



*Sustainability*  
**REPORT**  
2014

**ORIFLAME**  
— S W E D E N —



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## A SUSTAINABLE VISION

We believe in the power of people's dreams. Because of this belief, our business has grown and we have helped millions of people improve their lives.

We know that to continue on this journey we need a business that thrives in harmony with the natural world, and contributes to a fair society where everyone can prosper – today and in the future.

That is why our plan is to continue being a successful business while focusing on contributing to a more sustainable planet.



## Statement FROM THE CEO page 6

With sustainability as a part of our core business operations, we are pushing ourselves to be more efficient and more innovative.

Magnus Brännström, CEO

## THREE KEY STRATEGY AREAS

Our sustainability strategy is a five-year plan, consisting of three key areas:



SUCCESSFUL PEOPLE



GREAT PRODUCTS



THRIVING PLANET





# HIGHLIGHTS 2014

- *500 million units sourced*
- *Sales of €1,266 million*
- *3,473,000 active Oriflame Consultants*
- *€330 million distributed to consultants as bonuses or other recognition*
- *85% of employees would recommend Oriflame as a good place to work*
- *67% of electricity at our manufacturing sites from renewable sources*
- *CO<sub>2</sub> emissions decreased by 5% in 2014*
- *Product packaging 93% FSC certified*
- *93% of catalogue paper credibly certified*
- *GreenPalm certificates covering 100% of consumption*



## *External* RECOGNITION

- In May, Oriflame was presented with the “Sustainable Standard Setter” award from the Rainforest Alliance. The award honours businesses and individuals that champion sustainability efforts, protect the environment and support local communities worldwide.
- In May, the Oriflame Ecobeauty cross-category range was given the prestigious 2014 Eco Beauty Award at the CEW Beauty Awards (Cosmetic Executive Women), for being the first range of its kind in the industry focusing on sustainability in each step of the production process.
- In October, Oriflame was recognised as a leader for corporate action on climate change for its actions to reduce carbon emissions by being awarded with a position on the “A List”: “The CDP Climate Performance Leadership Index 2014”. The index presents 187 listed companies identified as demonstrating a superior approach to climate change mitigation.
- In September, the LEED certified Noginsk Distribution Center was nominated as a finalist in the 2014 “Best of Buildings Awards” presented by the U.S. Green Building Council.



# Statement FROM THE CEO

Let me start with a personal reflection. I am deeply concerned about what is happening to the world today. There is growing proof that the planet is warming. There are not enough resources to feed growing global demand for food, water and energy. And at the same time, we see how serious conflicts within and between countries and people are increasing.

I have three children, and I want to leave them – and their children – a better, more beautiful and peaceful world. I know many of our employees and Consultants feel the same way. No business can afford to ignore these issues. Especially not Oriflame. That is why I am so passionate about our commitment to sustainability.

Since the very start of Oriflame, our ambition to be a good corporate citizen and our commitment to the environment has been an integral part of our identity. With sustainability as a part of our core business operations, we are pushing ourselves to be more efficient and more innovative. Our long-term sustainability strategy helps us continue providing opportunities to improve peoples' lives, developing great products and contributing to creating a more sustainable planet – Oriflame's three key areas for sustainability efforts.

Oriflame is a truly global company. We impact the world around us in a multitude of ways – through our products and events, through the raw materials we select, the suppliers we choose and the transportation we use. All these essential aspects of our operations are covered by specific targets and commitments, formulated to set the base for a structured and continuous working process within the company.

In 2014 we continued our work on improving the sustainability profile of our products. In May, we earned recognition for our Oriflame Eco beauty cross-category range when it was given the prestigious 2014 Eco Beauty Award for being the first range of its kind in the industry focusing on sustainability in each step of the production process. We also continued our work with reducing our environmental impacts. After getting our Noginsk distribution centre certified by the international green building certification system LEED in 2013, we have continued to work towards LEED certifying other buildings such as the Wellness India plant and the Noginsk manufacturing unit.

Other focus areas are responsible sourcing practices of our main raw materials; paper and other wood-based products used for catalogues and packaging, and palm oil which is used in many of our products. We have also seen significant progress in our work to reduce carbon emissions. In October, we were recognised for our achievements as a leader for corporate action on climate change for our actions to reduce carbon emissions by being awarded with a position on the A list of The CDP Climate Performance Leadership Index 2014. These are of course very encouraging steps for all of us in Oriflame.

When I travel around the world I see many of the challenges that humanity is facing. I also see all the positive impact that Oriflame has on people's lives. Oriflame is about fulfilling dreams. We give equal opportunities to everyone, regardless of culture, language, religion and gender. This is why I view sustainability not simply as something our business has to do, but as a major opportunity. With 3 million Oriflame Consultants in more than 60 countries, we can also contribute in our way to fruitful collaborations between people and countries, at a time when we need more unifying efforts than ever. In short, we strive to leave the world a better place, and, of course, to stay ahead of our competitors.

We do have challenges ahead. The good thing is that by having a structured, long-term and target-oriented approach, these challenges appear – and are – much more feasible. It is a part of our daily work to meet these difficulties and to see the opportunities. I am convinced that we will continue to take important steps forward in 2015. In this sustainability report you can read more about our sustainability efforts, our commitments and the outcome so far. Thank you for your interest in our sustainability work and I hope you share my excitement and optimism about the years ahead.

**Magnus Brännström**  
CEO



# ORIFLAME *in brief*

Founded in 1967, Oriflame is a beauty company selling direct in more than 60 countries. Our wide portfolio of Swedish, nature-inspired, innovative beauty products is marketed through approximately 3 million independent Oriflame Consultants, generating annual sales of around €1.3 billion. Respect for people and nature underlies Oriflame's operating principles and is reflected in our social and environmental policies. Oriflame supports numerous charities worldwide and is a Co-founder of the World Childhood Foundation.

## THE BUSINESS MODEL

Oriflame's business model has proven its resilience, sustainability and validity for more than 45 years – in emerging, as well as mature, markets. The key drivers, such as being your own manager, setting your own goals, the low barriers of entry and exit, the lack of discrimination regardless of one's gender, ethnicity, age, education, physical condition or financial resources, are all in line with a growing population of entrepreneurs that are less dependent on secure employments.

Oriflame offers attractive financial rewards as well as social benefits, i.e. the possibility to look great, make money and have fun. Some join as a way of supporting their family, while building a business and fulfilling a career dream. Others see it as a way to achieve a more flexible life or make extra money while studying, being in between jobs or simply extending one's social life.

Consultants also join in order to save money through discounted purchases of cosmetics and personal care, by enjoying a discount valid for themselves and their families.

## THE PRODUCT OFFERING

Oriflame's product offering builds on more than four decades of skin care and cosmetics expertise – combining innovation and inspiration from nature. The company provides a broad range of high-quality products for everyday use at affordable prices, following the main principles for its product offering:

- High purity ingredients and strict manufacturing standards
- Assured product performance at value for money
- High ethical standards and stringent environmental policies

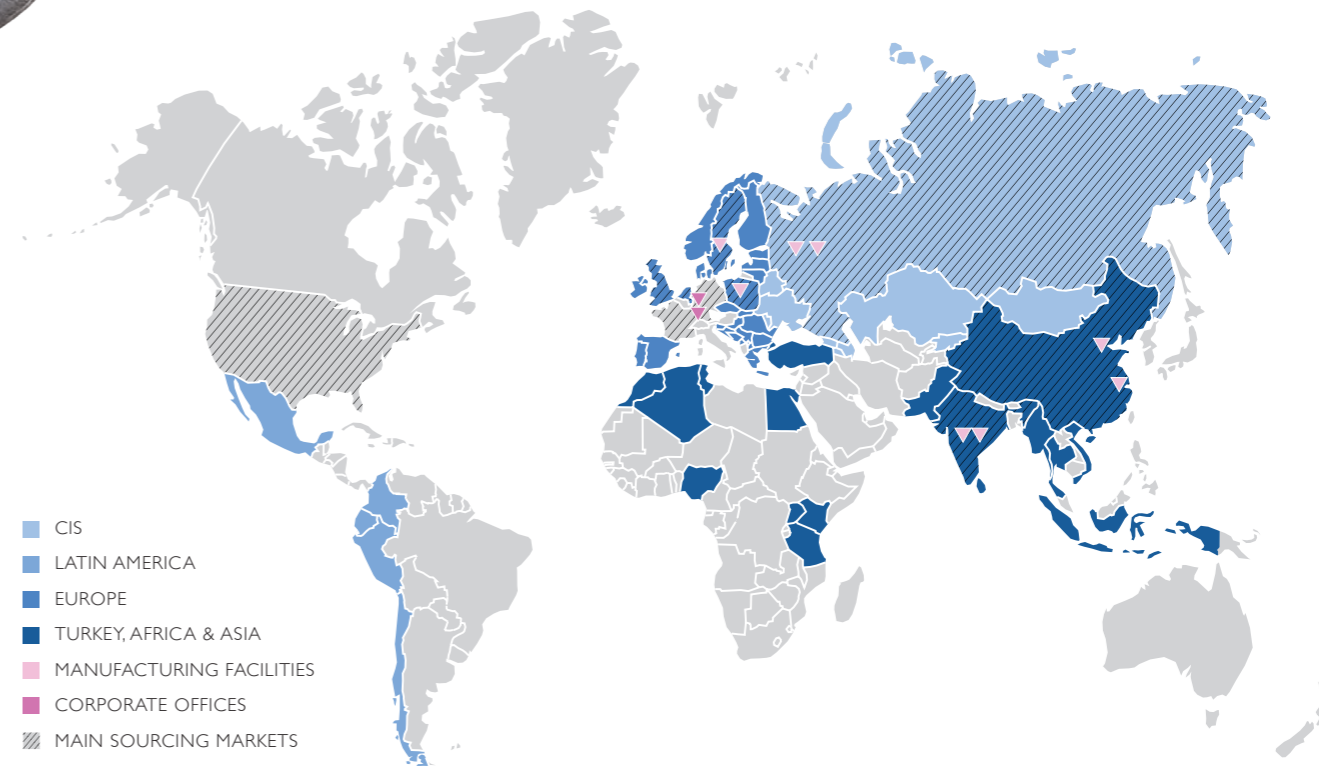
Oriflame offers products in six categories – Skin Care, Colour Cosmetics, Fragrance, Personal & Hair Care, Accessories and Wellness.

## THE VISION

To be the No 1 Beauty Company Selling Direct

## THE MISSION

To fulfil dreams



## Our markets

### SALES

Sales in over 60 markets, including markets operated by franchisees, organised in four Global Business Areas around the world.

### OFFICES

Global Corporate and Management offices in Switzerland and Luxembourg Support and Global Services offices in seven countries.

### PRODUCTION

Eight production facilities in five countries of which two were divested during the year.

### SUPPLY CHAIN

Around 500 million units are sourced annually from about 60 suppliers and shipped to Oriflame's markets worldwide. Oriflame manufactures around 50% of its cosmetics product volumes in-house.

### GROUP DISTRIBUTION CENTRES

Four Group Distribution Centres in four countries.

Main sourcing markets include Germany, Russia, Poland, UK, India, France, Sweden, the Netherlands, Hong Kong and the US.



# SUSTAINABILITY *strategy*

We have a vision to become a sustainable company. To achieve this vision we have a strategy that helps our business succeed by contributing to a more sustainable planet. We know we are on a long journey but we are already making good progress.

## *Sustainability is part of our heritage*

Since the very beginning we have aimed to be recognised for our commitment to the environment and have understood our own responsibility as a good corporate citizen (Oriflame Values, 1969). Our long-term commitment to become a sustainable company is echoed across our business strategy – it is in our core values, our brand commitment to honesty and our focus on using ingredients from nature.

