High	Price (€) Low	Price (€) Average	Average daily trading volume (€ millions)
2016				
January	157.55	142.65	150.16	121.95
February	160.40	146.20	153.80	138.04

CHANGE IN THE L'ORÉAL SHARE PRICE COMPARED TO THE CAC 40 INDEX FROM JANUARY 1ST, 2009 TO FEBRUARY 29TH, 2016:

6.5.2.2. Total Shareholder Return

Amongst the various economic and financial indicators used to measure value creation, L'Oréal has chosen to apply the criterion of Total Shareholder Return (TSR). This indicator is a synthetic measurement that takes into account not only the value of the share but also the dividend income received (excluding tax credits before January 1st, 2005).

6.5.2.2.1. 5-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.31.2010	Purchase of 181 shares, at 83.08 €	15,037.48		181
05.04.2011	Dividend: €1.80 per share		325.80	181
	Reinvestment: purchase of 4 shares at €85.79	343.16		185
05.03.2012	Dividend: €2.00 per share		370.00	185
	Reinvestment: purchase of 4 shares at €92.84	371.36		189
05.10.2013	Dividend: €2.30 per share		434.70	189
	Reinvestment: purchase of 4 shares at €134.05	536.20		193
05.05.2014	Dividend: €2.50 per share		482.50	193
	Reinvestment: purchase of 4 shares at €123.90	495.60		197
05.07.2015	Dividend : €2.70 per share		531.90	197
	Reinvestment: purchase of 4 shares at €168.60	3,038.40		
TOTAL		**17,458.20**	**2,144.90**	
TOTAL NET INVESTMENT		**15,313.30**		

Portfolio value at 12.31.2015 (201 shares at €155.30): €31,215.30.

The initial capital has thus been multiplied by 2.1 over 5 years (5-year inflation rate = 4.81% – Source: INSEE) and the final capital is 2.0 times the total net investment.

The Total Shareholder Return of the investment is thus 15.46% per year (assuming that the shares are sold on December 31st, 2015, excluding tax on capital gains).

NOTA: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

6.5.2.2.2. 10-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.30.2005	Purchase of 239 shares at €62.80	15,009.20		239
05.10.2006	Dividend: €1.00 per share		239.00	239
	Reinvestment: purchase of 4 shares at €72.65	290.60		243
05.03.2007	Dividend: €1.18 per share		286.74	243
	Reinvestment: purchase of 4 shares at €86.67	346.68		247
04.30.2008	Dividend: €1.38 per share		340.86	247
	Reinvestment: purchase of 5 shares at €76.21	381.05		252
24.04.2009	Dividend: €1.44 per share		362.88	252
	Reinvestment: purchase of 7 shares at €52.02	364.14		259
05.05.2010	Dividend: €1.50 per share		388.50	259
	Reinvestment: purchase of 6 shares at €76.77	460.62		265
05.04.2011	Dividend: €1.80 per share		477.00	265
	Reinvestment: purchase of 6 shares at €85.79	514.74		271
05.03.2012	Dividend: €2.00 per share		542.00	271
	Reinvestment: purchase of 6 shares at €92.84	557.04		277
05.10.2013	Dividend: €2.30 per share		637.10	277
	Reinvestment: purchase of 5 shares at €134.05	670.25		282
05.05.2014	Dividend: €2.50 per share		705.00	282
	Reinvestment: purchase of 6 shares at €123.90	743.40		288
05.07.2015	Dividend : €2.70 per share		777.60	288
	Reinvestment: purchase of 5 shares at €168.60	843.00		293
TOTAL		**20,180.69**	**4,756.68**	
TOTAL NET INVESTMENT		**15,424.01**		

Portfolio value at 12.31.2015 (293 shares at €155.30): €45,502.90.

The initial capital has thus been multiplied by 3 over 10 years (10-year inflation rate = 13.23% – Source: INSEE) and the final capital is 3 times the total net investment.

The Total Shareholder Return of the investment is thus 11.54% per year (assuming that the shares are sold on December 31st, 2015, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

6.5.2.2.3. 20-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends and share attribution rights

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.31.1995	Purchase of 75 shares at €199.86	14,989.55		75
06.28.1996	Dividend: €2.02757 per share, excluding tax credit		152.07	75
	Reinvestment: purchase of 1 share at €260.54	260.54		76
07.01.1996	Issue of bonus shares (1 for 10)			83
07.31.1996	Compensation for 2 unused shares attribution right at €22,85668 per right		137.14	83
	Reinvestment: purchase of 1 share at €236.91	236.91		84
07.01.1997	Dividend: €2.13429 per share, excluding tax credit		179.28	84
	Reinvestment: purchase of 1 share at €393.93	393.93		85
06.12.1998	Dividend: €2.43918 per share, excluding tax credit		207.33	85
	Reinvestment: purchase of 1 share at €473.05	473.05		86
06.15.1999	Dividend: €2.82031 per share, excluding tax credit		242.55	86
	Reinvestment: purchase of 1 share at €586.50	586.50		87
06.15.2000	Dividend: €3.40 per share, excluding tax credit		295.80	87
	Reinvestment: purchase of 1 share at €825.00	825.00		88
07.03.2000	Ten-for-one share split			880
06.08.2001	Dividend: €0.44 per share, excluding tax credit		387.20	880
	Reinvestment: purchase of 6 shares at €78.15	390.75		885
06.04.2002	Dividend: €0.54 per share, excluding tax credit		477.90	885
	Reinvestment: purchase of 8 shares at €74.95	524.65		892
05.27.2003	Dividend: €0.64 per share, excluding tax credit		570.88	892
	Reinvestment: purchase of 12 shares at €61.10	611.00		902
05.14.2004	Dividend: €0.73 per share, excluding tax credit		658.46	902
	Reinvestment: purchase of 13 shares at €63.65	700.15		913
05.11.2005	Dividend: €0.82 per share		748.66	913
	Reinvestment: purchase of 16 shares at €56.50	791.00		927
05.10.2006	Dividend: €1.00 per share		927.00	927
	Reinvestment: purchase of 16 shares at €72.65	944.45		940
05.03.2007	Dividend: €1.18 per share		1,109.20	940
	Reinvestment: purchase of 16 shares at €86.67	1,126.71		953
04.30.2008	Dividend: €1.38 per share		1,315.14	953
	Reinvestment: purchase of 21 shares at €76.21	1,371.78		971
04.24.2009	Dividend: €1.44 per share		1,398.24	971
	Reinvestment: purchase of 33 shares at €52.02	1,404.54		998
05.05.2010	Dividend: €1.50 per share		1,497.00	998
	Reinvestment: purchase of 24 shares at €76.77	1,535.40		1,018
05.04.2011	Dividend: €1.80 per share		1,832.40	1,018
	Reinvestment: purchase of 26 shares at €85.79	1,887.38		1,040
05.03.2012	Dividend: €2.00 per share		2,080.00	1,040
	Reinvestment: purchase of 27 shares at €92.84	2,135.32		1,063
05.10.2013	Dividend: €2.30 per share		2,444.90	1,063
	Reinvestment: purchase of 22 shares at €134.05	2,546.95		1,082
05.05.2014	Dividend: €2.50 per share		2,705.00	1,082
	Reinvestment: purchase of 27 shares at €123.90	2,725.80		1,104
05.07.2015	Dividend : €2.70 per share		2,980.80	1,104
	Reinvestment: purchase of 18 shares at €168.60	3,034.80		1,122
TOTAL		**39,496.02**	**22,346.95**	
TOTAL NET INVESTMENT		**17,149.07**		

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Portfolio value at 12.31.2015 (1,122 shares at €155.30): €174,246.60.

The initial capital has thus been multiplied by 11.62 over 20 years (20-year inflation rate = 31.91% - Source INSEE) and the final capital is 10.16 times the total net investment.

The Total Shareholder Return of the investment is thus 12.60% per year (assuming that the shares are sold on December 31st, 2015, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

6.5.2.3. Dividends

The limitation period for dividends is five years. Any dividends for which payment has not been requested are paid to the *Caisse des Dépôts et Consignations*.

6.6. INFORMATION POLICY

L'Oréal is committed to improving the quality of its financial information and takes steps to ensure it maintains a regular dialogue with its shareholders and with French and international investors. Beyond its legal obligations, a whole range of tools: printed and digital media, events and meetings, investor conferences and roadshows, are made available to all those in contact with us to enable them to get a better understanding of L'Oréal's business model and the potential of the beauty market.

6.6.1. COMPLEMENTARY COMMUNICATIONS MEDIA

Keen on transparency and accessibility of information, in 2015, L'Oréal's Financial Communications Department shared a wealth of information with the entire financial community via a whole range of communication tools, using digital media to a great extent.

L'Oréal makes available two exhaustive annual, highly complementary publications, the Activity Report and the Registration Document.

The www.loreal-finance.com website contains a complete set of all financial and extra-financial information. Its content and its ergonomics evolve regularly to provide ever quicker, easier access to information.

L'Oréal Finance Mag, the L'Oréal shareholders' e-magazine, is intended for the shareholders and all those who are looking for complete information on the Group's strategy and the life of the brands from a business angle, enriched with multimedia content.

Now available in a universal version, the L'Oréal Finance mobile application is available on Apple Store and Google Play and makes it possible to keep L'Oréal Finance news close to hand. Downloaded nearly 18,000 times, it is greatly appreciated by professionals and individual shareholders.

The shareholders' newsletters and L'Oréal Finance News make it possible to keep subscribers regularly informed of all major events in the life of the Group.

In 2015, the Shareholder Brochure was revamped, and presents both the "5 reasons to take part in the L'Oréal adventure" and describes the advantages of registered shares to answer the questions that shareholders may have with regard to this method of holding shares.

