

QUICK GUIDE

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THREE KEY STRATEGY **AREAS**

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











A sustainable

FUTURE

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.



HIGHLIGHTS

and key achievements 2016

- 500 million units sourced
- Sales of €1,249 million
- 3 million Oriflame Consultants
- Almost €350 million distributed to Consultants as bonuses or other recognition.
- 88% of employees surveyed 2016 would recommend Oriflame as a good place to work.
- Oriflame's sustainability flagship range Ecobeauty was relaunched. This skin care range is approved by leading independent organisations, Ecocert® as natural or organic certified and the carton board is sourced from FSC™ certified forests. In addition, some of the products contain Fairtrade® certified ingredients.
- We continued to take steps in supporting the production and usage of sustainable oil palm products. In 2016 over 8% of oil palm products used in our finished goods was certified sustainable by Mass Balance (up from 4% in 2015). The remaining usage was covered by GreenPalm Credits. In the WWF palm oil scorecard 2016 Oriflame scored 9/9, among the industry best.
- Paper and board continues to be a key focus area, in 2016 99% of our catalogue paper came from credibly certified sources and 97% of the display packaging cartons and leaflets were sourced from FSCTM certified forests.

- Oriflame achieved a score A, Leadership for timber, and a score B, Management for palm oil, in the CDP's forests program, a recognition of Oriflame's actions to source forest-based products responsibly.
- Since 2010, we have cut our carbon dioxide emissions by 32%.
 In 2016 absolute emissions were stable compared to 2015 while relative emissions decreased by 4%.
- In the CDP 2016 climate change evaluation Oriflame was awarded a score B reflecting our actions to reduce carbon emissions and mitigate the business risks of climate change.
- Our main office in Moscow was granted BREEAM In-Use certification in May 2016. The certification helps drive sustainable improvements through operational efficiency.
- Since 2014 Oriflame is only using natural origin exfoliants in its new product developments. During 2016 we launched a number of scrub products containing natural origin materials such as castor wax, olive stone and sugar.
- Through sales of the fragrance Tenderly Promise, Oriflame continued to support World Childhood Foundation. The aim is to help children in need by raising €1 million over a three year period.
- In 2016, Oriflame Foundation raised more than €1.1 million to children and young women.

STATEMENT from the CEO

Oriflame gives people the opportunity to grow – both personally and financially. Through our business opportunity, we empower thousands of people to improve their lives, primarily women living in developing countries. As I travel around the Oriflame world and speak to our consultants, this positive impact makes me feel very proud.

However, I also recognise that Oriflame can do more to improve its environmental and social impact. Our commitment to a better future is built on a strong foundation of 50 years of hard work and progress. Respecting nature, and treating people fairly and equally is part of our heritage. Looking ahead – to the next 50 years and beyond – I hope you share my resolve to become a business with an overwhelmingly positive impact.

2016 was a good year for sustainability work at Oriflame. During the spring, we relaunched Ecobeauty, our flagship sustainability range. Every Ecobeauty product is certified natural or organic, and some contain Fairtrade®-certified ingredients. We use this product range to educate our Consultants and Leaders about sustainability. To ensure we continue to improve Ecobeauty's impact, we will keep researching and testing new approaches and technologies, and roll-out any new sustainability solutions across our business.

In 2016, we made progress on our commitment to not contribute to deforestation. Our number one selling tool, the catalogue, now contains 99% paper from credibly certified forests compared to 55% in 2011. Our display packaging cartons are 97% certified by FSCTM. You can read more about our progress in these areas further on in this report.

But of course, true sustainability is about more than reducing our environmental impact. I find myself thinking more and more about the role that trust plays in the world today. The trust people feel between each other, for their leaders, businesses, institutions and governments. My job involves meeting people all over the world. Across culture, background and language, I hear the same simple wish: to live in peace with the opportunity to create a better life for themselves and their families

I believe Oriflame has a role to play in meeting this wish, and that we can earn people's trust by doing so in a responsible and sustainable way. Our business operates in a wide range of countries around the world. We bring people together around a common interest in beauty and business – at conferences and, increasingly, on digital platforms. These connections help people recognise what they share with others, which is fundamental to building trust and stability between religions, cultures and nationalities.