Our business strategy is influenced in a number of ways:

- All our operations should be characterised by honesty and respect. This is the foundation of our Values and Operating Principles. It means that we are open and transparent, we keep our promises and act in a truthful and fair way, in our relationships and our interactions.
- One of our key Operating Principles is to pursue long-term growth by acting “as a good corporate citizen by showing a strong sense of social responsibility and respect for nature”.
- One of the three key strategic brand pillars for our products is nature: “We were one of the first companies to develop products with ingredients sourced directly from nature. The inspiration from nature and natural ingredients continue to play an important part in our product portfolio”.

## *Managing sustainability based on impact*

Since 2010 we have adopted an impact based approach to achieving sustainability. We started by identifying and understanding how we impact the world around us – within our own operations and along the length of our value chain. From this foundation we built a sustainability strategy that focused on our most significant impacts and where we have the biggest opportunities to achieve change.

## *An exciting journey*

Our ambition is to become known as a champion for sustainability. If we achieve this, we will be able to use our sustainability initiatives to build our brand and increase credibility among stakeholders. Our five year strategy is detailed in the Oriflame Sustainability Plan and consists of three key areas, 14 goals and 36 commitments.

- **Successful People** – we are creating opportunities for people to improve their lives
- **Great Products** – we are making products that bring beauty and wellbeing
- **Thriving Planet** – we are driving environmental sustainability throughout our business

These areas all have a clear link to our material impact and to our business opportunity. We are already making progress against all of them, and will continue to meet our strategy’s time-bound commitments over the next five years. You can follow our progress regarding each key area, goal and commitment in this Sustainability Report.

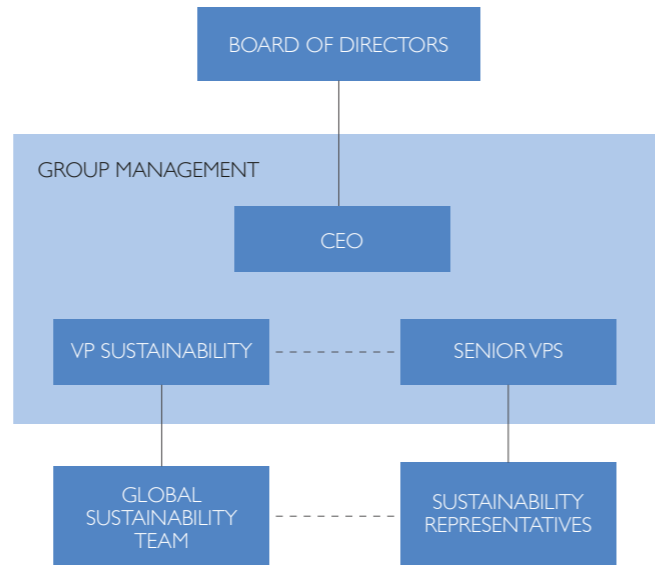


# ORGANISING *for improvement*

To make sure our sustainability strategy is successful, we need to give it the same kind of attention, respect and level of organisation as our other business strategies. That is why our Chief Executive Officer and the Board of Directors oversee the sustainability strategy.

A global sustainability team is responsible for developing global targets, supporting the organisation by identifying responsibilities, helping to set goals and targets and monitoring and reporting progress externally. The Vice President Sustainability was recently appointed to the newly formed Group Management.

However, because of the collaborative nature of our business and the entrepreneurial people we employ, we have structured the strategy so that the responsibility of fulfilling its commitments is spread right across our business.



*We have taken several steps to make sure this responsibility is felt and acted upon:*

- We are integrating sustainability goals into performance targets of Senior Managers (and lower levels when appropriate).
- We have a section dedicated to sustainability in our internal education program – the Oriflame Academy.
- We provide ongoing training in specific areas of sustainability to those who require it.
- We communicate with employees about sustainability through our intranet and other channels. During 2014 we launched an e-learning to all employees globally, which gives a basic introduction to sustainability and what it means to our business.

We are also working on more ways to engage both our employees and our 3 million Consultants around sustainability issues.



*Valuing our*  
**CULTURE**

Oriflame's culture is based on entrepreneurship and respect for and belief in people's capabilities. It consists of three core values: togetherness, spirit and passion. These values derive from the passionate, team-playing people in our organisation, and are characterised by the pursuit of new solutions and improved results.

We understand that culture does not just happen, so we take care to nurture and enhance it whenever possible, also in seminars and training. Because it is important that our Consultants also understand and represent our culture, we present and discuss our values in our initial business opportunity presentation, at conferences and in all Oriflame Academy trainings. Our values are also included in our Code of Conduct, which is rolled out to all employees as well as in the Consultant Code of Conduct.

## TOGETHERNESS

People who work together and share the same goals achieve greater results. They motivate each other and know that pulling together is more rewarding than going it alone.

## SPIRIT

People with a can-do spirit have a winning attitude and never give up. They are prepared and committed to do what it takes to succeed.

## PASSION

Passionate people have the power to change the world. They love what they do and they believe in it. They know deep down that they can make a difference.

# STAKEHOLDER *engagement and dialogue*

Our business' success is created by people – from our employees, Consultants, customers and suppliers, to our shareholders, civil society and the general public. These are all our stakeholders, and they rightly expect global companies – like Oriflame – to pursue the highest levels of social and environmental responsibility.

We are determined to become a leader when it comes to meeting that expectation. To that end, we maintain a good level of dialogue with our stakeholder groups so we can better understand and incorporate their expectations. We engage our stakeholders through a range of methods, including Consultant meetings, consumer questionnaires, employee surveys and investor dialogues.

Beyond this, we consult non-governmental organisations (NGOs) to discuss sustainability challenges and receive feedback on our efforts. This is a vital part of how we stay accountable and continue to improve our performance.

During our recent materiality assessment, we collected input from all major stakeholder groups to help validate our identified material issues.

### *Memberships of associations or advocacy organisations*

The organisations below are some of those that Oriflame is a member of, or works closely with.

- Cosmetics Europe
- Global Compact
- The Roundtable on Sustainable Palm Oil (RSPO)
- Swedish Network for Business and Human Rights

	HOW WE ENGAGE	KEY ISSUES RAISED
CONSUMERS	<ul style="list-style-type: none"> <li>• Consumer research, primarily product focused</li> <li>• Consumer surveys, sometimes including Oriflame Consultants in their role as consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Product ingredients &amp; safety</li> <li>• Sustainable/environmentally responsible products</li> <li>• Customer engagement</li> </ul>
CONSULTANTS	<ul style="list-style-type: none"> <li>• Online surveys, collecting information on overall Consultant satisfaction regarding product range, price, quality, support, training, customer service etc.</li> <li>• New method to measure consultant satisfaction launched in 2014, the Net Promoter Score</li> </ul>	<ul style="list-style-type: none"> <li>• Consultant engagement</li> <li>• Job creation/recruitment &amp; benefits</li> <li>• Community engagement</li> </ul>
EMPLOYEES	<ul style="list-style-type: none"> <li>• Employee engagement survey covering Oriflame's main markets. Information collected about employee work situation regarding managers, performance management, recognition and rewards, development, empowerment etc.</li> <li>• For materiality assessment 2013, short survey with 30 senior managers on priorities within sustainability</li> <li>• Continuous training and feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Performance management</li> <li>• Recognition and rewards</li> <li>• Personal development</li> <li>• Empowerment – leadership, corporate culture</li> </ul>
INVESTORS	<ul style="list-style-type: none"> <li>• Meetings with investors – one-on-one meetings, quarterly road-shows and conference calls</li> <li>• For materiality assessment 2013 calls/meeting with selection of investors/analysts</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable sourcing</li> <li>• Supply chain</li> <li>• R&amp;D and ingredients</li> <li>• Customer relations</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>• NGO Roundtable meeting hosted by CEO with approx. ten NGOs attending giving feedback on sustainability strategy, open forum for discussion and feedback</li> <li>• One-on-one meetings discussing both general strategy and more specific questions</li> <li>• Discussions at industry events</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain</li> <li>• Transparency &amp; communication</li> <li>• Product ingredients &amp; safety</li> <li>• Female empowerment</li> </ul>
SUPPLIERS	<ul style="list-style-type: none"> <li>• Regular meetings/site visits with Oriflame teams regarding purchasing, packaging etc.</li> <li>• Regular site audits</li> <li>• Supplier self-assessment survey</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable product development</li> <li>• Supply chain</li> </ul>
SOCIETY	<ul style="list-style-type: none"> <li>• Participation in industry initiatives and standardisation bodies. E.g.               <ul style="list-style-type: none"> <li>• DSA (Direct Sales Association)</li> <li>• Cosmetics Europe</li> <li>• RSPO (Roundtable on Sustainable Palm Oil)</li> <li>• Swedish Network for Business and Human Rights</li> </ul> </li> <li>• Community involvement, including Oriflame Foundation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible sourcing</li> <li>• Human rights</li> <li>• Ethics and fraud</li> </ul>



# MATERIALITY

## – *understanding our impact*

In 2013, we started taking action on a new sustainability strategy in order to expand and deepen our progress. During the development of this strategy we conducted a materiality assessment to gain a clearer view of the issues most material to our business. Materiality refers to the issues that reflect an organisation's significant economic, environmental and social impacts, and substantively influence the decisions of stakeholders.

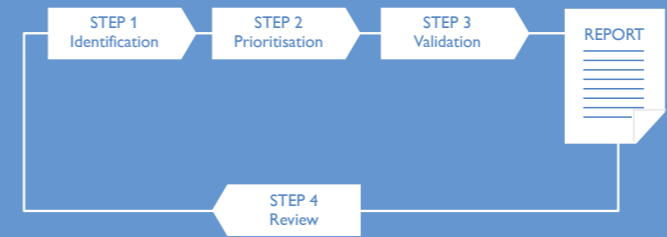


Below you will find the final shortlist and corresponding graph of most of our material sustainability aspects.



- A. PRODUCT PROFILE
- B. ECONOMIC AND VALUE CREATION
- C. CUSTOMER ENGAGEMENT
- D. SUSTAINABLE SUPPLY CHAIN
- E. SUSTAINABLE SOURCING
- F. PRODUCT SAFETY
- G. HUMAN RIGHTS
- H. TALENT MANAGEMENT
- I. ETHICS AND FRAUD
- J. ENVIRONMENTAL IMPACT
- K. FEMALE EMPOWERMENT
- L. CARBON FOOTPRINT
- M. ACCESS TO EMPLOYMENT
- N. ANIMAL WELFARE
- O. HEALTH AND SAFETY
- P. CORPORATE PHILANTHROPY

Oriflame's materiality process follows the below steps, as recommended by the GRI:



### *A closer look at our process*

In the first step of our materiality assessment we used all our existing knowledge and research of our direct and indirect impacts to create a list of material aspects.

The next step was an extensive review of media, industry associations and peers to identify what social, environmental and economic topics were raised by our stakeholders. We also made sure that the topics that we report to Global Compact were considered in the list of material issues. We then asked our most important stakeholder groups to help us prioritise what they believed were the most relevant aspects to them. This included speaking with Oriflame employees, customers, investors and social actors such as NGOs.

The result was a prioritised list of aspects, which we then combined with our sustainability strategy and other indicators from the Global Reporting Initiative (GRI). We used this to inform and reevaluate our original list of Oriflame's biggest impacts and relevant issues.

This approach meant we could be certain the final list did not omit any issues – such as, for example, the wide range of environmental issues that are so important to our business strategy. And that we could prioritise the list accordingly. As a result of this work, we have been able to identify the GRI indicators that we are going to report on. Moreover, it has helped us to fully understand our business impact, to improve our knowledge in what our stakeholders find important and care for, and to develop our priorities and processes.



# Opportunity and RISK MANAGEMENT

*Oriflame's strategy takes a value chain approach to managing risk and creating opportunity – see below for what this looks like in practice.*

## RAW MATERIALS

### Managing risk and impact:

We are working to reduce the impact of the raw materials we select for our products. Palm oil and paper have significant negative environmental impacts if not sourced from sustainably managed forests, therefore we work actively with improving our sourcing. We are gradually working to reduce the use of petroleum in developments, and replace them with plant-based alternatives where possible. Other efforts we are working on is to manage a number of potentially contentious raw materials, including parabens, plastic micro beads and fragrance allergens.