6.6.2. A LARGE NUMBER OF SHAREHOLDER EVENTS FOR A REGULAR AND DETAILED DIALOGUE

- Every year, the Financial Communications Department organises a financial information meeting and telephone conferences intended for analysts and institutional investors, to which journalists specialising in the cosmetics sector are invited. The presentations of the L'Oréal Group's financial results and the business activities of the Operational Divisions are broadcast live online on the financial website www.loreal-finance.com. All the information presented is made available on this website, on the same day as their publication, both for the annual results and the half-year results.
- Ten meetings with shareholders, organised in different forms in several large provincial cities in France and also in foreign countries, in collaboration with the French Individual Investor and Investment Club Federation (*Fédération des Investisseurs Individuels et des Clubs d'Investissement* – F2iC), the Society of Investor Relation Managers in France (*Cercle de Liaison des Informateurs Financiers en France* – CLIFF), shareholder associations and financial newspapers brought together nearly 2.000 participants. In 2015, the Individual Shareholder Relations Department successfully organised various site visits (to the Group's laboratories, stores and plants) and Shareholder Meetings.
- Participation in the Actionaria Stock Market Fair for the twelfth year running offered an opportunity for over 500 people to attend a presentation by Mr. Jean-Paul Agon, L'Oréal's Chairman and Chief Executive Officer. Many shareholders were also able to meet representatives of the Group directly at the L'Oréal stand and obtain information on registering their shares.

Through all these events, the Individual Shareholder Relations Department team had the opportunity to meet nearly 4,000 individual shareholders in 2015.

- Testifying to the loyalty of the shareholders who accompany the Group's development over the long term, more and more shareholders are showing an interest in becoming registered shareholders. Thanks to the preferential dividend and the numerous advantages related to this method of shareholding, becoming a registered shareholder enables the Group's shareholders to be known to the Group, to have systematic, privileged access to information, and to be closely involved in the Group's development.
- A real forum for consultation and dialogue with the individual shareholders, the Shareholder Consultation Committee consists of 18 shareholders appointed for three years (both registered and bearer shareholders) who actively participate, through their reflections and their work, in developing and enriching the Group's financial communication on themes such as: the Annual General Meeting, digital communication, Research and Innovation or overhaul of the www.lorealfinance.com website. In 2015, the Shareholder Consultation Committee met four times.
- The Investor Relations Department (IRD) organises numerous meetings throughout the year with institutional investors of the main international financial marketplaces. Like it does every year, the IRD invited analysts and investors to *Capital Market Days* which were devoted this year to digital development. In all, in 2015, they thus met nearly 600 investors.
- Finally, a freephone service is available to L'Oréal shareholders calling from France (0 800 66 66 66) or other countries (+33 1 40 14 80 50). An interactive vocal server gives shareholders round-the-clock access to information on the share price and key dates or provides them with a summary of the latest press release. The Shareholder Services Department is also available on this number during opening hours (8.45 a.m. – 6 p.m. (Paris time)).

6.6.3. FINANCIAL CALENDAR FOR 2016

02.11.2016	2015 Annual results
04.18.2016	First quarter 2016 sales
04.20.2016	Annual General Meeting
07.28.2016	First-half 2016 results
October 2016*	Sales at September 30th, 2016

* *The precise date will be indicated on the www.loreal-finance.com website*

6.6.4. FINANCIAL NEWS RELEASES IN 2015

02.12.2015	Annual Results 2014: Growth in all Divisions and all geographic zones, record operating margin
03.06.2015	L'Oréal and CFAO sign a production and distribution partnership for Ivory Coast
03.19.2015	Annual General Meeting on April 22nd, 2015/2014 Reference Document
03.31.2015	L'Oréal finalizes the acquisition of Niely Cosmeticos group in Brazil
04.20.2015	First-Quarter 2015 Sales
04.22.2015	Annual General Meeting and Board of Directors' meeting
07.30.2015	First-Half 2015 Results
08.05.2015	Posting online of 2015 Half-year Financial Report
10.29.2015	Sales at September 30th, 2015

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Annual General Meeting

This chapter sets out the draft resolutions which will be submitted to L'Oréal's Ordinary and Extraordinary General Meeting, the Board of Directors Report (" statement of reasons") on these resolutions and Statutory auditors' special report on some of these resolutions.

This meeting will be held on April 20th, 2016 at the *Palais des Congrès* in Paris.

7.1. DRAFT RESOLUTIONS AND REPORT OF THE BOARD OF DIRECTORS STATEMENT OF REASONS TO THE ANNUAL GENERAL MEETING TO BE HELD ON APRIL 20TH, 2016 (ADOPTED ON FEBRUARY 11TH, 2016)

ORDINARY PART

1. Approval of the 2015 parent company financial statements
2. Approval of the 2015 consolidated financial statements
3. Allocation of the Company's net income for 2015 and declaration of the dividend
4. Approval of the agreement between L'Oréal and Nestlé concerning the end of the Innéov joint venture
5. Appointment of Mrs. Béatrice Guillaume-Grabisch as Director
6. Appointment of Mrs. Eileen Naughton as Director
7. Renewal of the tenure as Director of Mr. Jean-Pierre Meyers
8. Renewal of the tenure as Director of Mr. Bernard Kasriel
9. Renewal of the tenure as Director of Mr. Jean-Victor Meyers
10. Renewal of the term of office of PricewaterhouseCoopers Audit as principal Statutory Audit and appointment of its substitute Statutory Auditor
11. Renewal of the terms of office of Deloitte & Associés as principal Statutory Audit and of its substitute Statutory Auditor
12. Advisory vote by the shareholders on the components of remuneration due or allocated to the Chairman and Chief Executive Officer in respect of the 2015 financial year
13. Authorisation for the Company to buy back its own shares

EXTRAORDINARY PART

14. Authorisation to the Board of Directors to reduce the capital by cancelling shares purchased by the Company under Articles L. 225-209 and L. 225-208 of the French Commercial Code
15. Authorisation to the Board of Directors to make free grants to employees and executive officers of existing shares and/or of shares to be issued entailing waiver by the shareholders of their preferential subscription right
16. Delegation of authority to the Board for the purpose of carrying out a capital increase reserved for employees with cancellation of the shareholders' preferential subscription right
17. Powers for formalities

7.1.1. ORDINARY PART

RESOLUTIONS 1, 2 AND 3: APPROVAL OF THE ANNUAL PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS, ALLOCATION OF THE COMPANY'S NET INCOME FOR 2015 AND DECLARATION OF THE DIVIDEND

STATEMENT OF REASONS

The Annual General Meeting is called on to approve:

- the parent company financial statements, with an income statement which shows net income of €3,055,444,351.60 for 2015, compared with €4,937,957,395.33 in 2014;
- the 2015 consolidated financial statements.

The details of these financial statements are set out in the 2015 Annual Financial Report and the main data included in the file for calling this Annual General Meeting.

The Board of Directors proposes to the Annual General Meeting:

- An ordinary dividend of €3.10 per share, representing an increase of +14.8% compared with the dividend for the previous year.

The rate of distribution of the ordinary dividend (ordinary dividend paid/net income from continuing operations excluding non-recurrent items, diluted, Group share, per share) would be 50.2% in 2015:

Year	2010	2011	2012	2013	2014
Rate of distribution	44.9%	46.3%	46.8%	48.7%	50.6%

- A preferential dividend of €3.41.

The preferential dividend will be granted to the shares held in registered form since December 31st, 2013 at the latest, and which continuously remain in registered form until the dividend payment date in 2016. The number of shares giving entitlement to such preferential dividend cannot exceed 0.5% of share capital for any one shareholder.

If the Annual General Meeting approves this proposal, the ex-dividend date for the dividends (both ordinary and preferential) will be April 29th, 2016 at zero hour (Paris time) and they will be paid on May 3rd, 2016.

The amount of the ordinary dividend and the preferential dividend is eligible for the tax deduction provided for in Article 158-3-2° of the French Tax Code.

First resolution: approval of the 2015 parent company financial statements

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the Report of the Board of Directors and the 2015 parent company financial statements, as presented, and the transactions included in these financial statements and summarised in these reports, showing net income of €3,055,444,351.60 compared with €4,937,957,395.33 for 2014.

Second resolution: approval of the 2015 consolidated financial statements

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the 2015 consolidated financial statements and the transactions included in these financial statements and summarised in these reports.

Third resolution: allocation of the Company's net income for 2015 and declaration of the dividend

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, on the proposal of the Board of Directors, decides to allocate the net income for the 2015 financial year amounting to €3,055,444,351.60 as follows:

No allocation to the legal reserve which already represents over one-tenth of the share capital	–
Amount allocated to the shareholders as a dividend* (including preferential dividend)	€1,756,087,291.34
Balance that will be allocated to the *Other reserves* item	**€1,299,357,060.26**

* *Including an initial dividend equal to 5% of the amounts paid up on the shares, i.e. the total amount of the share capital.*

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This amount is calculated on the basis of the number of shares forming the capital at December 31st, 2015 and will be adjusted to reflect:

- the number of shares issued between January 1st, 2016 and the date of payment of this dividend following the exercise of stock options or the final vesting of new free shares granted and giving entitlement to such dividend;
- the final number of shares eligible for the preferential dividend, taking into account sales or transfer to a bearer account between January 1st, 2016 and the date of payment of the dividend.

The Annual General Meeting therefore declares an ordinary dividend to be paid of €3.10 per share, the preferential dividend entitling eligible holders to a total of €3.41 per share. The preferential dividend will be granted to the shares held in registered form since December 31st, 2013 at the latest, and which continuously remain in registered form until the dividend payment date, it being specified that the number of shares giving entitlement to such preferential dividend cannot exceed 0.5% of share capital for any one shareholder. The ex-dividend date for the dividends (both ordinary and preferential) will be April 29th, 2016 at zero hour (Paris time) and they will be paid on May 3rd, 2016.

In the event that, at the time of payment of the dividend, the Company holds treasury shares, the distributable profit corresponding to the unpaid dividend due to the holding of such shares would be allocated to the *Other reserves* item. It is specified that, as the law currently stands, for natural persons who have their tax residence in France, the dividend is liable for personal income tax on the basis of the progressive scale of tax rates and is eligible for the tax deduction provided for in Article 158-3-2° of the French Tax Code.