Alongside this, we must frame Oriflame's commitment to environmental and social sustainability within the wider context. Due to growing populations and increasing wealth, our world faces climate change and serious resource scarcity. The solution is not straightforward: economic growth is both the problem and the answer. For example, economic development leads to higher incomes and better health, both of which correlate with a decreased population growth.

Oriflame has a clear vision for our part in this: to make our business a truly sustainable company that has a positive impact across our value chain, on both people and the planet. Today, we are working hard to integrate sustainability into everything we plan and do.

To conclude, it is increasingly clear that 'business as usual' is no longer an option. Every CEO on the planet has to rethink how their company works, moving from a 'use and dispose' mentality towards a circular approach that restores rather than destroys.

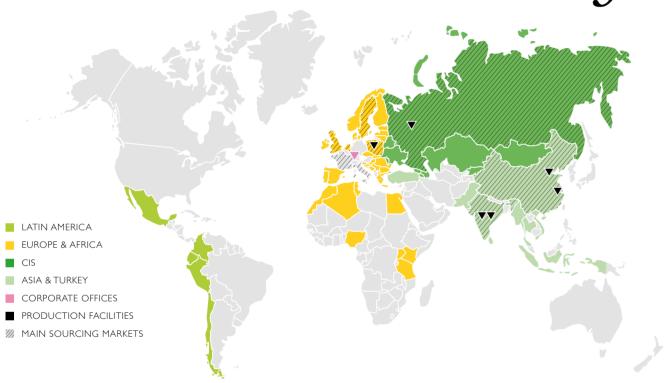
That future may be far away, and there are countless challenges along the way but — as you may know — I am an optimist. We will get there. Thank you for your interest in our sustainability work and I hope you share my optimism for the years ahead.

Mayrus Dannston

Magnus Brännström, CEO & President



ORIFLAME in brief



OUR SALES MARKETS

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

PRODUCTION

Six production facilities in four countries.

GROUP DISTRIBUTION CENTRES

OFFICES

Corporate office in Switzerland. Group Support Offices and Centres of Excellence in four countries.

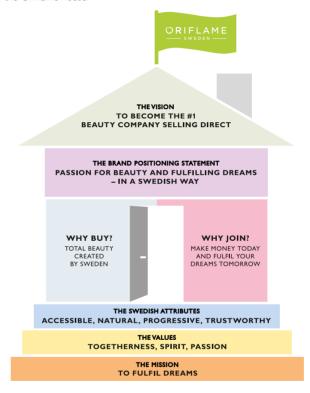
SUPPLY CHAIN

Around 500 million units are sourced annually from more than 70 global and regional suppliers and shipped to Oriflame's markets worldwide. Oriflame manufactures around 50% of its cosmetics product volumes in-house.

Main sourcing markets include Poland, Russia, India, China, UK, France, Sweden, Italy and the Netherlands.

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 €1.2 billion.

The main components of the Oriflame brand are displayed as building blocks of the Oriflame house.



OUR MISSION

Oriflame is a company built on fulfilling dreams. We offer people from around the world an opportunity to change their lives for the better. By offering a risk free business opportunity we contribute to making a difference in the lives of millions of people. For many, these dreams are small; it is just about looking and feeling great when they use our products. For others, however, Oriflame gives the opportunity to start their own business, part- or full-time, and in doing so fulfil much larger dreams in their lives.

OUR VALUES AND SWEDISH HERITAGE

Oriflame is proud of its Swedish heritage. It plays a vital role in what makes our company unique and has helped to define how the company conducts its operations. We have chosen to use the four Swedish Attributes of Accessible, Natural, Progressive and Trustworthy to characterise how we view our Swedish heritage. Together with our values of Togetherness, Spirit and Passion, these words encapsulate our general approach to business and help guide us as we develop our beauty and business offerings.

THE BUSINESS OPPORTUNITY

Oriflame's business model has proven its resilience and validity for 50 years – in emerging, as well as mature, markets. The key drivers for joining the company, 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.

We acknowledge the importance of offering an attractive earnings proposition that is trustworthy, simple and easy to understand. Personal and professional development is another important part of the consultant value proposition and we aim to provide the Consultants with world-class tools, training, conferences and events.