### Creating opportunity:

Looking at raw materials from a risk perspective and proactively hunting for better substitutes makes us more creative. A proactive approach to finding low-impact alternatives will help us earn and keep the trust of customers and other stakeholders. The work we are doing with plant stem cells is a great example of this.

## SUPPLIERS

### Managing risk and impact:

A significant share of our impact comes from our supply chain. We are working hard to ensure social and environmental standards are met by those who manufacture our ingredients, components and products. We also want to ensure compliance with our standards further up the supply chain – that is, the people who work with our direct suppliers. For example by making sure that the farmers who supply us with palm oil and forest based products work in acceptable conditions.

### Creating opportunity:

When we take this kind of social and environmental approach it makes sense to build longer term relationships with our suppliers. As a consequence, the relationships strengthen and transaction costs are brought down because of an increased level of mutual trust.

## MANUFACTURING

### Managing risk and impact:

Although the impact of our own manufacturing sites is relatively low from a product life-cycle perspective, it is symbolically important. Approximately 50% of our cosmetic products are produced internally at different sites in Poland, Russia, India and China.

### Creating opportunity:

When we manufacture our own products we have better control over the whole production environment, from the ingredients used to making certain production is efficient and limits waste, and ensuring compliance with internationally recognised standards in relation to labour conditions.

## TRANSPORTATION

### Managing risk and impact:

Our Consultants and customers are located in over 60 markets, which means we ship products around the world. Transportation therefore has a significant impact on our carbon footprint. The vast majority of shipments are by sea or truck freight – we try to avoid air freight as much as possible.

### Creating opportunity:

Managing the environmental impact of transportation has a direct positive impact on the costs of transportation. For example, due to ongoing changes to our packing and loading routines (so that more can fit in each container) we have saved around €5 million between 2010 and 2014.

## CONSUMER USE PHASE

### Managing risk and impact:

We want to help our customers make less impact when they use our products. For example, can we encourage our customers to use less energy to heat water for their showers? We are also working to reduce the emissions to water from our rinse off products – like shower gel and soap, and we still have areas to address such as hair colourants. This is particularly important in countries with underdeveloped water treatment plants. One way we can do this is through finding ways to improve our choice of raw materials.

### Creating opportunity:

If we communicate our sustainability efforts and achievements properly, and get our Consultants and consumers to participate in our journey, we will improve our brand image and strengthen our relationship with them. This can lead to improvements in customer loyalty and satisfaction.

## WASTE

### Managing risk and impact:

The packaging we use for our products constitutes a significant share of our waste. We want to reduce waste by using materials more efficiently, by reusing materials wherever possible and by contributing to increase recycling, both within our own operations and among our consumers. For example, we are using post consumer recycled (PCR) plastics where possible in our plastic tubes.

### Creating opportunity:

As with transportation, the more waste-efficient we make our packaging, the greater cost savings we will see overall. Working to 'close the loop' drives innovation. For example, we have found ways to use materials for packaging – such as plastic and glass – that have already been recycled.

## OUR CONSULTANTS

### Managing risk and impact:

Every year Oriflame invites its top sales Consultants to conferences at different locations around the world. These events are a core part of our business model because they provide thousands of leaders with an incentive to achieve new targets. We have started to implement our Sustainable Conference Guidelines, which will help us limit the environmental impact and improve the social impact of our conferences as much as possible.

### Creating opportunity:

As well as their environmental impact, these conferences also have a social impact – a positive one. Together with our day-to-day work, they are one of the main channels for us to help our Consultants build their self-confidence, networks, abilities and knowledge. They also give us a good opportunity to educate and inspire our Consultants on sustainability issues.

## PRODUCT DESIGN

### Managing risk and impact:

We are working to incorporate sustainability into our product development right from the design phase. This affects decisions about the materials we choose, as well as ensuring products can be efficiently produced and transported, as well as guaranteeing products can be recycled at the end of life.

### Creating opportunity:

Our products bring beauty and wellbeing into the lives of our customers. Our big ambition is to be able to include sustainability into that offer as well. Responsible products will help us attract new customers, strengthen our brand and push us to be more innovative and efficient.



# *Ethics and* CODE OF CONDUCT

For us at Oriflame, we want all our business activities to be recognised by honesty and respect. We do not accept any form of corruption. Our Code of Conduct reinforces our position on zero-tolerance towards corruption, and spells out the way we do business. The code formally displays our mission and vision, core values, operating principles, and business practices. The way we deal with the world around us, helps us define who we are as a company.

## *Communication and training on Code of Conduct*

Oriflame's Code of Conduct applies to all Oriflame employees, and compliance is mandatory for everyone. When commencing their employment, employees are required to confirm that they have read, understood and that they will abide by the terms of the Code of Conduct. Our policies and guidelines can be found on our intranet.

Training regarding the Code of Conduct and Oriflame policies are an integral part of the Oriflame training system, The Oriflame Academy. An e-Learning course regarding the Code of Conduct is part of this training system. During this course employees are trained on the Code of Conduct and make a formal commitment to live by Oriflame's principles

and values, including our anti-corruption policies. During 2014, more than 1,500 employees completed this course.

## *Follow-up of the Code of Conduct*

Conduct or actions that are, or may be perceived as, infringements of National Laws or the Oriflame Code of Conduct are to be reported. Employees are encouraged to report any such conduct or action to their superiors, or, if the superior is involved in the situation or will not act upon it, to the next level in the organisation. Employees may also choose to report their concern by sending an e-mail to an address created for that purpose. The e-mail address is owned by the General Counsel. The report will be handled with the utmost confidentiality.

Oriflame has a range of disciplinary measures available to match the severity of the breach of the Code of Conduct. Oriflame has established a Governance Committee composed of members of the management. This committee reviews and investigates all reports in connection with the Oriflame Code of Conduct and conducts investigations where necessary.



## *Supplier and Consultant Code of Conduct*

Through audits and close co-operation with suppliers, Oriflame works to ensure compliance with internationally recognised labour standards, principles and ethics. Oriflame's Supplier Code of Conduct applies to global suppliers and this document outlines requirements regarding working conditions, health and safety, discrimination and environmental impact, including a consideration on corruption.

We have also created a separate Code of Conduct for our Oriflame Consultants. This is to ensure that everyone involved with Oriflame acts and does business the way we want to.

## *Risk management framework*

Ethical and corruption risks are continuously being identified, assessed and addressed within Oriflame's general risk assessment process.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Oriflame's risk management policies are established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities. Furthermore, in order to further strengthen the attention to risk and compliance matters within the organisation, Oriflame appointed a Vice President Group Risk and Compliance, beginning of 2013.

During 2014, no intervention actions were required from the Audit Committee.





*We are committed to creating opportunities for people to improve their lives.*

Social responsibility is important for Oriflame because of the impact and potential influence we have on people around the world. Through our employees, our Consultants, our suppliers, the communities where we operate and our customers, our business touches millions of lives every day.

Oriflame's business model creates value by offering people around the world the chance to improve their lives: enabling entrepreneurial opportunities for Oriflame Consultants, attractive career opportunities for employees and a unique shopping experience for customers.

Our commitment to social sustainability is an on-going one, but below are a few highlights of what we have achieved so far.

### HIGHLIGHTS

- Through bonuses and other forms of recognition we distributed €330 million to Consultants in 2014 – the majority of whom are women in developing markets.
- Our Oriflame Capabilities framework helps us identify what our company needs from its employees to perform at its best. This helps us recruit, define roles and expectations, design trainings and help managers assess competence and potential.
- We have a good gender-balance in our overall workforce with almost equal shares of men and women. Women currently represent 37% of our top 200 managers, and we are taking steps to increase representation of women at higher levels in our company.
- In 2014, Oriflame Foundation distributed more than €1.1 million to children and young women.







# CONSULTANTS

*We believe that giving people the opportunity to earn an extra income or run their own business is the best way to help them improve their lives.*

Anyone can become an Oriflame Consultant, as long as they live in one of our 60+ markets around the world. We offer an attractive business opportunity and make it easy and risk-free to join.

Our Consultants benefit from access to flexible income. It is always up to the individual how much she or he wants to work: our Consultants can achieve everything from earning a little extra money, to having a part-time income, to maintaining a full time career. As well as the immediate profit of around 20% that Consultants make when they sell a product, in 2014 we distributed more than €330 million in bonuses and other forms of recognition.

Because a majority of our Consultants are women who live in developing countries, this kind of income has the potential to make a big difference to their lives – such as increasing their purchasing power and giving them more independence. Beyond income, Oriflame Consultants also benefit from access to coaching and training, which increases their earning potential across the board. Through the Oriflame Academy, we offer progressive levels of training – from basic business skills right through to advanced leadership training.

Moreover, every Oriflame Consultant belongs to a friendly, dynamic and global community that is committed to improving their wellbeing. Because of this, we believe that joining Oriflame gives many of our Consultants something beyond simply access to income and new skills.

## Consultant satisfaction

It is very important that we understand how all our Consultants are getting on – wherever they are in the world and however much they are earning. Measuring their satisfaction provides insights to how the brand is meeting their expectations and is essential for our long-term success.

In 2014, we introduced a new method of measuring Consultant satisfaction on an ongoing basis, the Net Promoter Score (NPS), that allows us to see how likely our Consultants are to recommend Oriflame to a close friend or relative.

With Oriflame I have the freedom to manage my own time, as well as financial freedom. I know I am building a stable business for me and my family and I feel at ease when I think about the future, because my family will be able to inherit my business.

## Ruby Saldarriaga de Koch

Oriflame Global Leader, Colombia

We also get feedback about what the Consultants expect from us and indications on where we can improve. By analysing the results, we have been able to identify the main areas in which we should focus our improvement efforts, those include the Consultants' perceived product availability, deliveries and our customer services.

This approach is currently being rolled out and at the end of 2014 the NPS had been introduced in eight of our markets. Once the method has been rolled out further and is established internally, we expect to be able to publish first results. Implementation will continue in 2015 with the target of reaching 20 markets by the end of the year.

## Using the power of our network

Oriflame operates in regions that differ hugely in economic development and cultural characteristics, and our reach is both vast and complex. Not only can we use this reach to improve lives, we can also use the power of our networks to facilitate social and environmental progress. This is an opportunity for us because many of our Consultants and customers are in markets with low interest and understanding of sustainability issues. That is why one of our most ambitious commitments in this area is to reduce consumer impact by providing educational information to one million people by 2016.



# EMPLOYEES

*Our people are the reason for our success.*

We have always understood how important our employees' health, happiness and wellbeing is to the success of our company. We fulfil this commitment to our employees by investing in personal and professional development, improving the diversity of our workforce and valuing our corporate culture. We also focus on ensuring that Oriflame provides a safe and healthy working environment for all employees.

## ATTRACTING AND RETAINING TALENT

Attracting, empowering and retaining high performing individuals with the right skill-sets and experience is crucial for Oriflame's success. In Oriflame we want to do this by offering a unique working environment and promoting the best conditions for our workforce.

We work hard with identifying our talent needs within the organisation and we invest in acquiring the best talent worldwide. We have a range of attractive international internships, which provide young individuals an opportunity to start their careers with us. During 2014, we had more than 30 people participating in those programs in our Global Support Offices (GSOs).

## INVESTING IN DEVELOPMENT

Our Oriflame Capabilities framework helps us identify what our company needs to perform at its best, which we then use to recruit, design trainings and help managers assess competence and potential. Our Integrated Performance Management (IPM) process helps us deliver this.

As part of the IPM process we have implemented a new performance and career development review. The roll out of the process was initiated in 2014 and focus has been placed primarily on implementation of the new process, offering training in all our regions. As part of the follow up we are planning to measure the number of Global Management team members that have received formal reviews.