The table set out below gives the amounts of the dividends distributed, that were fully eligible for the tax deduction provided for in Article 158-3-2° of the French Tax Code, for the last three financial years:

	2012	2013	2014
Ordinary dividend per share	€2.30	€2.50	€2.70
Preferential dividend per share	€0.23	€0.25	€0.27

RESOLUTION 4: APPROVAL OF THE AGREEMENT BETWEEN L'OREAL AND NESTLE CONCERNING THE END OF THEIR INNEOV JOINT VENTURE

STATEMENT OF REASONS

On November 27th, 2014, L'Oréal and Nestlé announced their project to put an end to the activities of their joint venture Innéov which operates in the field of cosmetic nutritional supplements sold in pharmacies.

At its meeting on April 22nd, 2015, L'Oréal's Board of Directors thus authorised the signature of an agreement between L'Oréal and Nestlé in relation with the end of the activities of this joint venture. Pursuant to the terms of this agreement, it was agreed that Galderma Pharma, the Swiss dermatology laboratory that is wholly owned by Nestlé:

- will purchase assets from Innéov for €5 million including, in particular, the Innéov trademark and secondary trademarks, domain names, inventories and the shares of the subsidiary Innéov Brazil on the basis of an enterprise value with no debts or cash, plus the price of the inventories,
- will benefit from licences for certain intellectual property rights for the manufacture and marketing of Innéov's existing products and access to technology.

L'Oréal and Nestlé retain the benefit of the research and the intellectual property and the developments carried out by Innéov, that may be reused in their respective fields.

The transactions provided for were carried out in accordance with the agreement.

Inasmuch as this agreement falls within the scope of application of Article L. 225-38 of the French Commercial Code, it is submitted for the approval of the Annual General Meeting.

Fourth resolution: approval of the agreement between L'Oréal and Nestlé concerning the end of their Innéov joint venture

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Statutory Auditors' special report on the agreements covered by Articles L. 225-38 *et seq.* of the French Commercial Code, approves the agreement mentioned in such report concerning the end of the activities of the Innéov joint venture with Nestlé.

RESOLUTIONS 5, 6, 7, 8 AND 9: TENURES OF DIRECTORS

STATEMENT OF REASONS

The appointment of two new Directors is put to the vote of the Annual General Meeting as well as the renewal of three Directors whose tenure expires at the close of this Annual General Meeting.

1. *Composition of L'Oréal's Board of Directors at December 31st, 2015*

The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, their skills and their nationalities. They have good knowledge of the Company. The Directors are present, active and closely involved. These are all assets which contribute to the quality of the Board's deliberations in the context of the decisions that it is called on to make.

The Directors have a duty of acting with due care and exercise complete freedom of judgment. This freedom of judgment enables them in particular to participate, in complete independence, in the decisions or work of the Board and its committees.

Jean-Paul Agon, age 59, joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, President and CEO of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006 and finally Chairman and CEO in 2011. A Director of L'Oréal since 2006, he is also the Chairman of the Strategy and Sustainable Development Committee. Jean-Paul Agon is also the Chairman of the L'Oréal Corporate Foundation and a Director of Air Liquide.

Françoise Bettencourt Meyers, age 62, the daughter of Mrs. Liliane Bettencourt, herself the daughter of the founder of L'Oréal, Mr. Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since January 31st, 2012 and is the Chairwoman of the Bettencourt Schueller Foundation. Françoise Bettencourt Meyers has been a Director of L'Oréal since 1997 and a member of the Strategy and Sustainable Development Committee since 2012.

Peter Brabeck-Letmathe, age 71, of Austrian nationality, Chairman of the Board of Directors of Nestlé, has been a Director of L'Oréal and Vice-Chairman of the Board of Directors since 1997. He is a member of the Strategy and Sustainable Development Committee, the Appointments and Governance Committee and the Human Resources and Remuneration Committee.

Jean-Pierre Meyers, age 67, has been a Director of L'Oréal since 1987, Vice-Chairman of the Board of Directors since 1994, and is a member of the Strategy and Sustainable Development Committee, the Appointments and Governance Committee and the Human Resources and Remuneration Committee. Jean-Pierre Meyers is Vice-Chairman of the Supervisory Board and Chief Executive Officer of the family-owned holding company Téthys and Vice-Chairman of the Bettencourt Schueller Foundation.

Ana Sofia Amaral, age 50, of Portuguese nationality, is Scientific and Technical Affairs Director for L'Oréal Portugal. Ana Sofia Amaral was appointed in 2014 by L'Oréal's *Instance Européenne de Dialogue Social* / European Works Council as a Director representing the employees. She is a member of the Human Resources and Remuneration Committee.

Sophie Bellon, age 54, has been Chairwoman of the Board of Directors of Sodexo (since january 2016) and responsible for Research-Development-Innovation Strategy at Sodexo which she joined in 1994 after a career in the United States, in finance as a Mergers & Acquisitions advisor, then in the fashion sector as an agent for major international brands. Sophie Bellon has been a Director of L'Oréal since 2015.

Charles-Henri Filippi, age 63, is Chairman of Citigroup for France after having spent his career within the HSBC group, in which he was notably Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board of Directors in 2007 and 2008. Charles-Henri Filippi has been a Director of L'Oréal since 2007 and is a member of the Audit Committee, the Human Resources and Remuneration Committee and the Appointments and Governance Committee. He is also a Director of Orange.

Xavier Fontanet, age 67, former Chairman and Chief Executive Officer of Essilor (1996-2009) and former Chairman of the Board of Directors of Essilor (2010-2012), has been a Director of L'Oréal since May 2002 and is the Chairman of the Appointments and Governance Committee. He is also a member of the Supervisory Board of Schneider Electric.

Belén Garijo, age 55, of Spanish nationality, is Chairwoman and Chief Executive Officer of Merck Healthcare, a company bringing together the pharmaceutical businesses of German group Merck, and a member of the Merck group's Executive Committee. Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

Bernard Kasriel, age 69, a former Chief Executive Officer of Lafarge, has been a Director of L'Oréal since 2004, is the Chairman of the Human Resources and Remuneration Committee (until april 2016) and a member of the Strategy and Sustainable Development Committee. He is also a Director of Arkema and Nucor (United States).

Christiane Kuehne, age 60, of Swiss nationality, was the Head of the Food Strategic Business Unit at Nestlé until September 2015. Christiane Kuehne has been a member of L'Oréal's Board of Directors and a member of the Audit Committee since 2012.

Georges Liarokapis, age 53, of French and Greek nationality, is Coordinator of Sustainability for L'Oréal Western Europe. Georges Liarokapis was appointed by the CFE-CGC as a Director representing the employees in 2014. He is a member of the Audit Committee.

Jean-Victor Meyers, age 29, has been a member of the Supervisory Board of the family-owned holding company Téthys since January 2011 and is the Chairman of Exemplaire. Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Audit Committee.

Virginie Morgon, age 46, is the Chief Executive Officer of Eurazeo which she joined in 2008 after working for sixteen years at Lazard. She has been a Director of L'Oréal since, 2013 and is a member of the Audit Committee. She is also a Board member of Accor and a member of the Supervisory Board of Vivendi.

Louis Schweitzer, age 73, Chairman and Chief Executive Officer of Renault from 1992 to 2005 and Chairman of the Board of Directors of Renault until 2009, has been a Director of L'Oréal since 2005, and is the Chairman of the Audit Committee and a member of the Strategy and Sustainable Development Committee. He is also General Commissioner for Investment.

2. Appointment of two new Directors in 2016

The tenure of Mrs. Christiane Kuehne is due to expire at the close of the Annual General Meeting on April 20th, 2016. The Board thanks Mrs. Christiane Kuehne warmly for the quality of her contribution to its debates and decisions during the 4 years of her tenure.

In addition, Mr. Louis Schweitzer tendered his resignation from the Board of Directors effective at the close of this Annual General Meeting. This resignation has been tendered in accordance with the Internal Rules of the Board of Directors, as the 2016 Annual General Meeting follows his 73rd birthday.

The Appointments and Governance Committee reviewed the possible appointment of two new Directors that the Board of Directors has approved. The proposed appointments of Mrs. Béatrice Guillaume-Grabisch and Mrs. Eileen Naughton are submitted to the Annual General Meeting.

- Appointment of Mrs. Béatrice Guillaume-Grabisch

Further to the proposal made by Nestlé, the Board of Directors will put to the vote of this Annual General Meeting the appointment as Director of Mrs. Béatrice Guillaume-Grabisch, General Manager of Nestlé Deutschland, for a term of four years.

Mrs. Béatrice Guillaume-Grabisch, age 51, of French nationality, is a graduate of the ESSEC graduate business school. She has more than 30 years' experience in marketing and sales in various consumer goods groups, such as Colgate-Palmolive, Beiersdorf and Johnson & Johnson. Mrs. Béatrice Guillaume-Grabisch was General Manager of L'Oréal Paris Germany for five years. In 2006, she joined the Coca-Cola group, of which she became General Manager of the German subsidiary. From 2010 to 2013, Mrs. Béatrice Guillaume-Grabisch held the position of CEO of Beverage Partners Worldwide, a joint venture between Coca-Cola and Nestlé. In 2013, she joined the Nestlé group as Vice-president Europe Middle East North Africa Zone.

Since July 2015, Mrs. Béatrice Guillaume-Grabisch has been the General Manager of Nestlé Deutschland.

- Appointment of Mrs. Eileen Naughton

Mrs. Eileen Naughton, age 58, a U.S. citizen, holds an MBA in finance and marketing from the University of Pennsylvania. She began her career in the media with the Time Warner group in 1989, and was appointed General Manager of Fortune Magazine in 1994. In 1997 she became Strategy & Finance Director at Time Inc. She took on digital responsibilities for the first time one year later, when she was appointed President, Time Inc. Interactive, a position which encompassed design, editorial content, technology and management for several Internet sites including People.com, Time.com and InSlyle.com, etc. Her responsibilities included overseeing the integration of AOL, following the merger with Time Warner in 1999. From 2002 to 2005, Mrs. Eileen Naughton, President of Time Group, reoriented the magazine's advertising strategy towards digital.

Mrs. Eileen Naughton joined the Google group in 2006, as Director of Sales for the U.S. East Coast, based in New York. In 2010, she was made Managing Director, Media Strategy and Operations for the America, Europe and Asia zones, a position she held until 2014.

At Google, she is currently Vice-President and Managing Director, UK and Ireland, and is based in London.