THE BEAUTY OFFERING

Oriflame believes in promoting total beauty – it is about both looking and feeling great. Oriflame offers a wide and dynamic assortment of high-quality, responsibly created products that leverage the best of nature and advanced science, spanning over six different categories: Skin Care, Colour Cosmetics, Fragrance, Personal & Hair Care, Accessories and Wellness.

THE BRAND POSITIONING STATEMENT

Combined with the company fundamentals, the beauty and business offerings are what makes the Oriflame brand unique. This uniqueness is summarised in the Brand Positioning Statement: Passion for beauty and fulfilling dreams — in a Swedish way.

THE VISION

The roof of the Oriflame house symbolises the company's vision – the long-term strategic direction in which the company is moving and the ultimate goal.

Four Group Distribution Centres in four countries.

UK, France, Sweden, Italy and the Netherlands.

fulfil much larger dreams in their lives.



SUSTAINABILITY strategy

We have a vision to become a sustainable company. To achieve this vision we have a strategy that helps our business succeed while aiming to contribute 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 being trustworthy 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 trust 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 four 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 medium term 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. We recognise the relevance of the UN Sustainable Development Goals and our role on its implementation and, therefore, we are working on incorporating its principles within our strategy. 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
- $\mbox{\bf Great Products}$ we are making products that bring beauty and wellbeing
- Thriving Planet we are driving environmental sustainability throughout our business

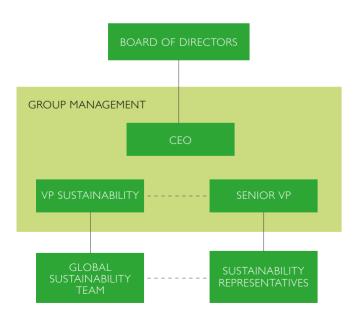
These areas all have a clear link to our material impact and to our business opportunity. We are already making progress against all of them, and will continue to meet our strategy's time-bound commitments over the next five years. You can follow our progress regarding each key area, goal and comitment 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 is part of the 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. An e-learning is available to all employees globally, and 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 training. 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

Togetherness is about inspiring a dynamic and energetic community. Believing that working with others achieves more than working alone. Having the ability to absorb and respect opinions and beliefs that are different from one's own in order to move forward.

SPIRIT

Oriflame is a company built by true entrepreneurs. Spirit in Oriflame is characterised by a hard-working and winning mentality and a deep belief that if you try hard enough, everything is possible. Driven by a constant sense of curiosity, unable to leave things unresolved. Spirit is not being afraid of making mistakes, but having the courage to try things never done before.

PASSION

Passion is the energy and self-confidence that turn possibilities into realities. More than logic or what is rational, this is the feeling inside that propels actions and guides decisions. Passion means being on fire for the things you do. Passion instills the belief that you should dream and that dreams can be achieved. Passion inspires, sustains and changes lives.

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

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 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.

- World Federation of Direct Selling Associations
- Seldia, the European Direct Selling Association
- Cosmetics Europe
- Global Compact
- The Roundtable on Sustainable Palm Oil (RSPO)
- · Swedish Network for Business and Human Rights



HOW WE ENGAGE ON SUSTAINABILITY

- · Product ingredients & safety
- Sustainable/environmentally responsible products
- · Customer engagement

price, quality, support, training, customer service etc.

- Online surveys, collecting information on overall Consultant satisfaction regarding product range,
- New method to measure consultant satisfaction launched in 2014, the Net Promoter System

• Consumer surveys, sometimes including Oriflame Consultants in their role as consumers

- · Consultant engagement
- Job creation/recruitment & benefits
- · Community engagement

• Employee engagement survey covering Oriflame's main markets. Information collected about employee work situation regarding managers, performance management, recognition and rewards, development, empowerment etc.