We offer development and training through the Oriflame Academy. The focus for middle management is on leadership training and to provide channels for sharing expertise and best practices within the organisation. We also continued to develop and launch new E-learning courses during the past year. The courses offered now cover areas such as the Code of Conduct, the IPM process and Sustainability, among others. In total, more than 2,500 e-learnings were completed by our employees during the year. Employees participate in additional local training events and courses, both in-house and externally.

## EMPLOYEE ENGAGEMENT

In 2014, more than 3,000 employees from 14 countries on four continents, representing Oriflame's biggest markets, growth markets and GSOs, participated in Oriflame's Engagement Survey. The survey addressed several different areas including Oriflame's strategic direction, feedback about immediate managers and the performance management process.

Globally across the business, employees have a very good understanding of goals and objectives of their job with immediate managers communicating effectively. However, one of the clearest signs of engagement at Oriflame is that the great majority of employees, 85%, said they would recommend Oriflame to a friend as a good place to work.

## Oriflame's Engagement Survey 2014

- Response rate: 86%
- The overall Sustainable engagement score: 84%
- 90% responded that 'People in my team treat each other with respect and fairness'.
- 85% responded that 'I would recommend Oriflame as a good place to work.'
- 84% believe that 'My work gives me a sense of personal accomplishment'.

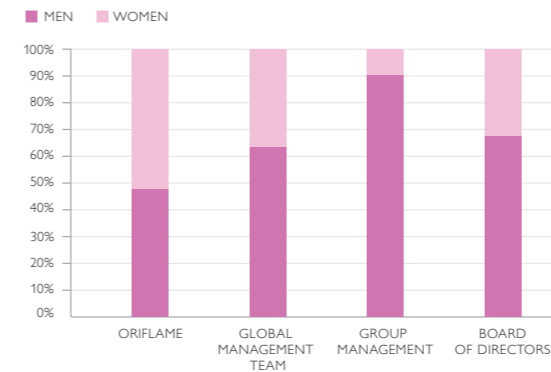
Oriflame overall has a high level of engagement although engagement levels varies between local markets. Based on the survey results action plans and goals have been created to address improvement areas. Plans have been built on three organisational levels: team – function – country in order to develop comprehensive strategies. In addition to local plans, common themes and actions have been incorporated into global action plans.

## IMPROVING OUR DIVERSITY

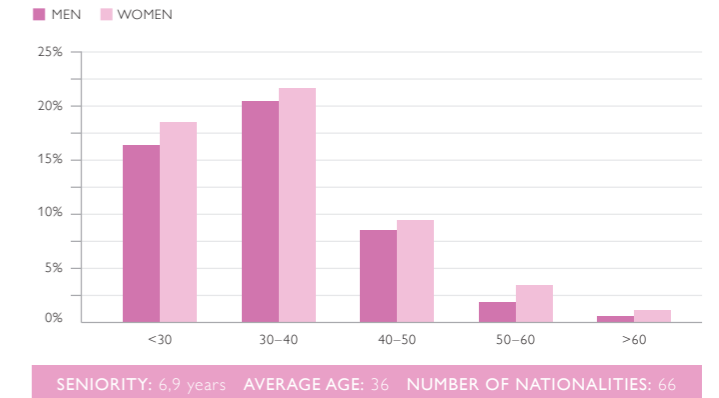
We strongly believe that one of our greatest strengths is our diversity. We have seen over and over again that a balanced mix of gender, nationality and culture leads to the creation of better perspectives, ideas and products. Oriflame has a presence in more than 60 markets around the world. When recruiting, we aspire to reflect the global audience that we serve. Overall, more than 65 nationalities are represented in our global workforce and in our Group Support Office in Stockholm, more than 40 nationalities are represented.

In the workforce as a whole we have a good gender-balance. In 2014, women represented 37% of the global management team, constituting the Company's top 200 managers. However, at higher levels of management the share of women decreases. For example, in our Group Management there is only one woman out of nine members. We are taking steps to increase representation of women in management positions.

## Gender diversity in total workforce



## Gender characteristics in total workforce



## Protecting health and safety

In Oriflame we acknowledge that we have the duty to protect our employees by mitigating health and safety related risks, as well as improving the quality of the workplace and working conditions. We work hard to put in place the right measures that ensure that our workers are protected, healthy, and satisfied.

In general, our operations pose a low risk when it comes to the health and safety of our factory workers. We gather and monitor incident and accident data from our sites, and analyse results to help us implement any necessary improvements or preventive measures.

During 2014, there were no fatalities at any of our manufacturing sites. In total there were eight accidents per million hours worked and the absentee rate was 3.5%. None of these were considered major accidents. We are currently improving our reporting processes, and therefore numbers may change in the coming year.

At all our major sites we have established health and safety committees representing the total workforce. Meetings usually take place four times a year, depending on the location, and involve representatives from the workers and health and safety authorities.





# HUMAN rights

*Oriflame takes a strong stance on social and ethical issues and we are proactively embedding this position across our value chain.*

Oriflame operates in several high-risk areas in terms of breaches of human rights. In order to understand the risk as fully as possible, we have committed to installing a Corporate Human Rights Due Diligence process by 2015. Sustainability and human right risks are incorporated into our corporate business risk assessment process. We aim to integrate human rights issues into existing risk assessments when entering new markets and conduct country specific assessments for high-risk markets. This is important because it also allows us to concentrate our efforts on those areas where we have the highest level of influence.

We source some of our products from markets that are classified as high risk in terms of e.g. child labour and forced labour, mainly in Asia. As part of our supplier evaluation process, we put additional resources into verifying compliance by conducting sustainability audits in these markets, in addition to using the Supplier self-assessment tool. We have dedicated staff for this purpose in both India and China. See the section on suppliers for more detailed information.

As a business, we adhere to the Universal Declaration of Human Rights and the United Nations Global Compact. We have integrated the ten principles of the Global Compact into the Oriflame Code of Conduct, the Supplier Code of Conduct and other policies. These principles speak directly of human rights, labour standards, the environment and anti-corruption, and help guide us in

making good decisions across our business. Trainings regarding the Code of Conduct and Oriflame policies are an integral part of the Oriflame training system, the Oriflame Academy.

We are currently working on strengthening Oriflame's Human Rights statement, basing it on the UN Guiding Principles on Business and Human Rights. This will be presented in 2015. To make sure these principles become an everyday part of how we do business, we have made a commitment to educate our employees on our business responsibility to respect human rights. We are starting this in 2015 with an education program aimed at our global management team.

Oriflame also participates in the Swedish Network for Business and Human Rights, a business network that focuses on exchanging best practices. This allows us to build our knowledge and competence, as well as stay up to date on developments in this area.

# ORIFLAME *foundation*

*Oriflame Foundation aims to empower children and young women by providing opportunities for them to change their lives for the better.*

Our role as an aspiring socially sustainable company allows us to create a lot of positive change across our value chain. But we want to reach further than our own area of influence. That is why we have the Oriflame Foundation – it is our way to create long-term value for the people we do not connect with through our business, specifically children and young women.

#### HIGHLIGHTS FROM THE FOUNDATION'S CHARITABLE WORK:

- The amount of money raised in accordance with the strategy and concept developed by the Oriflame Foundation reached more than €1.1 million in 2014. In the last 5 years the total amount raised amounts to more than €5 million.
- In 2014, more than 40 of our markets were involved in charitable activities.
- We created a Volunteer Guide to help increase the number of Oriflame volunteers and currently 14 markets have volunteering programs in place.
- We have officially recognised the World Childhood Foundation and SOS Children's Villages as our preferred global NGO partners.

#### WHY WE INTRODUCED THE ORIFLAME FOUNDATION

Oriflame has always supported charitable causes, but we decided we would make a bigger impact if we combined all our efforts under one umbrella – the Oriflame Foundation, established as an independent Foundation.

The Foundation allows us to make long-term charity commitments and partnerships, and measure the quantity, quality and overall impact of our investment. It also means we can reinforce our brand image and reputation as a socially responsible company, and attract more talented and value-driven employees and Consultants.

#### HOW THE FOUNDATION WORKS

From the beginning, Oriflame has strived to support NGOs and charity organisations around the world. These include the World Childhood Foundation, founded by H.M. Queen Silvia of Sweden and co-founded by Oriflame and the Af Jochnick Foundation.

The Oriflame Foundation also provides grants to projects that have been selected or initiated by local market teams, and/or makes donations to projects that Consultants are fundraising for.

But there are many other ways people across our business can contribute to the work of the Foundation. For example, employees are actively encouraged to become involved with their local projects and in fundraising activities, or they can support local charities by volunteering their time.

We also develop accessories and products that we sell specifically to raise funds. Markets are also encouraged to raise additional funds through fun, creative and innovative activities, for example through galas, sponsored walks and raffles.

#### CASE STUDY

##### ORIFLAME FOUNDATION SLOVAKIA

For more than 10 years, the Colored Hospital charity project has been running in Slovakia. The project aims to support children during their stay in hospital. Since the beginning Oriflame Slovakia has supported 12 children's wards all over the country. The target was not only to improve the conditions of the medical treatment by purchasing new specialist equipment and renovating the hospital rooms, but especially create more pleasant and stimulating environment for young patients. Cheerful colours act positively on the atmosphere and help children overcome the stress of hospitalization and illness.

The Colored Hospital project brought many positive changes and responses among patients, their parents and hospital staff.

The full amount from registration fee (€3) from Consultants in the country is dedicated for this charity project. Moreover, customers can also support this initiative by purchasing special accessories available in the local catalogue.

# Create opportunities to IMPROVE PEOPLE'S LIVES

## 1 PROVIDE ORIFLAME'S UNIQUE BUSINESS OPPORTUNITY TO OUR CONSULTANTS

### COMMITMENT 1

Continue to grow the business in order to increase the number of individuals receiving payout from the Success plan as well as the total amount paid out to Consultants annually.

**Deadline:** Year on year **2014 Progress:** More to do

During 2014 we distributed more than €330 million directly to our Consultants through bonuses and other forms of recognition, down from €350 million in 2013. The decrease is mainly the effect of currency devaluations.

### COMMITMENT 2

Help raise self-esteem by doubling the number of Consultants trained via Oriflame Academy.

**Deadline:** 2020 **2014 Progress:** More to do

Currently we are developing methods to better map exactly how many Consultants are being trained through our training programs. An open e-learning platform was launched during 2012 and is continuing to be rolled out across Oriflame's markets. In 2014 31 of our markets participated, up from 26 during 2013. In total almost 40,000 Consultants have completed at least one of the e-learning modules.

## 2 USE THE POWER OF OUR NETWORKS TO FACILITATE SOCIAL & ENVIRONMENTAL PROGRESS

### COMMITMENT 3

Reduce consumer environmental impact by providing educational information to 1 million people by 2016.

**Deadline:** 2016 **2014 Progress:** On track

We have started introducing environmental messages in our catalogues and through social media, mainly in connection with product communication related to Eco beauty. The work to increase communication and reach a wider audience will continue.

## 3 PROVIDE SAFE AND REWARDING PLACES TO WORK

### COMMITMENT 4

Create great places to work by improving employee engagement survey ratings year on year.

**Deadline:** Year on year **2014 Progress:** On track

An updated engagement survey was launched to more than 3,000 employees in 14 countries during Q4 2014, providing us with a new baseline. The response rate was 86% and the overall sustainable engagement score 84%.

## 4 RESPECT HUMAN RIGHTS FOR THOSE TOUCHED BY OUR OPERATIONS

### COMMITMENT 5

Educate our employees on our business responsibility to respect human rights. All in global management team by 2015.

**Deadline:** 2015 **2014 Progress:** On track

We continued to build internal competence in the area of human rights, and training for wider groups of people are being developed.

### COMMITMENT 6

Respect Human Rights by setting up a corporate HR due diligence process by 2015 which includes the requirement to conduct HR risk assessments for all new markets.