Mrs. Eileen Naughton will provide the L'Oréal Board with the benefit of her outward-looking international perspective, her profound knowledge of the media, her digital experience, her entrepreneurial spirit and her human values.

3. Renewal of the tenure of three Directors in 2016

As the tenures as Director of Mr. Jean-Pierre Meyers, Mr. Bernard Kasriel and Mr. Jean-Victor Meyers are due to expire in 2016, the renewal of their tenures for a term of four years is submitted to the Annual General Meeting.

- Renewal of the tenure as Director of Mr. Jean-Pierre Meyers

Mr. Jean-Pierre Meyers has been a Director of L'Oréal since 1987 and Vice-Chairman of the Board of Directors since 1994. He is Chief Executive Officer and Vice-Chairman of the Supervisory Board of the family-owned holding company Téthys and Vice-Chairman of the Board of Directors of the Bettencourt Schueller Foundation.

Mr. Jean-Pierre Meyers actively contributes to the quality of the debates of the Board and committee of which he is a member: Strategy and Sustainable Development Committee, Appointments and Governance Committee and Human Resources and Remuneration Committee.

In 2015, he took part in all Board meetings and the meetings of these three committees.

- Renewal of the tenure as Director of Mr. Bernard Kasriel

Mr. Bernard Kasriel has been a Director of L'Oréal since 2004. A former Chief Executive Officer of Lafarge, he is a Director of Arkema in France and of Nucor in the United States.

Very available, assiduous and with complete freedom of judgment, Mr. Bernard Kasriel is the Chairman of the Human Resources and Remuneration Committee (until April 2016) and a member of the Strategy and Sustainable Development Committee.

Mr. Bernard Kasriel took part in all Board meetings and all meetings of the two committees of which he is a member in 2015.

- Renewal of the tenure as Director of Mr. Jean-Victor Meyers

Mr. Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Audit Committee.

He has been a member of the Supervisory Board of the family-owned holding company Téthys since January 2011. He is the Chairman of Exemplaire.

Strongly committed to his duties, in 2015 he participated in all Board and Audit Committee meetings, except for one Audit Committee meeting.

4. Independence of the Directors

The Appointments and Governance Committee proposes to the Board of Directors every year to review on a case-by-case basis the situation of each of the Directors with regard to their independence according to the criteria set out in the AFEP-MEDEF Code.

The review of the independence of these Directors was carried out by the Appointments and Governance Committee at the end of 2015 on the basis, in particular, of a study of the relationships existing between the Company and the companies in which the Directors hold offices. The Directors have no conflicts of interest. The other corporate offices and directorships held, their availability, their personal contributions and their participation in the work and discussions of the Board and its committees in 2015 were taken into consideration by the Appointments and Governance Committee to evaluate the composition and functioning of the Board.

As the two Directors representing the employees were not taken into account pursuant to the AFEP-MEDEF Code, the number of independent Directors is 7 out of 13, representing an independence rate of 54%.

This analysis was also carried out for the Directors whose proposed appointment is being put to the vote of this Annual General Meeting. It was concluded that Mrs. Eileen Naughton is independent.

This independence rate will be maintained if the Annual General Meeting votes in favour of the appointments and renewals that are being proposed to it by the Board of Directors.

5. Balanced gender representation on the Board of Directors

At December 31st, 2015, as the two Directors representing the employees are not taken into account pursuant to the AFEP-MEDEF Code, the number of women on the Board of Directors was 5 out of 13 Directors appointed by the Annual General Meeting, namely a percentage representation of women of 38.5%.

It is pointed out that, pursuant to French law, the proportion of Directors of each gender may not be lower than 40% at the end of the first Annual General Meeting after January 1st, 2017. The AFEP-MEDEF Code provides that, with regard to the representation of men and women, the objective is for each Board to reach, and maintain, a percentage of at least 40% of women within a period of six years, as from the Annual General Meeting in 2010, namely by April 27th, 2016 at the latest.

If the Annual General Meeting votes in favour of the appointment and renewals proposed to it, the number of women on the Board of Directors would be increased to 6 out of 13 Directors appointed by the Annual General Meeting, namely a percentage representation of women of 46%.

6. Length of tenure and minimum number of shares held

The length of the terms of office of the Directors appointed by L'Oréal's Annual General Meeting is set at four years in the Articles of Association, or a shorter period in order to provide for staggered renewal of the Directors' terms of office. The term of office of a Director who is not appointed by the Annual General Meeting is four years. The Directors appointed by the Annual General Meeting each hold a minimum of 1,000 L'Oréal shares. The full list of the offices and directorships held by the Directors is set out on pages 53 *et seq.* of the Registration Document.

7. Expiry dates of terms of office

For information purposes, if the Annual General Meeting votes in favour of the renewals and appointments proposed to it in 2016, the composition of the Board committees and the expiry dates of the terms of office of the 15 Directors of L'Oréal would be as follows:

	Independence	Expiry date of current term of office	Board committees: Strategy and Sustainable Development	Audit	HR and Remuneration	Appointments and Governance
Mr. Jean-Paul Agon		2018	●			
Mrs. Françoise Bettencourt Meyers		2017	●			
Mr. Peter Brabeck-Letmathe		2017	●		●	●
Mr. Jean-Pierre Meyers		2020	●		●	●
Mrs. Ana Sofia Amaral	Employee director	2018			●	
Mrs. Sophie Bellon	◆	2019		●		●
Mr. Charles-Henri Filippi	◆	2019		●	●	●
Mr. Xavier Fontanet	◆	2018	●			
Mrs. Belén Garijo	◆	2018			●	
Mrs. Béatrice Guillaume-Grabisch		2020		●		
Mr. Bernard Kasriel	◆	2020	●			
Mr. Georges Liarokapis	Employee director	2018		●		
Mr. Jean-Victor Meyers		2020		●		
Mrs. Virginie Morgon	◆	2017		●		
Mrs. Eileen Naughton	◆	2020				

● *Chairman/Chairwoman*
● *Committee member*

Fifth resolution: appointment of Mrs. Béatrice Guillaume-Grabisch as Director

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, appoints Mrs. Béatrice Guillaume-Grabisch as Director for a period of four years.

Her tenure will expire at the end of the Annual General Meeting to be held in 2020 to review the financial statements for the previous financial year.

Sixth resolution: appointment of Mrs. Eileen Naughton as Director

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, appoints Mrs. Eileen Naughton as Director for a period of four years.

Her tenure will expire at the end of the Annual General Meeting to be held in 2020 to review the financial statements for the previous financial year.

Seventh resolution: renewal of the tenure as Director of Mr. Jean-Pierre Meyers

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the tenure of Mr. Jean-Pierre Meyers as Director for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2020 to review the financial statements for the previous financial year.

Eighth resolution: renewal of the tenure as Director of Mr. Bernard Kasriel

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the tenure of Mr. Bernard Kasriel as Director for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2020 to review the financial statements for the previous financial year.

Ninth resolution: renewal of the tenure as Director of Mr. Jean-Victor Meyers

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the tenure of Mr. Jean-Victor Meyers as Director for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2020 to review the financial statements for the previous financial year.

RESOLUTIONS 10 AND 11: TERMS OF OFFICE OF THE STATUTORY AUDITORS

STATEMENT OF REASONS

The terms of office of Deloitte & Associés and PricewaterhouseCoopers Audit S.A., Statutory Auditors of the Company are due to expire at the close of this General Meeting.

The Audit Committee examined the services provided by the current joint Statutory Auditors, in particular with regard to:

- the quality of the work carried out;
- the regular rotation of the two firms in the Group's entities;
- the robust quality control procedures.

The Audit Committee recommended to the Board of Directors the renewal of the two current Statutory Auditors for a further period of 6 financial years in accordance with the regulations and, in particular, with the European regulation of April 16th, 2014 on specific requirements regarding statutory audit.

The Board of Directors proposes to this Annual General Meeting that it renew the terms of office of the two present principal Statutory Auditors. It is also proposed to renew the term of office of one substitute Statutory Auditor and appoint a new substitute Statutory Auditor. The terms of office would be for a period of 6 financial years expiring at the close of the Annual General Meeting to be held to review the financial statements for the 2021 financial year.

Tenth resolution: renewal of the term of office of PricewaterhouseCoopers Audit S.A. as principal Statutory Auditor and appointment of its substitute Statutory Auditor

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors and recording the expiry of the term of office of PricewaterhouseCoopers Audit S.A., principal Statutory Auditor, and of the term of office of Mr. Yves Nicolas, substitute Statutory Auditor, decides to renew the term of office of PricewaterhouseCoopers Audit S.A. and to appoint as substitute Statutory Auditor for PricewaterhouseCoopers Audit S.A., Mr. Jean-Christophe Georghiou, domiciled at 63, rue de Villiers, Neuilly-sur-Seine (92200), for a term of 6 financial years, namely until the close of the Annual General Meeting that will review the financial statements for the financial year ending December 31st, 2021.

Eleventh resolution: renewal of the terms of office of Deloitte & Associés as principal Statutory Auditor and of its substitute Statutory Auditor

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors and recording the expiry of the term of office of Deloitte & Associés, principal Statutory Auditor, and of the term of office of Beas, substitute Statutory Auditor, decides to renew their terms of office for a term of 6 financial years, namely until the close of the Annual General Meeting that will review the financial statements for the financial year ending December 31st, 2021.

RESOLUTION 12: ADVISORY VOTE BY THE SHAREHOLDERS ON THE COMPONENTS OF THE REMUNERATION DUE OR ALLOCATED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN RESPECT OF THE 2015 FINANCIAL YEAR

STATEMENT OF REASONS

In accordance with the AFEP-MEDEF Code revised in November 2015 to which L'Oréal refers, the components of the remuneration due or allocated by the Board of Directors on the proposal of the Human Resources and Remuneration Committee to the Chairman and Chief Executive Officer, Mr. Jean-Paul Agon, with respect to the 2015 financial year, are presented to the Annual General Meeting for an advisory vote.