- · For our most recent materiality assessment, short survey with 30 senior managers on priorities within sustainability
- Continuous training and feedback

· Consumer research, primarily product focused

- Performance management · Recognition and rewards
 - Personal development
- · Empowerment leadership, corporate culture

· Meetings with investors - one-on-one meetings, quarterly road-shows, capital markets days and conference calls • For our most recent materiality assessment calls/meeting with selection of investors/analysts

- Sustainable sourcing
- Supply chain
- · R&D and ingredients
- Customer relations

- One-on-one meetings discussing both general strategy and more specific questions
- · Discussions at industry events
- NGO Roundtable meeting hosted by CEO with approx. ten NGOs attending giving feedback on sustainability strategy, open forum for discussion and feedback
- Supply chain
- Transparency & communication
- · Product ingredients & safety
- Female empowerment

- Regular meetings/site visits with Oriflame teams regarding purchasing, packaging etc.
- · Regular site audits
- Supplier self-assessment survey

- Sustainable product development
- Supply chain

• Participation in industry initiatives and standardisation bodies. E.g.

- DSA (Direct Sales Association)
- Cosmetics Europe
- RSPO (Roundtable on Sustainable Palm Oil)
- · Swedish Network for Business and Human Rights
- · Community involvement, including Oriflame Foundation initiatives

- Responsible sourcing
- · Human rights
- · Ethics and fraud
- Charity

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 an in-depth 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. In addition to conducting the in-depth analysis, we are continuously monitoring and evaluating relevant areas to make sure we are focusing on the right issues.

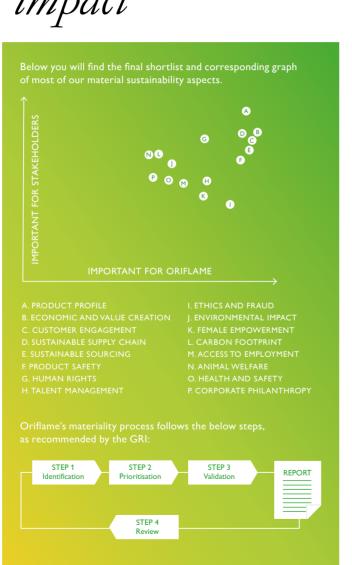
A closer look at our process

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 report on. Moreover, it has helped us to fully understand our business impact, to improve our knowledge on 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 formulations, 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 plastic micro beads, fragrance allergens and mica.

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, another area is the work to improve the biodegradability profile of our rinse-off products.

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 more than €5.5 million since 2010.

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 – that has 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.



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Ethics and CODE OF CONDUCT

For us at Oriflame, we want all our business activities to be recognized 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 principles and guidelines can be found on our intranet. During 2016 more than 1000 employees were trained in in-class sessions on International sanctions compliance, anti-corruption and reporting mechanism for misconducts.

During 2016 we strengthened our training procedures by adding a complementary training on policies, mandatory for our management team (top 200 managers), which has already been taken by more than 500 employees. Senior management are together with the compliance team raising awareness throughout the company. Specific group-approved training materials were developed and all sessions and participants are logged. An e-Learning course regarding the Code of Conduct is also 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. In the past three years more than 2 300 employees have 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. Reporting anonymously by using a non-identifiable email address is also possible.

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 re-

views all reports in connection with the Oriflame Code of Conduct and conducts investigations where necessary. During 2016 fewer than 10 cases were escalated through various channels to the Governance Committee for investigation and corrective actions implemented.

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

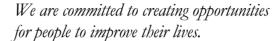
Ethical and corruption risks are continuously being identified, assessed and addressed within Oriflame's general risk assessment process.

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. The Vice President Group Risk and Compliance works to ensure that necessary attention is given to risk and compliance matters within the organisation.

The Audit Committee implements preventive mechanisms that protects the group from entering into high risk relationships, and as a result during 2016 no intervention actions were required from them.

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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 risk-free 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 almost €350 million to Consultants in 2016 the majority of whom are women in developing markets.
- Our work with Integrated Performance Management helps us identify what Oriflame needs from its employees to perform at its best. This helps us recruit, define roles and expectations, design training 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 41% of our top 200 managers, and we are taking steps to increase the gender balance at higher levels in our company.

- In 2016, Oriflame Foundation raised more than €1.1 million to children and young women, with a focus on educational initiatives.
- We recently conducted an in-depth study assessing the major human rights impacts throughout our business. One outcome is a list of our most salient risks that we are now working to ensure are adequately addressed.
- A specific human rights commitment has been approved and forms the basis for our work with implementing the UN Guiding Principles on Business and Human rights.