**Deadline:** 2015 **2014 Progress:** On track

A country specific human rights assessment was trialled for one new market. Work on defining a corporate due diligence process is progressing, including how to conduct assessments for all new markets.

### COMMITMENT 7

Continue implementation of the Oriflame Global Supplier Evaluation Program.

**Deadline:** Ongoing **2014 Progress:** Completed

The roll-out of the 5 step Supplier Evaluation program has continued. As part of this work, a self-assessment tool has been launched to all our major suppliers. Suppliers representing 50% of our external spend and more than 90% of our subcontractors, currently use the tool. For our high risk suppliers, mainly located in Asia, we conducted sustainability audits during the year covering approx. 25% of the global second tier accessories suppliers.

## 5 SUPPORT ORIFLAME FOUNDATION TO ALLOW CHILDREN & YOUNG WOMEN TO CHANGE THEIR LIVES FOR THE BETTER

### COMMITMENT 8

Help educate children by doubling the amount of money donated to Oriflame Foundation by 2020.

**Deadline:** 2020 **2014 Progress:** On track

During 2014, the total amount of money raised by Oriflame Foundation was more than €1.1 million, a decrease from previous year due to the negative economic situation in many markets.

### COMMITMENT 9

Support Oriflame foundation by engaging 100% of our established markets in Oriflame foundation fundraising activities by 2016.

**Deadline:** 2016 **2014 Progress:** On track

In 2014, more than 40 markets were involved in charity activities, by raising money for the Oriflame Foundation or by developing other activities with the employees, local communities and NGOs.







*Our vision is to bring beauty and wellbeing to millions through our products.*

At Oriflame, we are committed to creating responsibly-made products that bring more wellbeing into the lives of our customers. Finding inspiration in nature and respecting the environment are key to our philosophy. We are constantly striving to make our products, processes and packaging more ethical, sustainable and safe throughout their lifecycle. Below are a few highlights of our achievements so far.

## HIGHLIGHTS

- We launched Eco beauty in 2011 – the world's first cross category cosmetics range approved by four leading independent organisations – Fairtrade, Ecocert, The Vegan Society and the Forest Stewardship Council.
- Eco beauty has won numerous awards for its sustainability approach, including the prestigious 2014 Eco Beauty Awards organised by Cosmetic Executive Women.
- We measure and report on our palm oil use and were one of the first companies to commit to purchasing 100% of our volume usage sustainably through GreenPalm credits.
- In 2012, we also launched the world's first foaming product containing RSPO-certified segregated sustainable palm oil\*.

\*The Roundtable on Sustainable Palm Oil developed a standard for the certification of sustainable palm oil production. The Segregation supply chain model ensures that RSPO-certified oil palm products delivered to the end user comes only from RSPO certified sources. For more information, please visit [www.rspo.org](http://www.rspo.org).

- Our environmental scientists review every single ingredient's sustainability profile, assessing how natural, ethical and environmentally responsible it is.
- We have reduced the use of petroleum as an ingredient in our product formulations by 80% in the last six years, replacing it with plant-derived alternatives.
- We apply a thorough safety evaluation process and have certificates of safety for 100% of our 1,000+ cosmetic products.
- We are removing plastic microbeads from our formulations; from 2014, all new product developments will use exfoliants from natural origin.
- Oriflame cares about animal welfare and endangered species and we have high standards for all materials we source.

# Product development and innovation

# SUSTAINABLE DESIGN

*We want products that keep us healthy and beautiful to also help keep our natural world at its best.*

Ecobeauty proves this idea is possible. It is the most natural, ethical and environmentally responsible range we have ever developed. It has received widespread recognition for its sustainability profile – including winning the 2014 Eco Beauty Awards organised by Cosmetic Executive Women.

As well as showcasing sustainability, Ecobeauty is our innovation laboratory – we use it to develop new ideas and share them across our product lines. This culture of innovation and sharing delivers real value for our business and our customers. Beyond this tangible positive impact, Ecobeauty also symbolises Oriflame's deep and long-held connection with nature and our firm commitment to embed sustainability across our product development.

## PARTNERING WITH NATURE

Nature and ingredients from nature play an important part in our product philosophy. This explains why we do not use materials derived from protected or endangered flora and fauna, and why we were one of the first companies in the world to use ingredients sourced directly from nature. For example, instead of using petroleum-based synthetic alcohols in our Eau de Toilettes and aerosols, we use natural origin alcohols that most often come from fermented grains. Moreover, we track the palm oil content of all our products and are the first company in the world to offer a foaming cleansing product that contains RSPO-certified segregated sustainable palm oil.

In a similar way, we wanted to stop using plastic microbeads in our exfoliating products. We started testing alternatives at the start of 2013 and identified a number of alternatives of natural origin, including plant waxes, nutshells and seeds. These all meet our high performance and safety expectations.

We also look to nature for inspiration during our concept stage, and are developing new formulations with ethically and environmentally responsibly sourced



ingredients in mind. For example, our search for sustainable anti-ageing active ingredients led us to plant stem cells, which bring many benefits to our products.

Furthermore, we have a commitment to launch our first biopolymer packaging in 2015 – a plant-based alternative to plastic. This breakthrough came from a decision to consider environmental impacts earlier in our development process. We are now looking for improvements like this everywhere – from eliminating unnecessary components to reviewing the materials we use.

## UNDERSTANDING OUR INGREDIENTS

In addition to our safety assessments, we put all new cosmetic raw materials through a rigorous sustainability review process and assess it on the following three criteria:

- **Naturalness:** this addresses origin and determines whether the material has come directly from nature or has been processed in some way – such as physical pressing like avocado oil, or a biotechnical process like fermentation.
- **Environmental impact:** this involves checking whether a material has come from an endangered plant or ecosystem, and evaluating its biodegradability and potential aquatic toxicity.
- **Ethicalness:** we look at whether the ingredient is animal-based, contains genetically modified organisms or has any connections with child labour or conflict concerns.

We are also constantly monitoring scientific reports on environmental issues to stay up-to-date and informed. By building this holistic understanding of our ingredients we can make accurate reports to our internal and external audiences and know where and how to make the most impactful improvements.

## PACKAGING THAT PERFORMS

Oriflame's cartons, bottles, tubes and jars are a large part of our environmental impact. The vast majority of our packaging materials consist of paper and other wood-fibre materials, plastics and glass. We make sure all our primary packs for example, the tube or bottle a product comes in are recyclable so they can be disposed of responsibly where recycling facilities are available. And we are continuously working to find the right balance between more lightweight packaging and durability.

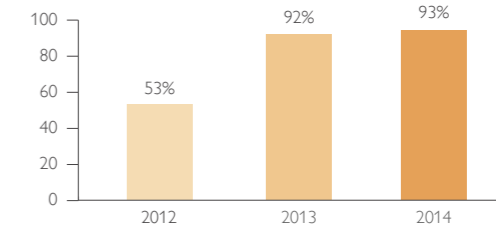
Below are some of the initiatives we are actively working on to improve the impact of our packaging.

## Cartons, liners and leaflets

- We started working with the Rainforest Alliance to improve the impact of our paper and other wood-based packaging. With their help, we set goals to increase the percentage of materials that are FSC certified.

- During 2014 we sourced 93% of display packaging cartons and leaflets from FSC certified sources on track to meet our 2016 target of 100%.

## FSC certified product packaging



## Recycling our plastic

- Three years ago, we started using post-consumer recycled plastics (known as PCR plastics) in our tubes. Ecobeauty and Love Nature are already using a high percentage of PCR plastic, and we are going to be using more and more across all our brands.
- The vast majority of the plastic components we use are recyclable; our ambition is to make all our plastic packaging fully recyclable. Currently, our Ecobeauty packaging is 100% recyclable – a small but important achievement. Pump-based products are notoriously hard to recycle because of their mixed material makeup; we used a single-material pump that is much easier for our customers to dispose of responsibly.
- We are currently testing and have made a commitment to launch a biopolymer-based packaging during 2015. Because this uses plant-based materials rather than petroleum, it has a lower climate impact.

## Lighter labels

- When it comes to reducing our impact, we are learning that even small changes can add up to make a big difference. In 2013, we tested a new label material that is 38% lighter than the industry standard – saving both material and cost. The trial was a success and we are rolling out the improvement across our self-adhesive labels.

## Recycled glass

- We currently use recycled glass in our Ecobeauty Eau de Toilette. However, because of a lack of demand from other fragrance companies, our supplier has stopped production.





# Product SAFETY

*We never compromise on the safety of our consumers – their wellbeing is of paramount importance to us.*

Oriflame has a team of safety experts working with internal and external specialists. Together, they make sure every ingredient we use and product we sell meets our high quality, safety, ethical and environmental standards. We use the same high standards wherever in the world our products are made or sold.

For all our cosmetic products, we apply a comprehensive evaluation that includes the following:

- We conduct a thorough evaluation of all raw materials. We only use reputable suppliers, and only select ingredients that are supported with satisfactory data.
- We carefully measure safe concentration levels. Our team of expert toxicologists ensure ingredients are safe for intended use and intended consumer group.
- We test our final formulations for irritation and sensitisation on healthy human volunteers in independent laboratories, and also use 'in vitro' (non-animal) tests to further confirm the safety of our products.
- Post-launch, we proactively collect feedback from consumers and data about any unwanted effects.

All Oriflame cosmetic products are made to be safe in accordance with the provisions of the European Cosmetics Regulation (EC No 1223/2009) and other major International Regulations. In markets where regulations are less developed, Oriflame applies the European regulation requirements for safety as a minimum.

We have the same strict safety measures for our wellness products. All ingredients are of the highest food grade purity, fully approved internationally for use in food and selected for optimum safety and efficacy. Everything we make meets EU Regulations (EC No 178/2002), as well as recommendations



from various global health authorities, including the World Health Organisation. We are proud to have our product development based in one of the world's most scientifically advanced countries, and to further ensure the safety of the range, it is evaluated and endorsed by renowned Swedish experts in the field of medical science and nutrition.

We have certificates of safety present for 100% of 1,000+ products we have on the market. In 2014 there have been no incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our cosmetic or Wellness products during their life cycle in any of our markets.

100% of Oriflame's global cosmetic, accessory and Wellness products follow strict internal procedures and are assessed prior to launch to ensure they meet the relevant labelling requirements in all markets in which the products are sold e.g. EU Cosmetics Regulation No 1223/2009 for cosmetics, 1169/2011 for Foodstuffs.



## Social & ethical STANDARDS

*We are committed to marketing products that meet our own social and ethical standards, and those of our customers.*

Oriflame cares about animal welfare and endangered species and we have high standards for all materials we source:

- We do not use animal fur and only accept leather from cattle that have been bred for human consumption.
- For some products, we use selectively sourced animal by-products – such as beeswax and honey, lanolin derivatives (a secretion from wool-bearing animals) and dairy products.
- We do not use plucked animal hair or feathers and only accept animal hair and feathers cut from living, domesticated animals including pony, goat and boar.
- We use fish oil from sustainably managed stocks in our Wellness food supplements range.

We have never tested our products or ingredients on animals at any stage during product development. We have always advocated alternative test methods and use the latest in-vitro (non-animal) methods for any tests that are not appropriate for human volunteers – for example, eye irritancy.

However, in certain countries we have to submit our finished products for additional testing for regulatory reasons. When this is the case, we offer other safety guarantees and try to persuade the relevant authorities to accept this data. We also work with the European Cosmetic Trade Association, Cosmetics Europe, to bring these kinds of local laws into closer alignment with European regulations. When unsuccessful, we must occasionally – and reluctantly – submit finished products for further testing, which may include animal testing. For more details, please see our policy on animal testing.



# Bring Beauty & Wellbeing through RESPONSIBLE PRODUCTS

## 6 IMPROVE THE SUSTAINABILITY PROFILE OF OUR PRODUCTS

### COMMITMENT 10

Drive continuous progress by ensuring that product categories improve sustainability profile year-on-year.