SUMMARY TABLES OF THE COMPONENTS OF REMUNERATION

Components of the remuneration due or allocated in respect of 2015 put to the vote

	Amount	Description
Fixed remuneration Change/2014	**€2,200,000** 0%	At its meeting on February 12th, 2015, the Board of Directors decided, on the proposal of the Human Resources and Remuneration Committee, to maintain the fixed gross annual remuneration of Mr. Jean-Paul Agon at €2,200,000.
Annual variable remuneration Ceiling	**€1,782,000** 100% of the fixed remuneration	The annual variable remuneration is designed to align the remuneration allocated to the Chairman and Chief Executive Officer with the Group's annual performance and to promote the implementation of its strategy year after year. It is expressed as a percentage of fixed remuneration and this percentage may reach a maximum of 100% of fixed remuneration. **THE EVALUATION CRITERIA FOR 2015 ARE AS FOLLOWS:** ◆ **FINANCIAL OBJECTIVES (60% of the annual variable remuneration):** • comparable sales as compared to the budget • market share as compared to the main competitors • operating profit as compared to 2014 • net earnings per share as compared to 2014 • cash flow as compared to 2014 ◆ **EXTRA-FINANCIAL OBJECTIVES (40% of the annual variable remuneration):** • **CSR criteria**: Sharing Beauty With All programme, which defines 4 priority areas for development: - Innovating sustainably - Producing sustainably - Living sustainably - Developing sustainably • **Human Resources criteria**: - Gender balance - Talent development - Access to training • **Digital Development criteria** • **Qualitative criteria:** Company's image, Reputation, Dialogue with stakeholders, Handling of the priorities for the year. The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria. The choice of performance criteria directly correlated with the Group's performance means that confidentiality constraints need to be managed and means that it is not possible to communicate the weightings. A summary of achievements in 2015 is available on pages 94 and 95 of the Registration Document. **ASSESSMENT FOR 2015 BY THE BOARD OF DIRECTORS ON FEBRUARY 11th, 2016:** On the basis of the above-mentioned assessment criteria, the Board of Directors decided, on the proposal of the Human Resources and Remuneration Committee, to award gross variable remuneration of €1,782,000 for 2015, namely 81% of the maximum objective, with a level of achievement of the financial and extra-financial criteria of 79% and 83.8% respectively. For reasons of confidentiality, L'Oréal does not give details of the amounts paid per criterion; the elements of assessment are set out in detail on pages 94 and 95 of the Registration Document.
Multi-annual variable remuneration	€0	N/A

Components of the remuneration due or allocated in respect of 2015 put to the vote

	Amount	Description
Exceptional remuneration	€0	N/A
Attendance fees	€0	At its meeting on November 28th, 2014, the Board of Directors took due note of the wish expressed by Mr. Jean-Paul Agon to no longer receive attendance fees in his capacity as Chairman and Chief Executive Officer.
Stock options, performance shares (and any other component of long-term remuneration)	32,000 performance shares valued at €5,167,680 (the estimated fair value according to the IFRS applied to prepare the consolidated financial statements)	Within the scope of the authorisation of the Ordinary and Extraordinary General Meeting of April 22nd, 2015 (resolution No. 9), the Board of Directors decided on the same day, on the proposal of the Human Resources and Remuneration Committee, to make a conditional grant of 32,000 shares ("ACAs") to Mr. Jean-Paul Agon. The estimated fair value according to the IFRS applied for the preparation of the consolidated financial statements of one performance share (ACAs) under the April 22nd, 2015 plan is €161.49 for French tax and/or social security residents, which is the case for Mr. Jean-Paul Agon. This fair value was €104.58 on April 17th, 2014. The estimated fair value according to the IFRS of the 32,000 performance shares granted to Mr. Jean-Paul Agon in 2015 is therefore €5,167,680. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a 4-year vesting period as from the date of grant. Half of the number of shares that finally vests will depend on growth in comparable cosmetics sales as compared to those of a panel of competitors, such panel consisting of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty, the other half will depend on the growth in L'Oréal's consolidated operating profit. The calculation will be based on the arithmetic average for the three full financial years of the vesting period. The first full year taken into account for evaluation of the performance conditions relating to this grant is 2016. Monitoring of the performance conditions year after year is described in detail on page 300 of the Registration Document. With respect to the criterion relating to sales, in order for all the free shares granted to finally vest for the beneficiaries at the end the vesting period, the performance of L'Oréal must be at least as good as the average growth in sales of the panel of competitors. Below that level, the grant decreases. The Board defines a threshold, which is not made public for confidentiality reasons, below which no share finally vests pursuant to this criterion. Concerning the criterion related to operating profit, a level of growth, defined by the Board, but not made public for reasons of confidentiality, must be met or exceeded in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period. Below that level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion. The grant of shares from which Mr. Jean-Paul Agon benefited in 2015 represents: ◆ 3.72% of the total number of ACAs granted to the 1,943 beneficiaries of this same plan ◆ 3.69% of their estimated fair value according to the IFRS. In accordance with the authorisation granted by the Annual General Meeting on April 22nd, 2015, this grant of shares does not exceed 0.6% of the share capital, it being understood that the maximum amount granted to the executive officers may not represent more than 10% of the total number of free shares that may be granted. No stock option to purchase or subscribe for shares or other long-term incentive instrument was granted to Mr. Jean-Paul Agon in 2015.
Benefits in kind	€0	Mr. Jean-Paul Agon benefits from the necessary material resources for performance of his term of office such as, for example, the provision of a car with a chauffeur. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, cannot be considered as benefits in kind.
Indemnity for entry into office	€0	Not applicable in as much as Mr. Jean-Paul Agon has been Chief Executive Officer since 2006 and Chairman and Chief Executive Officer since 2011.

Components of remuneration due or allocated in respect of 2015 which have previously been voted by the Annual General Meeting under the regulated agreements and commitments procedure

	Amount	Description
Termination indemnity and non-competition indemnity	Not applicable	No indemnity is due in respect of termination of the corporate office. Payment of the indemnities due under the suspended employment contract was approved by the Annual General Meeting on April 27th, 2010. Remuneration under the employment contract, to be used to calculate all the rights attached thereto, is established on the basis of the remuneration at the date of suspension of the contract in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2016 the fixed remuneration amounts to €1,672,500 and variable remuneration to €1,393,750. In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the termination indemnities, except in the event of gross misconduct or gross negligence, or the retirement indemnities in the event of voluntary retirement or retirement on the Company's initiative due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the Company-level agreements applicable to all L'Oréal's managers, are due in any event pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-competition clause and the related financial consideration. Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr. Jean-Paul Agon's length of service, at 20 months' remuneration under the suspended employment contract. In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-competition clause would be payable every month for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr. Jean-Paul Agon were to be released from application of the clause. For information purposes, the cumulative amount of the indemnity provided for under the collective bargaining agreement and the indemnity in consideration of the non-competition clause which would have been due to Mr. Jean-Paul Agon had his employment contract ended on December 31st, 2015 through termination, except in the event of gross misconduct or gross negligence, would have represented an amount of less than 24 months of the fixed and variable remuneration which he received in 2015 as an executive officer.
Supplementary pension scheme	Not applicable	Mr. Jean-Paul Agon benefits, under his suspended employment contract, from the Garantie de Retraite des Membres du Comité de Conjoncture (Pension Cover of the Members of the Comité de Conjoncture) scheme closed on December 31st, 2000. The main features of this scheme, which falls under Article L. 137-11 of the French Social Security Code, are as follows: ◆ around 120 senior managers (active or retired) are concerned; ◆ the minimum length of service requirement was 10 years at the time of closure of the scheme on December 31st, 2000; ◆ the Pension Cover may not exceed 40% of the calculation basis, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the remuneration for the three years used for the calculation basis out of the seven calendar years prior to the end of the beneficiary's career in the Company. For information purposes, the estimated amount of the pension that would be paid to Mr. Jean-Paul Agon, under L'Oréal's Garantie de Retraite des Membres du Comité de Conjoncture scheme, had he been able to apply for a full-rate pension from the French social security scheme on December 31st, 2015, after 37 years' length of service at L'Oréal, would represent €1.56 million, i.e. around 39% of the fixed and variable remuneration he received as an executive officer in 2015. This information is given as an indication after estimating the main pension entitlements accrued by Mr. Jean-Paul Agon, at 65 years of age, as a result of his professional activities, according to the rules regarding the application for payment of such pensions in force at December 31st, 2015 and which may be subject to change. The amount of the pension paid to Mr. Jean-Paul Agon, under L'Oréal's Garantie de Retraite des Membres du Comité de Conjoncture scheme will in fact only be calculated on the date when he applies for all his pensions. As a reminder, the rights to the defined benefit pension are uncertain and conditional on the beneficiary ending his caree in the Company. The funding of this scheme by L'Oréal cannot be broken down individually by employee. Benefit from this scheme pursuant to the suspended employment contract was approved by the Annual General Meeting on April 27th, 2010.
Valuation of benefits of any kind	Not applicable	Mr. Jean-Paul Agon continues to be treated in the same way as a senior manager during the term of his corporate office entitling him to continue to benefit from the additional social protection schemes and in particular the employee benefit and healthcare scheme applicable to the Company's employees. The amount of the employer's contributions to these schemes totals €7,311 in 2015, including €4,850 for the defined contribution scheme, it being noted that the amount due in this respect will be deducted from the defined benefit pension in accordance with the provisions of this collective scheme. The continued possibility to benefit from this treatment was approved by the Annual General Meeting on April 27th, 2010.

Twelfth resolution: advisory vote by the shareholders on the components of the remuneration due or allocated to the Chairman and Chief Executive Officer in respect of the 2015 financial year

The Annual General Meeting, consulted pursuant to the recommendation in § 24.3 of the AFEP-MEDEF Code, which is the Company's reference code pursuant to Article L. 225-37 of the French Commercial Code, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, casts a favourable advisory vote on the components of remuneration due or allocated to Mr. Jean-Paul Agon in his capacity as Chairman and Chief Executive Officer in respect of the 2015 financial year, as set out in the statement of reasons for this resolution to be found on pages *and seq.* 320 of the 2015 Registration Document.

RESOLUTION 13: AUTHORISATION FOR THE COMPANY TO BUY BACK ITS OWN SHARES

STATEMENT OF REASONS

As the existing authorisation is due to expire in October 2016, it is proposed that the Annual General Meeting give the Board a new authorisation, it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy back its own shares for the purpose of:

- their cancellation by a reduction in capital;
- their sale within the scope of employee share ownership programmes and their allocation to free grants of shares in favour of employees and executive officers of the L'Oréal Group;
- liquidity provision through a liquidity agreement entered into with an investment services provider in accordance with the Code of Ethics recognised by the *Autorité des Marchés Financiers*;
- retaining them and subsequently using them as payment in connection with external growth transactions.

The purchase, sale, exchange or transfer of these shares may be carried out by any means, on one or more occasions, in particular on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

The period of validity of this authorisation would be 18 months as from the date of this Annual General Meeting. The purchase price per share may not exceed €230 (excluding expenses). The authorisation would concern 10% of the capital at most, namely, for information purposes, at December 31st, 2015, 56,298,334 shares for a maximum amount of €12,948,616,820, it being stipulated that the Company may at no time hold over 10% of its own share capital.

Thirteenth resolution: authorisation for the company to buy back its own shares

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Report of the Board of Directors, authorises the Board of Directors, with the possibility for it to delegate to the Chairman and Chief Executive Officer, to purchase shares of the Company, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, and subject to the following conditions:

- the purchase price per share may not be greater than €230 (excluding expenses);
- the number of shares that may be bought by the Company may not exceed 10% of the number of shares forming the capital of the Company at the time the shares are bought back, that is, for information purposes, at December 31st, 2015, 56,298,334 shares for a maximum amount of €12,948,616,820, it being stipulated that the Company may at no time hold over 10% of its own share capital.

In the event of any transaction affecting the Company's capital, the prices and numbers of shares indicated above will be adjusted where applicable.

The Company may buy its own shares for the following purposes:

- their cancellation by a reduction in capital;
- their allocation or sale to employees and corporate officers of the Company and affiliates, under the terms and conditions provided for by French or foreign law, and in particular within the scope of employee profit sharing schemes, free grants of shares or all employee share ownership programmes as well as for the purpose of carrying out any transaction to cover the above-mentioned employee share ownership programmes;
- liquidity provision through a liquidity agreement entered into with an investment services provider in accordance with the Code of Ethics recognised by the *Autorité des Marchés Financiers*;
- retaining them and subsequently using them as payment in connection with external growth transactions.

The purchase, sale, exchange or transfer of these shares may be carried out by any means, on one or more occasions, in particular on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

These transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned, it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Annual General Meeting decides that this authorisation will expire at the end of a period of 18 months following this Annual General Meeting and renders ineffective as from the date hereof any prior authorisation for the same purpose.

The Board of Directors will have the possibility of allocating and reassigning to any of these objectives all the treasury shares currently held by the Company. Full powers are granted to the Board of Directors, with the possibility for it to delegate, for the implementation of this resolution and more generally do anything that may be necessary.

7.1.2. EXTRAORDINARY PART

RESOLUTION 14: AUTHORISATION TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLING SHARES PURCHASED BY THE COMPANY UNDER ARTICLES L. 225-209 AND L. 225-208 OF THE FRENCH COMMERCIAL CODE

STATEMENT OF REASONS

Concerning the authorisation given to the Board of Directors to cancel shares bought by the Company under Article L. 225-209 of the French Commercial Code:

The authorisation given to the Board of Directors in 2014 to cancel shares purchased by the Company under Article L. 225-209 of the French Commercial Code is due to expire.

It is proposed that the Annual General Meeting should give the Board a new authorisation enabling it to cancel shares, within the limits provided for by law.

This authorisation would be given for a term of twenty-six months as from the Annual General Meeting on April 20th, 2016 and would render ineffective any prior authorisation.

Concerning the authorisation given to the Board of Directors to cancel shares purchased by the Company under Article L. 225-208 of the French Commercial Code:

Certain stock options to purchase shares granted in the past can no longer be exercised as the result, for example, of their beneficiary's departure from the Company. The resolution for cancellation of the shares purchased by the Company under Article L. 225-209 of the French Commercial Code, referred to above, does not make it possible to cancel these shares as the legal treatment applicable to their cancellation is different.

The authorisation given to the Board of Directors in 2014 to cancel the corresponding shares, purchased by the Company under Article L. 225-208 of the French Commercial Code, is due to expire.

It is proposed, within the limit of a maximum of 750,000 shares, representing a maximum reduction in the share capital of €150,000, that the shares corresponding to stock options to purchase shares that may no longer be exercised should be allocated to the policy of cancellation currently being conducted by the Board of Directors.

This authorisation would be given for a term of twenty-six months as from the Annual General Meeting on April 20th, 2016 and would render ineffective any prior authorisation.

Fourteenth resolution: authorisation to the Board of Directors to reduce the share capital by cancelling shares purchased by the company under Articles L. 225-209 and L. 225-208 of the French Commercial Code

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Statutory Auditors' Special Report:

- authorises the Board of Directors, in accordance with Article L. 225-209 of the French Commercial Code, to cancel, on one or more occasions, the shares held by the Company pursuant to Article L. 225-209 of the French Commercial Code, within the limit of 10% of the capital as of the date of cancellation, per twenty-four month period;
- authorises the Board of Directors, in accordance with Articles L. 225-204 and L. 225-205 of the French Commercial Code, to cancel, on one or more occasions, a maximum of 750,000 shares purchased by the Company on the basis of Article L. 225-208 of the French Commercial Code to cover stock options to purchase shares which currently correspond, or will correspond in future, to options that are no longer exercisable.

Full powers are given to the Board of Directors, with the possibility for it to delegate, to:

- reduce the share capital by cancelling shares;
- decide on the final amount of the reduction in the share capital;
- set the methods and record the completion of such reduction;
- allocate the difference between the book value of the shares cancelled and their par value to all reserves and available share premiums;
- amend the Articles of Association accordingly;
- and more generally, carry out all formalities and do all that is necessary to implement this resolution.

These authorisations are granted for a period of twenty-six months as from the date of this Annual General Meeting and render ineffective as of the date hereof any prior authorisation granted for the same purpose.

RESOLUTION 15: AUTHORISATION TO THE BOARD OF DIRECTORS TO MAKE FREE GRANTS TO EMPLOYEES AND EXECUTIVE OFFICERS OF EXISTING SHARES AND/OR SHARES TO BE ISSUED ENTAILING WAIVER BY THE SHAREHOLDERS OF THEIR PREFERENTIAL SUBSCRIPTION RIGHT

STATEMENT OF REASONS

It is proposed to the General Meeting to renew early its autorisation to make free grants grants of shares to the Group's employees and to certain of its executive officers which was due to expire in 2017.

The grants of shares will thus be able to benefit from the new system with regard to free shares that applies to grants made pursuant to a resolution of an Annual General Meeting adopted after publication of law No. 2015-990 of August 6th, 2015 for growth, activity and equal economic opportunities, known as the "Macron law".

Within the scope of this authorisation, the number of free shares that could be granted may not represent more than 0.6% of the share capital on the date of the decision by the Board of Directors. The maximum nominal amount of the increases in capital carried out on the basis of this authorisation would be deducted from the amount of the overall ceiling provided for in paragraph 2) of the eighth resolution voted by the Annual General Meeting on April 22nd, 2015.

The total number of free shares granted to the executive officers during a financial year may not represent more than 10% of the total number of free shares granted during that same financial year.

Pursuant to Article L. 225-197-1 of the French Commercial Code which results from the Macron law, the free grant of shares to beneficiaries may become final and binding, subject to satisfaction of the other conditions set at the time of grant, including in particular the condition of presence in the Company, for all or part of the shares granted:

- either at the end of a minimum vesting period of two years, and in such case without any minimum holding period;
- or at the end of a minimum vesting period of one year, it being specified that the beneficiaries will then be required to hold these shares for a minimum period of one year after the date of final vesting thereof.

The Board of Directors proposes that, in any event, the minimum vesting period must be at least four years. The Board of Directors will have the possibility, in all cases, to set a longer vesting period than this minimum period or to provide for a holding period.

If the Annual General Meeting votes in favour of this resolution, any free grants of shares will be decided by the Board of Directors on the basis of the proposals of the General Management examined by the Human Resources and Remuneration Committee.

The Board of Directors will determine the identity of the beneficiaries of the free grants of shares, the number of shares granted to each of them and the performance conditions to be met for the final vesting of all or part of the shares.

These performance conditions would take into account:

- partly, the growth in L'Oréal's comparable cosmetics sales as compared to those of a panel of L'Oréal's biggest direct competitors;
- partly, the growth in L'Oréal's consolidated operating profit.

The figures recorded year after year to determine the performance levels achieved are published in the Annual Financial Report.

The Board of Directors considers that these two criteria, assessed over a long period of 3 financial years and applied to several plans, are complementary, in line with the Group's objectives and specificities and should make it possible to promote balanced, continuing growth over the long term. They are challenging but remain a source of motivation for beneficiaries.

In order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period in respect of the criterion related to sales, growth in L'Oréal's comparable sales must outperform the average growth in sales of the panel of competitors. This panel consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty. Below that level, the grant decreases. The Board defines a threshold, which is not made public for reasons of confidentiality, below which no share will finally vest pursuant to this criterion.

In order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period pursuant to the criterion related to operating profit, a level of growth defined by the Board, but not made public for reasons of confidentiality, must be met or exceeded. Below that level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

These performance conditions will apply to all the individual grants of more than 200 free shares per plan, with the exception of those to the executive officers and the Executive Committee members, to which they will apply in full.

The free grant of shares may be carried out without any performance condition within the scope of grants that would be made to all the employees of the Group, or for shares granted in respect of cash subscriptions made within the scope of an increase in capital reserved for the Group's employees pursuant to the sixteenth resolution.

Any grants of shares to the executive officers will be decided by the Board of Directors on the basis of the proposals of the Human Resources and Remuneration Committee, after assessment of their performance.

L'Oréal's executive officers will be required to retain 50% of the free shares that will be definitively allocated to them at the end of the vesting period in registered form until the termination of their duties.

An executive officer may not be granted free shares at the time of termination of his duties.

The authorisation requested from the Annual General Meeting would be granted for a period limited to 26 months as from the decision by the Annual General Meeting.