Deadline: Year on year **2014 Progress:** On track

Several initiatives are in progress with the aim to improve the products' sustainability profile looking at both the raw material and product perspective.

### COMMITMENT 11

Develop a tool to drive sustainability improvements in product development by 2014.

Deadline: 2014 **2014 Progress:** More to do

We are together with an external partner developing a tool to support more sustainable decision making, the tool will be launched in 2015.

### COMMITMENT 12

Continuously increase the use of post-consumer recycled (PCR) plastics in our cosmetic packaging materials.

Deadline: Year on year **2014 Progress:** On track

PCR content is continuously being introduced in plastic tubes wherever possible. 15% of tube concepts launched during 2014 contained PCR material, an increase from 10% during 2013.



## 7 FOCUS ON INNOVATION

### COMMITMENT 13

Launch at least one sustainable Oriflame product innovation annually, for example the innovative EcoBeauty range, from 2015.

Deadline: Ongoing **2014 Progress:** On track

Oriflame's first exfoliating products with only natural origin scrubs will be launched in 2015.

### COMMITMENT 14

Launch a biopolymer packaging.

Deadline: 2015 **2014 Progress:** On track

A biopolymer based bottle will be produced and launched as a single trial during 2015.

### COMMITMENT 15

Focus on innovation by increasing use of actives from plant biotechnology.

Deadline: Year on year **2014 Progress:** On track

During 2014 we were using six ingredient plant stem cell extracts at different stages of development. This is an increase from three ingredients during 2013.

## 8 FOCUS ON PRODUCT INGREDIENTS AND SAFETY

### COMMITMENT 16

Continue sustainability review of ingredients used across our product portfolio. Review all cosmetic ingredients by 2015.

Deadline: 2015 **2014 Progress:** On track

By the end of 2014 90% of our current cosmetics raw materials have been sustainability reviewed and profiled.

### COMMITMENT 17

Focus on ingredient impact and work to phase out prioritised ingredients from a safety, environmental or ethical perspective.

Deadline: Year on year **2014 Progress:** On track

We currently use only a small number of ingredients that feature on the Sin 2.1 list (list of 626 chemicals identified as harmful by NGO ChemSec). We are closely monitoring these ingredients.

### COMMITMENT 18

Continue to implement the Oriflame Product Safety Evaluation process ensuring a single global safety standard.

Deadline: Ongoing **2014 Progress:** Completed

In 2014 there were no incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our cosmetic or wellness products. The safety evaluation process applies to 100% of our cosmetic and wellness products.

## 9 MARKET PRODUCTS THAT MEET HIGH SOCIAL AND ETHICAL STANDARDS

### COMMITMENT 19

Respect animal welfare by never using cosmetic ingredients derived from dead animals or which cause harm or suffering to animals.

Deadline: Ongoing **2014 Progress:** Completed

No products were launched during 2014 breaching this commitment.





*We are committed to reducing the impact of our business.*

We have a bold ambition: to make our business environmentally sustainable. To reach this goal, we launched a new environmental strategy in 2010, which we updated in 2014. The strategy, and its accompanying actions, is built on both a thorough understanding of our impact and a long held business-wide commitment to the principles of sustainability. Below are a few highlights of our achievements so far.

**HIGHLIGHTS**

- Since 2010, we have cut our carbon dioxide emissions by almost 30%.
- In 2014, we were included on The A List: The CDP Climate Performance Leadership Index in recognition of our work to reduce carbon emissions.
- In 2014, 93% of our catalogue paper came from credibly certified forests.
- We stopped more than 91% of our manufacturing waste from going to landfill in 2014.
- We undertook a comprehensive water impact study in 2013 and will use the findings to devise an effective water sustainability strategy.
- In 2013, WWF gave us 11 out of 12 on their Palm oil Scorecard, placing us among the best in our industry.



We are proud of these achievements but we recognise we still have a long way to go. To ultimately reach our goal of business-wide environmental sustainability we need to:

- Source only renewable or recycled materials
- Ensure no emissions to water and no negative impact on water availability
- Achieve neutral or net positive carbon emissions
- Send no waste to landfill
- Develop sites and operations with no negative impact.

**CONTINUOUS FOCUS ON IMPACT**

We have made commitments under each of these five areas. To sustain progress, most of these commitments focus on taking action where our business makes the biggest impact, and where we can influence real change. As our journey continues, we will increase the number and reach of these commitments to further reduce our impact across our value chain.







# SUSTAINABLE *sourcing*

*Our ambition is to source only renewable and recyclable materials.*

We are working to make our business sustainable across our value chain. Because a significant proportion of our impact comes from the raw materials we use, we need to make the right decisions about how, where and what we source. Today, we select sustainable and renewable materials whenever possible. We have commitments for two of our main raw materials: paper and palm oil.

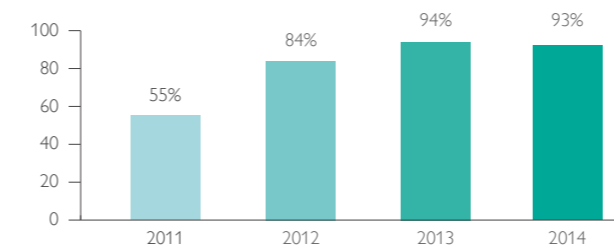
## PROGRESS ON PAPER

Our main raw material is paper and other wood-based products, which we use for catalogues and packaging. Forests are a vital part of global and local eco-systems – they provide habitats, preserve biodiversity, clean our air and water, absorb carbon and provide people with materials, food and livelihoods.

In line with a strategy developed in collaboration with the Rainforest Alliance in 2010, we have committed to source 100% of our paper and board packaging and publications from credibly certified or recycled origins by 2020. In practice, this means giving preference to Forest Stewardship Council (FSC) certified paper when possible. If FSC is not available, we allow other certifications that meet our minimum requirements – these are very closely modelled on FSC Controlled Wood requirements.

Every year we ask our paper and board suppliers to report on their paper use and full supply chain. We ask for data on the quantity of paper and board, the location of the forests and the exact species of the trees. This data is consolidated and we report publicly on the results. We have not yet had these results independently audited, but are working closely with the Rainforest Alliance to understand and analyse our suppliers' responses and documentation. For example, in 2014, we were able to trace 93% of our catalogue paper to a credibly certified origin.

Credibly Certified Catalogue Paper



## PROGRESS ON PALM OIL

We are among the industry leaders when it comes to sustainable sourcing of one of our main raw materials – palm oil. Palm oil is one of the world's most widely used raw ingredients and demand continues to rise. This is a problem because its cultivation has a number of serious environmental impacts – such as large-scale forest conversion and habitat loss, soil erosion, pollution and climate change. However, compared to other vegetable oils, palm oil gives the highest yield per hectare and requires the fewest fertilisers and pesticides.

By 2020, we have committed to source 100% certified physically segregated palm oil\*. While there is enough of this resource available in its raw form, there is a very limited supply of its derivatives. Because it is these derivatives that go into our product ingredients, we cannot switch as quickly as we would like to physically segregated palm oil. See our sourcing commitments page or the RSPO website (Roundtable on Sustainable Palm Oil) for information on this issue.

This commitment will be a significant challenge, but we have a strong track record to work from:

- In 2010, we started purchasing GreenPalm credits to cover 100% our consumption and raise awareness of the issues surrounding palm oil. We were among the first in the cosmetic industry to do this.
- In 2012, we made the world's first foaming product that contained only RSPO certified segregated sustainable palm oil.
- In 2013, WWF gave us 11 out of 12 on their Palm oil Scorecard, placing us among the best in our industry.
- In 2014 we started purchasing mass balance certified palm oil. We plan to increase the share of mass balance materials further in 2015.
- We have participated in RSPO Conferences since 2011, and are currently a member of four different working groups within the organisation. We are recognised as a role model in our industry and continuously work to share insights with companies who want to make their palm oil use sustainable.

\*The Roundtable on Sustainable Palm Oil developed a standard for the certification of sustainable palm oil production. The Segregation supply chain model ensures that RSPO-certified oil palm products delivered to the end user comes only from RSPO certified sources. For more information, please visit [www.rspo.org](http://www.rspo.org).



# Carbon footprint and CLIMATE CHANGE

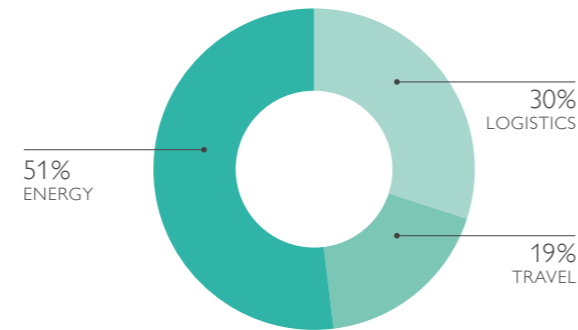
*We are taking action to cut emissions across our business. By 2020, we want to cut Oriflame's CO<sub>2</sub> impact by half\*.*

Carbon emissions are a serious global challenge. There is more carbon dioxide in the atmosphere today than there has been for 650,000 years. Ten of the warmest years on record occurring in the last twelve, and the number of extreme weather events continue to rise.

Changing global climate patterns will mean more extreme and unpredictable weather with for example more frequent storms, heat waves, droughts and floods. Greenhouse Gases, including carbon emissions, are one of the major contributors to climate change. In addition they contain particles that result in local air pollution and health issues.

Our business has a presence in countries that are already experiencing the effects of climate change, which encourages us to take bold action to reduce our impact. Results from lifecycle assessments show that Oriflame impacts the climate in a multitude of ways; e.g. through the materials we source, manufacturing, transportation and travel and how the products are disposed at the end of life. Working to reduce our climate impact throughout our whole value chain will make us more efficient as a company and help drive innovation.

Emissions breakdown 2014



Since we track and analyse the emissions that are under our control, we have been able to develop a strong strategy for where to make savings in both emissions and cost.

In line with the business strategy and Oriflame's long-term vision to become a sustainable company, actions are being taken to reduce our carbon dependence through a wide range of initiatives. We started by focusing on our factories, and then moved on to our operations and other areas over which we have control – such as our offices and our travels.

The next step is to start working on areas that we can influence but do not control. This means reaching along our value chain to find and create opportunities for change among our suppliers and our consumers. We intend to expand our strategy both in terms of reach across the supply chain but also regarding the scope of issues under consideration. We will continue to review the likely impacts of climate change on our business and supply model.

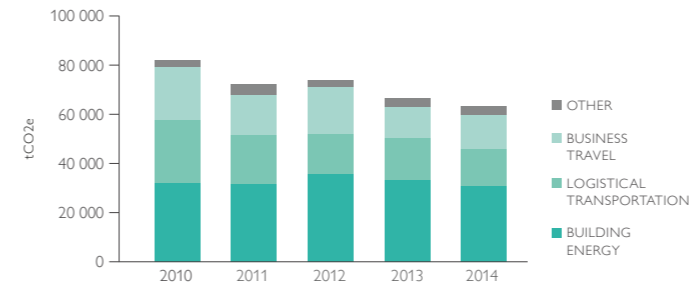
*\*This goal is based on emissions relative turnover from 2010 as our base year.*

## Results since 2010

By implementing a company-wide program, we reduced the emissions from Oriflame's operations by 5% compared to 2013 and by 30% since 2010.

The emissions intensity measured as emissions per €M revenue (tCO<sub>2</sub>e/€M) was 48.5 in 2014, a reduction of 11% since 2010. Compared to 2013 the ratio increased slightly due to lower revenues. The emissions per square meter (tCO<sub>2</sub>/m<sup>2</sup>), an indicator of energy efficiency, decreased slightly compared to 2013 and by almost 30% since 2010.