Fifteenth resolution: authorisation to the Board of Directors to make free grants to employees and executive officers of existing shares and/or of shares to be issued entailing waiver by the shareholders of their preferential subscription right

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Statutory Auditors' Special Report, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code:

- authorises the Board of Directors to make, on one or more occasions, to employees and executive officers of the Company and of French and foreign affiliates as defined by Article L. 225-197-2 of the French Commercial Code or certain categories of such employees or executive officers, free grants of existing shares or shares to be issued of L'Oréal;
- sets at 26 months as from the date of this Annual General Meeting, the period of validity of this authorisation which may be used on one or more occasions;
- decides that the number of free shares thus granted may not represent more than 0.6% of the share capital determined at the date of the decision made by the Board of Directors, it being specified that this maximum number of shares, either existing or to be issued, does not take into account the number of additional shares that may be allocated due to an adjustment in the number of shares granted initially as the result of a transaction affecting the Company's capital;
- decides that the maximum nominal amount of the increases in share capital carried out on the basis of this authorisation will be deducted from the amount of the overall ceiling provided for in paragraph 2) of the eighth resolution voted at the Annual General Meeting on April 22nd, 2015;
- decides that the number of free shares granted to executive officers of the Company during a financial year pursuant to this resolution may not represent more than 10% of the total number of free shares granted during a financial year pursuant to this resolution;
- decides that the Board of Directors will determine the identity of the beneficiaries of the grants, and the number of free shares granted to each of them as well as the conditions to be met for the grant to finally vest, and in particular the performance conditions, it being stipulated that the free grant of shares may be carried out without any performance condition within the scope of a grant made (i) to all the employees and executive officers of L'Oréal and, where applicable, of its French or foreign affiliates, as defined by Article L. 3332-14 of the French Labour Code or Article 217 *quinquies* of the French Tax Code, or (ii) to employees and executive officers of foreign companies subscribing to an increase in capital carried out pursuant to the sixteenth resolution of this Annual General Meeting or participating in an employee share ownership transaction through the sale of existing shares or (iii) to employees who are not members of the Executive Committee for at most 200 of the free shares that are granted to them within the scope of each of the plans decided by the Board of Directors;
- decides (i) that the grant of such shares to the beneficiaries thereof will become final and binding, subject to satisfaction of the other conditions set at the time of grant, for all or part of the shares granted, at the end of a minimum vesting period of four years and (ii) that the Board of Directors will be able to set a holding period for the shares that are definitively allocated, of which it will set the duration, where applicable;
- decides that the grant of these shares to their beneficiaries will become final and binding prior to the expiry of the above-mentioned vesting periods in the event of disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L. 341-4 of the French Social Security Code *(Code de la sécurité sociale)* and that such shares will be freely transferable in the event of disability of the beneficiary corresponding to classification in the above-mentioned categories under the French Social Security Code;

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- authorises the Board of Directors to make, where applicable, during the vesting period, adjustments to the number of shares, related to any potential transactions with regard to the Company's share capital within the meaning of Article L. 225-181 of the French Commercial Code, in order to preserve the rights of the beneficiaries;
- records that this authorisation automatically entails, in favour of the beneficiaries of free shares granted, the waiver by the shareholders of their preferential subscription right and the portion of the reserves which, where applicable, will be used in the event of the issue of new shares;
- delegates full powers to the Board, with the possibility to delegate within the legal limits, to implement this authorisation.

RESOLUTION 16: DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF CARRYING OUT A CAPITAL INCREASE RESERVED FOR EMPLOYEES WITH CANCELLATION OF THE SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHT

STATEMENT OF REASONS

The authorisation granted to the Board of Directors to make free grants of shares to be issued gives rise to a corresponding obligation to submit to the Annual General Meeting a draft resolution enabling a potential capital increase to be carried out reserved for employees who are members of an employee savings scheme.

In accordance with the French Labour Code, the issue price may not be higher than the average of the trading prices on the Euronext Paris market for the twenty trading days prior to the date of the decision setting the opening date of the subscription period. It also may not be over 20% lower than this average, it being specified that the Board of Directors, or the person to whom it delegates, if it deems it appropriate, is expressly authorised to reduce or eliminate the discount of 20%, in particular to take into account legal and tax regimes applicable in the countries of residence of certain beneficiaries of the capital increase.

The Annual General Meeting is therefore asked to delegate to the Board of Directors the authority to decide to carry out the increase in capital of the Company on one or more occasions, for a period of 26 months and within the limit of 1% of the share capital, namely for information purposes at December 31st, 2015 through the issue of 5,629,833 new shares. The amount of the increase or increases in capital that may be carried out in this respect would be deducted from the overall ceiling for increases in capital provided for in paragraph 2) of the eighth resolution voted at the Annual General Meeting on April 22nd, 2015.

Sixteenth resolution: delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of the shareholders' preferential subscription right

The Annual General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Statutory Auditors' Report, and acting in accordance with the provisions of Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code:

- delegates to the Board of Directors the authority to carry out, on one or more occasions, on its own decisions alone, in the proportions and at the times it may consider appropriate, the issue of shares or securities giving access to the Company's capital reserved for employees, executive officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are members of a company savings scheme;
- decides to cancel, in favour of the employees, executive officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are members of a company savings scheme, the preferential subscription right of shareholders for the shares or securities giving access to the Company's capital, it being specified that the subscription of the shares or securities giving access to the Company's capital issued in accordance with this resolution may be carried out through any employee investment fund, and in particular a "structured" employee investment fund within the meaning of the regulations of the *Autorité des Marchés Financiers*, or any other collective body authorised by the regulations;
- sets the period of validity of this delegation at 26 months as from the date of this Annual General Meeting, and records that this delegation renders ineffective any prior delegation for the same purpose, for the unused part thereof;
- decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that could thus be carried out (namely, for information purposes, at December 31st, 2015, an increase in the share capital by a maximum nominal amount of €1,125,966 through the issue of 5,629,833 new shares);

- decides that the amount of the increases in capital that may be carried out pursuant to this resolution will be deducted from the overall ceiling for increases in capital provided for in paragraph 2) of the eighth resolution voted at the Annual General Meeting on April 22nd, 2015;
- decides that the subscription price may include a discount as compared with the average of the trading prices on the Euronext Paris market for the twenty trading days prior to the date of the decision setting the opening date of the subscription period. Such discount may not exceed 20% of this average, it being specified that the Board of Directors, or the person to whom it delegates, if it deems it appropriate, is expressly authorised to reduce or eliminate the discount, in particular to take into account legal and tax regimes applicable in the countries of residence of the beneficiaries of the capital increase;
- decides, pursuant to Article L. 3332-21 of the French Labour Code, that the Board of Directors may provide for the free grant to the beneficiaries specified above of shares that have already been issued or are to be issued, as an additional employer contribution that may be paid pursuant to the employee savings scheme regulations, and/or in respect of the discount, provided that, after taking into account their equivalent monetary value, assessed on the basis of the subscription price, this does not lead to the limits provided for in Articles L. 3332-11 and L.3332-19 of the French Labour Code being exceeded;
- decides that the Board of Directors will have full powers, with the possibility to delegate further under the conditions provided for by law, to implement this delegation of authority within the limits and under the conditions specified above in particular in order to:
  - set the conditions that must be met by the employees and eligible former employees to be able to subscribe, individually or through an employee investment fund, for the shares issued pursuant to this delegation,
  - decide on the list of the companies whose employees may benefit from the issue,
  - decide on the amount to be issued, the features, where applicable, of the securities giving access to the Company's capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
  - set the time period allotted to the beneficiaries to pay up their shares or securities and the payment terms,
  - set the date, even with retrospective effect, as of which the new shares will carry dividend rights,
  - deduct, where applicable, the costs, taxes and fees of such issues from the amount of the share premiums and deduct, where applicable, from the amounts of the share premiums, the amounts required to increase the legal reserve to the level required by the French legislation and regulations in force, and, in the event of an issue of new free shares granted in respect of the additional employer contribution and/or discount, to deduct, where applicable, the sums necessary for paying up such shares from the reserves, profits or share premiums, as it chooses,
  - in general, carry out all acts and formalities, take all decisions and enter into any agreements that may be appropriate or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase or capital increases made pursuant to this delegation of authority and amend the Articles of Association accordingly.

RESOLUTION 17: POWERS FOR FORMALITIES

STATEMENT OF REASONS

This resolution is intended to grant the powers necessary to carry out all formalities resulting from the holding of the Annual General Meeting.

Seventeenth resolution: powers for formalities

The Annual General Meeting grants full powers to the bearer of an original, copy or extract of these minutes to accomplish all legal and administrative formalities, and to make all filings and announcements prescribed by law.

7.2. STATUTORY AUDITORS' REPORTS

7.2.1. STATUTORY AUDITORS' SPECIAL REPORT ON THE AUTHORISATION FOR THE FREE GRANT OF EXISTING SHARES AND/OR SHARES TO BE ISSUED TO EMPLOYEES AND EXECUTIVE OFFICERS OF THE COMPANY

(Annual General Meeting of April 20th, 2016 - Fifteenth resolution)

This is a free translation into English of the Statutory Auditors' special report issued in Frenchand is provided solely for the convenience of English speaking readers.This report should be read in conjunction with, and construed in accordance with, French lawand professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with Article L.225-197-1 of the French Commercial Code (*Code de Commerce*), we have prepared this report on the proposed free granting of existing shares and/or shares to be issued to employees and executive officers of L'Oréal and French and foreign affiliates as defined by Article L.225-197-2 of the French Commercial Code, or to certain categories of employees and executive officers, a transaction on which you are asked to vote.

On the basis of its report, the Board of Directors asks you to authorize, for a period of twenty-six months commencing the day of this Annual General Meeting, the free granting on one or more occasions of existing shares and/or shares to be issued. The total number of shares likely to be granted may not exceed 0.6% of the Company's share capital existing as of the date of decision of the Board of Directors, it being specified that the total share capital increases likely to be carried out under this resolution shall be allocated to the overall limit stipulated in the eight resolution voted the Annual General Meeting held on April 22, 2015.

It is the role of the Board of Directors to prepare a report on the transaction which it wishes to conduct. It is our role, where necessary, to comment on the information which is communicated to you on the proposed transaction.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the proposed terms and conditions presented in the Board of Directors' report comply with the provisions provided for by law.

We have no comments to make on the information given in the Board of Directors' report relating to the proposed free granting of shares.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin

Deloitte & Associés
Frédéric Moulin

7.2.2. STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUE OF SHARES AND SECURITIES GIVEN ACCESS TO THE COMPANY'S SHARE CAPITAL RESERVED FOR EMPLOYEES OF THE COMPANY

(Annual General Meeting of April 20th, 2016 – Sixteenth resolution)

This is a free translation into English of the Statutory Auditors' special report issued in Frenchand is provided solely for the convenience of English speaking readers.This report should be read in conjunction with, and construed in accordance with, French lawand professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with Articles L.228-92 and L.225-135 *et seq*. of the French Commercial Code (*Code de Commerce*), we hereby present you with our report on the proposal to delegate to the Board of Directors the authority to carry out, on one or more occasions, the issue of shares or securities giving access to the Company's share capital with cancellation of preferential subscription rights, such increase being reserved for employees, executive officers and eligible former employees of your Company and French and foreign affiliated companies, as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code (*Code du Travail*), who are members of a L'Oréal Group corporate savings scheme, a transaction on which you are asked to vote.

This proposed share capital increase is submitted to you for approval pursuant to Articles L. 225-129-6 of the French Commercial Code and Article L. 3332-18 *et seq*. of the French Labor Code.

The total number of shares likely to be issued, on one or more occasions, pursuant to this delegation, cannot exceed 1% of the Company's share capital existing as of the date of this Annual General Meeting, it being specified that the total share capital increases likely to be carried out under this resolution shall be allocated to the overall limit stipulated in the eighth resolution of the Annual General Meeting held on April 22, 2015.

On the basis of its report, the Board of Directors asks you to delegate, for a period of twenty-six months commencing the day of this Annual General Meeting, the authority to decide one or several share capital increases and to cancel your preferential share subscription rights to the shares to be issued. Where appropriate, the Board of Directors shall set the final terms and conditions of the share capital increases.

It is the role of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq*. of the French Commercial Code. It is our role to comment on the fair presentation of financial data taken from the accounts, on the proposed cancellation of your preferential subscription rights and on certain other information concerning the issue, presented in this report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying the content of the Board of Directors' report in respect of this transaction and the terms and conditions for determining the share issue price.

Subject to the subsequent review of the terms and conditions of each share capital increase that the Board of Directors may decide, we have no comment to make on the terms and conditions for determining the share issue price as set forth in the Board of Directors' report.

As the final terms and conditions governing the share capital increase(s) have not been set, we do not express an opinion thereon and consequently on the proposed cancellation of preferential share subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we shall prepare an additional report for each share capital increase that your Board of Directors may decide to perform.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit Gérard Morin	Deloitte & Associés Frédéric Moulin

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7.2.3. STATUTORY AUDITORS' SPECIAL REPORT ON THE CANCELLATION OF SHARES PURCHASED BY THE COMPANY

(Ordinary and Extraordinary Shareholders' Meeting of April 20th, 2016 – Fourteenth resolution)

This is a free translation into English of the Statutory Auditors' special report on the cancellation of shares purchased by the Company issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of L'Oréal and pursuant to the provisions of articles L.225-204 and L.225-209 of the French Commercial Code (*Code de commerce*) relating to capital decreases, in particular as concerns the cancellation of shares purchased by the Company, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decreases.

We performed the procedures we deemed necessary in accordance with French professional standards applicable to this engagement. These procedures consisted in ensuring that the reasons for and the terms and conditions of the proposed capital decreases, which are not considered to affect shareholder equality, comply with the applicable legal provisions.

Cancellation of shares held by the Company within the scope of article L.225-214 of the French Commercial Code

The proposed capital decrease would take place through the cancellation by the Company of its own shares purchased in accordance with the conditions of article L.225-208 of the French Commercial Code.

Shareholders are asked to grant the Board of Directors full powers to cancel, on one or more occasions, a maximum of 750,000 shares purchased by the Company to cover share purchase options which currently correspond, or will correspond in the future, to options that are no longer exercisable. These powers would be exercisable for a period of twenty-six months from the Shareholders' Meeting of April 20, 2016.

We have no matters to report on the reasons for or terms and conditions of the proposed share capital decrease, which would reduce the Company's share capital by a maximum of €150,000.

Cancellation of shares held by the Company within the scope of article L.225-209 of the French Commercial Code

Shareholders are also asked to grant the Board of Directors full powers to cancel, on one or more occasions, the shares acquired by the Company, within the limit of 10% of the capital as of the date of the cancellation, per twenty-four month period. These powers would be exercisable for a period of twenty-six months from the Shareholders' Meeting of April 20, 2016, in accordance with article L.225-209 of the French Commercial Code. Under the thirteenth resolution, the Board of Directors is seeking an eighteen-month authorization from the Shareholders' Meeting to perform this purchase.

We have no matters to report on the reasons for or terms and conditions of the proposed capital decrease, the implementation of which depends on the Shareholders' Meeting approving the purchase of the Company's shares, as proposed under the ninth resolution.

Neuilly-sur-Seine, February 17th, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit Gérard Morin	Deloitte & Associés Frédéric Moulin

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Appendix

8.1. STATUTORY AUDITORS

8.1.1. AUDITORS

2010, 2011, 2012, 2013, 2014 and 2015	Current appointments			
	Date of first appointment	Date of appointment	Term of office	Expiry date
Auditors				
PricewaterhouseCoopers Audit Auditor, member of the Compagnie Régionale de Versailles, represented by Gérard Morin 63 rue de Villiers 92200 Neuilly-sur-Seine (France)	April 29th, 2004	April 27th, 2010	6 years	
Deloitte & Associés Auditor, member of the Compagnie Régionale de Versailles, represented by Frédéric Moulin 185 avenue Charles de Gaulle 92200 Neuilly-sur-Seine (France)	April 29th, 2004	April 27th, 2010	6 years	AGM reviewing the financial statements for 2015 to be held in 2016
Substitute auditors				
Mr. Yves Nicolas 63 rue de Villiers 92200 Neuilly-sur-Seine (France)	April 29th, 2004	April 27th, 2010	6 years	
Société BEAS 195 avenue Charles de Gaulle 92200 Neuilly-sur-Seine (France)	April 27th, 2010	April 27th, 2010	6 years	

8.1.2. FEES OF AUDITORS AND MEMBERS OF THEIR NETWORKS CHARGED TO THE GROUP

See note 15 of the *Consolidated financial statements* in chapter 4 of this document.

8.2. HISTORICAL FINANCIAL INFORMATION INCLUDED BY REFERENCE

In accordance with Article 28 of European regulation EC No. 809/2004 of April 29th, 2004, this 2015 Registration Document contains the following information by reference:

- the consolidated financial statements for the year ended December 31st, 2014, prepared in accordance with IFRS and the related Statutory Auditors' Report presented on pages 117 to 177 of the 2014 Registration Document filed with the *Autorité des Marchés Financiers* on March 17th, 2015 under the number D. 15-0145, and also information extracted from the 2014 Management Report presented on pages 101 to 115 of the Registration Document 2014;
- the consolidated financial statements for the year ended December 31st, 2013, prepared in accordance with IFRS and the related Statutory Auditors' Report presented on pages 105 to 162 of the 2013 Registration Document filed with the *Autorité des Marchés Financiers* on March 12th, 2014 under the number D. 14-0136, and also information extracted from the 2013 Management Report presented on pages 87 to 104 of the 2013 Registration Document.

8.3. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Christian Mulliez, Executive Vice-President Administration and Finance, on the authority of L'Oréal's Chairman and Chief Executive Officer, Mr. Jean-Paul Agon.

8.4. DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all the other companies included in the scope of consolidation, and that the elements of the Management Report included in this document, as detailed in the table of concordance in section 8.8, present a fair review of the development and performance of the business and the position of the Company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face.

I have obtained a letter of completion of audit from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this present document and have read the Registration Document in its entirety."

Clichy, March 11th, 2016

On the authority of the Chairman and Chief Executive Officer

Christian Mulliez

Executive Vice-President Administration and Finance

8.5. REGISTRATION DOCUMENT TABLE OF CONCORDANCE

In order to facilitate the reading of this Registration Document, the following table provides the page references of the main information required by Annex 1 of European regulation no. 809/2004/EC.

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21.2. Memorandum and Articles of Association	286-288
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21.2.3 Rights, privileges and restrictions applying to shares	N/A
21.2.4. Changes in shareholders rights	N/A
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21.2.6. Provisions likely to differ, delay or prevent a change in control	N/A
21.2.7. Statutory declarations of threshold crossing	292
21.2.8. Conditions for change in share capital, when more restrictive than legal provisions	N/A
22. Material contracts	**N/A**
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25. Information on holdings	**249-253, 276-279**

8.6. ANNUAL FINANCIAL REPORT TABLE OF CONCORDANCE

In order to facilitate the reading of Annual Financial Report *(Rapport Financier Annuel)*, the following table provides the page references of the main information required by Article L. 451-1-2 of the French Monetary and Financial Code and by Article 222-3 of the General Regulation of the *Autorité des Marchés Financiers*.

8.7. TABLE OF CONCORDANCE WITH THE AMF TABLES ON THE REMUNERATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following thematic table has been prepared in order to make it possible to look at the information provided on remuneration from the perspective of the presentation in the form of 10 tables recommended by the AMF in its recommendations of December 22nd, 2008 relating to "the information to be provided in reference documents on the remuneration of corporate officers" (see also the AFEP-MEDEF Code). It should be noted that some information is not presented in table form in light of its content (see the tables marked with an asterisk* below).

8.8. TABLE OF CONCORDANCE OF THE MANAGEMENT REPORT

In order to review the elements of the Management Report, the following thematic table makes it possible to identify the main information provided for by Articles L. 225-100 *et seq.*, L. 232-1 and R. 225-102 *et seq.* of the French Commercial Code.

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