Carbon emissions, 2010–2014



In particular, reductions have been achieved thanks to the significant modifications and changes to the set-up of our distribution network, which has resulted in a 40% decrease in emissions from globally organised transportation since 2010.

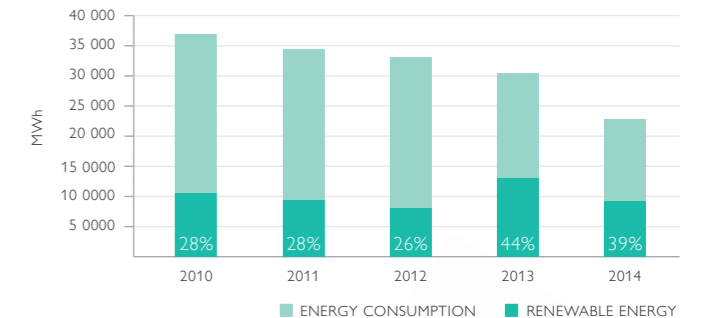
- We are gradually consolidating local warehouses and moving our product sourcing, catalogue printing and Global Distribution Centres (GDCs), closer to our major markets, resulting in lower environmental impacts as well as reduced lead times. The share of markets served through the GDCs increased during 2014. The most recently opened GDC in Noginsk, Moscow now serves a significant share of the total Russian volume.
- We are continuously reviewing the packing and loading routines so that more can fit in each truck and container. The average number of pallets shipped in each truck and container have increased by more than 50% since 2010. (This helped saved us €5.1 million between 2010 and 2014!)
- We are improving our transportation routes, and focusing on reducing our air shipments.
- When selecting road carriers the aim is to utilise Euro 4, 5 and 6 standard trucks wherever possible, thus reducing particle emissions.

Part of the reduction in emissions was also due to a 6% reduction in the number of total pallets shipped, which was mainly due to lower sales.

At our manufacturing sites we are also continuing to implement energy efficiency measures, contributing to an absolute decrease in emissions and achieving our 2015 target ahead of schedule. Initiatives include developing lower energy processing techniques, upgrading lighting and lighting control, improving heating and ventilations systems and focusing on better building insulation.

Finally, we are continuously increasing our share of renewable energy across the business with the long-term ambition to achieve 100% renewable energy in Oriflame owned buildings. In 2014, 39% of our energy use in manufacturing came from renewable sources.

Renewable energy consumption in manufacturing



# WATER

*We are limiting our impact on water – globally and locally*

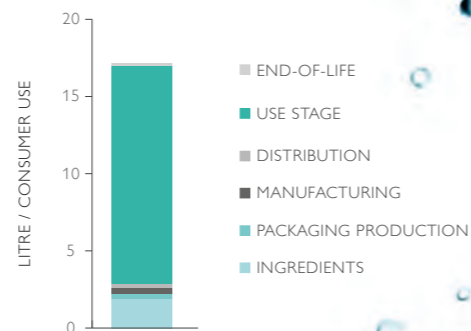
Water is an important part of our environmental impact. Today, water security is one of the most serious and fastest-growing environmental challenges facing our world. Demand for water is increasing and analysis suggests that by 2030 the world will face a 40% gap between what we need and what is available.

Water issues are therefore a global challenge, but because we operate in water-scarce countries, it is important for us to consider the implications on a local level too. Looking specifically at our business, there are two main challenges we need to address: water contamination and water scarcity.

To understand these challenges better, we conducted a water impact study of the lifecycle of a representative selection of our key products in 2013.

## FRESHWATER WITHDRAWAL

Life cycle stages shampoo



The results of this study are helping us define the focus areas for our water strategy and strengthen our existing commitments. For example, we learned just how much of our water footprint comes from customers using our products – and how much higher the impact of this is in water-scarce countries like India. Because of this, we are looking at how we can engage our customers around more sustainable water use.

We know that the water impact from our manufacturing sites is a limited part of the life cycle impact, however, for local communities this impact may be important. Therefore we have looked at the exact locations of our manufacturing sites and we conducted a first analysis of the risks and impacts of the different locations. We will continue working on this.

Another important focus area raised by the study is the biodegradability of our ingredients. Many beauty products end up in the water system – in particular, rinse off products like shower gel and shampoo. We have already committed to using only biodegradable cleansing ingredients in our personal care products; the findings of our study are helping us prioritise how to strengthen this commitment, for example by phasing out specific ingredients.

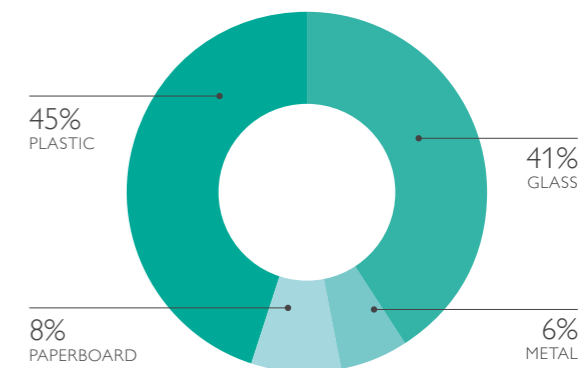
# Waste MANAGEMENT

*We are taking responsibility for waste across our value chain.*

Waste is an area of significant impact for our business. A large proportion of our products and their packaging end up in landfill, which is problematic as unmanaged landfill creates a lot of harmful gases and contaminants, including methane – a particularly potent greenhouse gas.

We realise the scale of our waste challenge and are committed to tackling it. Much of our progress will come from creating better, more efficient packaging in the first place. That means continuing to increase the number of materials we use that have already been recycled, and making sure consumers can dispose of our products responsibly.

## Packaging for cosmetics



A snapshot of the different materials we use for packaging our cosmetics, by weight. This information helps us decide where to make the most impactful changes. Even though the volume is smaller, it is also important for us to address the waste that is created across the rest of our business.

## TOWARDS ZERO WASTE TO LANDFILL

In 2013, our two largest factories – Oriflame Products Poland and Oriflame Products Sweden\* – sent no waste to landfill; in 2014, Oriflame Products China accomplished the same goal.

By 2020, we plan to send zero waste to landfill across our manufacturing – in 2014 we recycled 91% so we are on track regarding this commitment. We will also be working to find new ways to help our three million Consultants reduce their waste – both while at our service centres and elsewhere in their lives. The first step is making sure all our service centres have recycling facilities – today, more than 50% offer at least some form of recycling.

\*Oriflame Products Sweden was divested in November 2014.





# Oriflame sites and OPERATIONS

*Our business can make a positive social and environmental impact in the communities where we operate.*

We want to reduce the impact of our events, projects and facilities – it is important we get our own house in order. Increasing the sustainability profile of Oriflame's buildings and operations is a key priority.

LEED – or Leadership in Energy and Environmental Design – is a green building certification program that recognises best-in-class building strategies and practices. We are aiming towards LEED certifying all our new construction and major renovations. We are proud to say that our new Global Distribution Centre at Noginsk, Moscow – our biggest and most geographically challenging GDC – was awarded a LEED Silver certification in 2013. In September this project was also nominated as a finalist in the 2014 “Best of Buildings Awards” presented by the U.S. Green Building Council. We are now working to LEED certify the new Manufacturing sites at Noginsk, Russia and Roorkee, India.

We have also developed internal guidelines and audits to improve our environmental performance across our business sites. The 'Oriflame Green Office Guide' includes detailed instructions for reducing greenhouse gas emissions, minimising waste, sourcing sustainably and optimising water use. In 2014 the internal audit program continued to be rolled out at production sites, warehouses and offices. The audits are focused on environmental sustainability including energy efficiency, water consumption and waste. The results have helped us identify areas of improvement and establishing energy saving programs that can be replicated across the facilities. All manufacturing sites have targets to reduce their impact.

Our goal is to apply sustainability to every project and event that we plan. For example, we need to improve the overall impact of our global conferences. We already include travel for business and consultants travelling to Oriflame



conferences in our CO<sub>2</sub> scope – and have seen a more than 40% reduction since we started tracking in 2010.

We have invested in video conferencing systems and are making sure everyone has access to the right software for online conferences, and knows how and when to use it. We also regularly communicate with our employees to keep them informed on our targets, progress and the actions we are undertaking.

Our Global Travel Policy encourages all our employees to make travel choices that balance cost, convenience and environmental impact.

We have also published a collection of Guidelines for Responsible Conferences, which are designed to help us run more sustainable conferences that create pride and a sense of belonging among our leaders and employees.

## Manufacturing INITIATIVES

*We are continuously working to make our business more sustainable across our value chain. Below, you can read about some of our initiatives within our manufacturing in 2014.*

### NO WASTE TO LANDFILL IN CHINA

In March 2014 our manufacturing site in China achieved no waste to landfill. This means that as many materials as possible are recycled or reused and only as a last resort sent to incineration. Currently 91% of all waste from our manufacturing sites is not being sent to landfill, on track for our target of zero waste to landfill in 2020.

### SOLAR PANELS IN INDIA

As part of Oriflame's efforts to reduce CO<sub>2</sub> emission, solar panels have been installed in our new wellness factory in India. Energy from the panels is currently used for lighting systems in the facility. These are the first solar panels installed at one of our facilities, and we hope to continue implementation at additional locations.

### WATER EFFICIENCY IN INDIA

Our new wellness factory in India was designed to minimise negative impact on the environment by reusing 100% of all water. All sewage is treated in our own effluent treatment plant and reused for irrigation purposes. Rainwater is collected in a special tank and is, after treatment, used for domestic purposes.



# Drive environmental SUSTAINABILITY

## 10 SOURCE RENEWABLE AND SUSTAINABLE MATERIALS WHENEVER POSSIBLE.

### COMMITMENT 20

Source 100% certified physically segregated palm oil by 2020.

Deadline: 2020 2014 Progress: On track

In 2014 we continued to purchase certified segregated palm oil for our trademarked product. In 2014 we also started purchasing mass balance certified material. We plan to increase the share of mass balance materials further in 2015.

### COMMITMENT 21

Promote sustainable palm oil by purchasing GreenPalm credits to cover 100% of our consumption.

Deadline: Ongoing 2014 Progress: Completed

We purchased GreenPalm credits to cover our full 2014 volume.

### COMMITMENT 22

Source 100% of wood fibre from credible certified sources by 2020.

Deadline: 2020 2014 Progress: On track

In total, all paper and board surveyed in 2014 showed a compliance rate of 93%. We will keep working to ensure that 100% of our paper is proved acceptable by our policy.

### COMMITMENT 23

Source 100% of catalogue paper from credibly certified origin by 2016.

Deadline: 2016 2014 Progress: On track

In the annual supply chain analysis of our catalogue suppliers we found that 93% of catalogue paper was fully compliant with our paper commitment –

which means it came from a credibly certified source with an intact chain of custody. The number remains at a similar level to 2013.

### COMMITMENT 24

Source 100% of display packaging cartons and leaflets from FSC certified sources by 2016.

Deadline: 2016 2014 Progress: On track

The analysis of our supply chain for packaging cartons and leaflets purchased during 2014 showed that 93% of the material was certified by the Forest Stewardship Council (FSC), up by one percentage point compared to 2013.

### COMMITMENT 25

During 2014 investigate possibility to source more sustainable cotton.

Deadline: 2014 2014 Progress: Completed

A business case for sourcing more sustainable cotton was developed during 2014. However due to the low volumes of cotton currently used by Oriflame and the added cost and complexity of the solution, we will not proceed with this at present. We will continue to review our options.



## 11 REDUCE EMISSIONS TO AIR

### COMMITMENT 26

Reduce CO<sub>2</sub> emissions from global Oriflame operations by 50% by 2020.

Deadline: 2020 2014 Progress: On track

During 2014, the total greenhouse gas emissions from our operations decreased by 5% in absolute terms but increased slightly in relative terms. Since our base year 2010, absolute emissions are down by 30% and relative emissions by 11%.

### COMMITMENT 27

Reduce CO<sub>2</sub> emissions from factories by 20% by 2015.

Deadline: 2015 2014 Progress: On track

We are continuously working to increase our share of renewable energy while becoming more energy efficient. The electricity at our largest manufacturing site (Poland) is from 100% certified renewable sources. Our new Wellness factory in India is getting part of its energy from solar panels. In total our CO<sub>2</sub> emission have decreased by 42% in absolute terms and 19% per unit since 2010.

### COMMITMENT 28

Reduce energy use in factories by 15% by 2015.

Deadline: 2015 2014 Progress: On track

Numerous initiatives to reduce energy consumption have been implemented during 2014, for example by improved technical processes and the installation of additional motion sensors. The energy consumption has decreased by 30% in absolute terms since 2010 while energy consumption per unit remains level.

### COMMITMENT 29

Increase renewable energy in factories to 70% by 2018. Long term ambition to achieve 100% renewable in Oriflame owned buildings.

Deadline: 2018 2014 Progress: On track

During 2014 67% of total electrical consumption, and 39% of energy consumption at Oriflame factories came from renewable sources.



## GOALS & COMMITMENTS

### 12 REDUCE EMISSIONS TO WATER

#### COMMITMENT 30

Use only biodegradable cleansing ingredients in 100% of our Personal Care products.

**Deadline:** Ongoing **2014 Progress:** Completed

Only biodegradable cleansing ingredients were used in our Personal Care developments during 2014.

#### COMMITMENT 31

Start to phase out plastic micro beads in all new products from 2014.

**Deadline:** 2014 **2014 Progress:** On track

All new exfoliating products in development from January 2014 contain natural origin scrubs.



### 13 REDUCE SOLID WASTE

#### COMMITMENT 32

Reduce waste disposed at all our factories by 10% by 2015.

**Deadline:** 2015 **2014 Progress:** On track

We have reduced the waste produced per unit by 10% since 2010. In absolute terms this represents a decrease of 37%. We have already achieved our 2015 target per unit base.

#### COMMITMENT 33

Send no waste to land-fill from our factories by 2020.

**Deadline:** 2020 **2014 Progress:** On track

In 2014 Oriflame Product China joined the group of factories sending zero waste to landfill. In total, this means that approximately 91% of all waste produced at Oriflame's factories avoids ending up in landfill.

#### COMMITMENT 34

Increase recycling of packaging by gradually introducing recycling facilities at our service centres worldwide.

**Deadline:** Year on year **2014 Progress:** More to do

In 2013, 90% of our offices and service centres were surveyed on recycling practices. 30% of locations recycle at least three different materials, the most common being paper (60% of locations), carton (53%), plastic (31%) and glass (25%). The main reason not to recycle is the lack of infrastructure (20% of respondents).



### 14 REDUCE IMPACT FROM ORIFLAME ACTIVITIES, EVENTS, PROJECTS & FACILITIES

#### COMMITMENT 35

Pursue LEED Green Building scheme certification for all new construction and major renovations and pursue environmental effectiveness on all our premises.

**Deadline:** Ongoing **2014 Progress:** Completed

Our new manufacturing facility in Noginsk, Russia, is in process to receive LEED certification during the first half of 2015. This is also the case for our facility under reconstruction in Roorkee, northern India.

#### COMMITMENT 36

Reduce water use at all our factories by 10% by 2015.

**Deadline:** 2014 **2014 Progress:** On track

Water consumption per unit has increased by 4% since 2010 due to a drop in units produced and changes in the product sizes. In absolute terms a decrease of 27% since 2010 was achieved.





*We want to reach along our value chain to find and create opportunities for change among our suppliers.*

A large proportion of the overall social and environment impact of a company occurs in its supply chain, beyond the direct scope of operations. In Oriflame, we believe that integrating sustainability criteria within the procurement practices is essential in order to move towards a more sustainable supply chain. We believe that companies should work towards guaranteeing responsible practices throughout the supply chain and work alongside their suppliers to help improve their performance. Below are presented a few highlights of our work so far:

### HIGHLIGHTS

- We strive to move sourcing closer to our main sales markets, and during the year we increased regional sourcing by buying more from suppliers based in strategic locations, particularly in the CIS region and India.
- In 2014, Oriflame audited all of our key global direct accessory suppliers and trading houses, as well as 25% of our second tier accessory suppliers, in line with the annual target.
- During 2013, a new self-assessment tool was launched to strategic suppliers. The trial results were positive, and the tool has been further rolled out to more key suppliers during 2014. Suppliers representing 50% of our total external spend and more than 90% of our product subcontractors, currently use the self-assessment tool.
- All global suppliers have signed the Supplier Code of Conduct and every new global supplier is requested to do this before entering into a business relationship with Oriflame.







# Oriflame's SUPPLY CHAIN

Oriflame produces close to 50% of cosmetic products in-house and the main sites are located in Poland, Russia, India and China. External suppliers in Western and Central Europe, Russia, Ukraine and Asia produce the majority of the remaining products, including cosmetics, accessories and wellness products. In different regional sourcing initiatives, we strive to source as closely to our markets as possible, to shorten the supply chain and increase service levels. During the year we increased regional sourcing by buying more from suppliers based in strategic locations, particularly in the CIS region and India including locally produced raw materials, components and finished goods to both support in-house manufacturing and to build external competences. For example, in India we have successfully expanded the local supplier base within areas such as toothpaste, fragrances, aerosols and colour cosmetics.

## HELPING OUR SUPPLIERS IMPROVE

Our Oriflame Global Supplier Evaluation program is an important way for us to improve sustainability performance, including human rights, across our value chain. The program allows us to objectively assess our suppliers on a range of sustainability criteria. Every global supplier is part of this program, and joins it by committing to follow our Supplier Code of Conduct.

We have a five-step process that sets out requirements and details how suppliers are evaluated, scored and developed. The foundation of this process is the Supplier Code of Conduct which outlines our requirements regarding for example working conditions, health and safety, discrimination and environmental impact. The Code applies to all our direct suppliers; however, we encourage our suppliers to implement this Code of Conduct upstream in their own value chain.

The Supplier evaluation process also helps us to identify high-risk suppliers and prioritise their audit and evaluation. We conduct regular site visits at all of

our product subcontractors and packaging suppliers, and undertake sustainability audits at high-risk suppliers, especially in Asia.

We support suppliers willing to make improvements, and will stop working with any that score below the requisite grade and are unwilling to commit to making a positive change.

When screening and selecting new suppliers we also take sustainability performance into consideration. A risk evaluation process also includes considerations on human rights issues such as child and forced labour.

## SUPPLIER SELF-ASSESSMENT TOOL

During 2013 a new self-assessment tool was launched to strategic suppliers. The trial results were positive, and the tool has been further rolled out to more key suppliers during 2014.

This self-assessment tool enables us to collect and evaluate sustainability data from our suppliers. Suppliers are required to provide relevant documentation that evidences their sustainability performance, for example, energy audits, certifications, social compliance data, and so on. The data is analysed and audited in order to evaluate the supplier and rate it, checking that its performance is acceptable for Oriflame. A number of aspects within the areas of environment, social issues, supply chain and ethics are being considered during this evaluation.

When non-conformances are found and suppliers do not achieve minimum requirements through this evaluation system, we make sure that we work with them and provide the support for them to improve and achieve acceptable levels.

Suppliers representing 50% of our total external spend and more than 90% of our product subcontractors, currently use the self-assessment tool. We are planning to increase this figure in 2015.

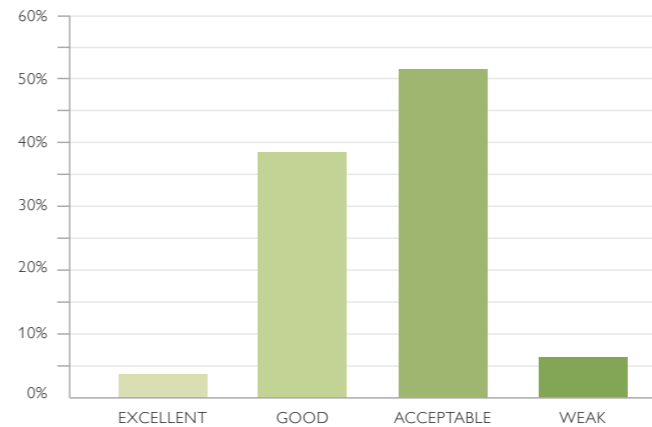
## ACCESSORIES FROM ASIA

For our global accessories suppliers, Oriflame works in co-operation with established trading houses that conduct annual audits of their subcontractors. In addition to these audits, Oriflame conducts its own audits to ensure compliance with the Supplier Code of Conduct, and to verify that necessary actions are taken for any non-compliance. Oriflame has staff located in both China and India dedicated to conducting sustainability audits. During 2014, audits were also carried out at all the key trading houses themselves to evaluate their systems and processes. A limited amount of accessories are developed locally and we are currently working to put processes in place to ensure that quality and sustainability aspects at these local suppliers are acceptable.

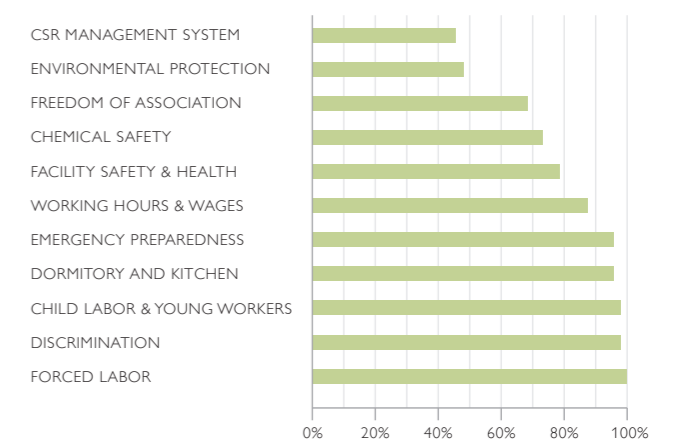
## AUDITS OF ACCESSORIES SUPPLIERS IN 2014

In 2014, Oriflame audited 25% of global second tier accessories suppliers, in line with the annual target. Some of the suppliers received follow-up audits during 2014. The majority of these audits achieved results that were considered good or acceptable, however, work to improve supplier performance is ongoing. Environmental protection, CSR management systems, and freedom of association are the top three issues of non-conformance found during the audits. When non-conformances are found a corrective action plan is put in place and the supplier is given a set amount of time to improve their performance.

## Sustainability audit score results Asia



## Sustainability audits Asia, % compliance







# ABOUT THIS *report*

Oriflame has a strategy for becoming a more sustainable company which includes communicating openly on our commitments and progress. During the last years, we have increased our reporting gradually and now we take the next step when publishing our first separate Sustainability Report for 2014.

This Sustainability Report covers material sustainability strategies, activities and performances for the company Oriflame Cosmetics S.A. (called Oriflame in this report) during the period January 1 to December 31, 2014, unless stated otherwise. Franchise operations are not covered in this report. This report was published on Oriflame's website, [www.oriflame.com](http://www.oriflame.com), on June 15, where you can also find additional information about our sustainability efforts.

Our reporting in this document is prepared in accordance with the GRI G4 Sustainability Reporting Guidelines, level Core and a GRI index with references for all applicable principles is found on our website.

Information and facts are selected on the basis of sustainability aspects assessed essential for Oriflame's operations, and are based on the best possible sources known by the company. Regarding some information about the development of the Company and its operations, references are made to the Oriflame Annual Report for the fiscal year 2014. Unless otherwise specified, all data concerning suppliers and supplier factories includes all suppliers and factories that were active and approved for production during the reporting period. Our GHG emissions calculations and reporting is aligned with the GHG Protocol and Defra and the the GHG data for manufacturing and logistics has been externally audited by KPMG.

This report has been developed and reviewed by Oriflame's sustainability team, relevant experts in the company, and is approved by the CEO.

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ORIFLAME  
— S W E D E N —

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