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. In addition to the immediate profit of around 20% that Consultants make when they sell a product, in 2016 we distributed almost €350 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 and self-confidence 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 System (NPS), that allows us to see how

likely our Consultants are to recommend Oriflame to a close friend or relative. 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 each market, in which we should focus our improvement efforts. During 2016, we focused on implementing these actions and measured impact on touchpoints like the Consultants' experience of product availability, delivery and our website. A structured approach was taken towards improving customer experience with clear responsibilities defined for each market, region and global function.

The decision has been taken to implement the NPS program in every single Oriflame market. By the end of 2016 the NPS program had been introduced in 32 countries.

Feedback from Consultants globally has been received and we are very proud that the majority of our Consultants highly recommend Oriflame, and are very satisfied with the quality of Oriflame products.

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 has been to reduce consumer impact by providing educational information to one million people. During 2016 the new Ecobeauty range was launched with some educational messages to consumers. However, the launch of our overarching communication concept was delayed and will instead take place in 2017.



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. Oriflame offers a range of attractive international internships, which provide young individuals an opportunity to start their careers with us. During 2016, we had almost 20 people participating in internship programs in our Global Support Offices as well as in the sales organisation.

In addition, a number of opportunities are offered to young professionals through our Global Business Leader program, Oriflame's trainee program for future leaders. The program has an ultimate goal to find future Managing Directors for countries where we operate. The trainees get a unique chance to reach a senior management position and experience Oriflame in fast growing and developing markets. In 2016, 8 young professionals enrolled in the program.

Investing in development

At Oriflame we want to create opportunities for both professional and personal growth for all our employees. To achieve this aim we work with Integrated Performance Management (IPM) to ensure clearly established goals, individual development and to improve organizational performance. This process is the foundation for all people related decisions in Oriflame. It also gives the

employee an opportunity to give feedback on the manager, the department and the company. We believe transparency and ongoing feedback is essential, and the IPM process is a tool to help us achieve this.

During 2016 we continued to work with IPM in all our regions. Our local Human Resource teams are continuously training and supporting managers and team members in this area. In the spring of 2016 we conducted a global review of the IPM process to understand improvement areas and priorities. Based on interviews with managers and Human Resource professionals, an improvement plan for 2017 has been developed. The purpose of the review was to make sure the process achieves the desired results while being user-friendly and practical to use.

Oriflame's aim is to offer our employees a mix of classroom based trainings in combination with other on-the-job learning opportunities. During 2016 we continued to provide employees with training courses and e-learning modules. In addition, employees are encouraged to share their skills with their colleagues, sessions where employees train their peers in specific topics are held regularly. On a global level the top 200 managers were invited to a Strategy Training in Stockholm, Sweden where 7 days were spent going through Oriflame's strategy and identified growth drivers.

On average, our employees" received 16 hours of training during 2016. Employees participate in additional local training events and courses, both in-house and externally that we do not yet capture in our systems.

Employee engagement

In 2016 an Employee Engagement Survey was conducted in Central Europe, and more than 560 employees from 14 markets were invited to participate. The survey addressed several areas including Oriflame's strategic direction, feedback about immediate managers and the performance management process. As several of the markets were running the survey for the second time, we were able to compare results over time. The majority of markets had improved the overall score, a few remained the same and no markets had deteriorated. Employees in the entire region were positive

about the future and recognise that we are continuously making improvements to ensure we are as efficient as possible. The survey's response rate of 97% was well above the benchmark for high performing companies.

Oriflame's Engagement Survey 2016

Scope: Central Europe

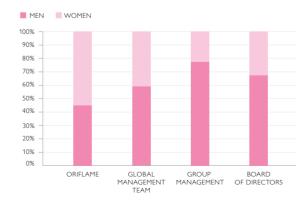
- Response rate: 97%
- The overall Sustainable engagement score: 85%
- 88% responded that 'I would recommend Oriflame as a good place to work.'
- 95% responded that 'People in my team treat each other with respect and fairness'.
- 90% answered that their manager effectively works with people that are different from him or herself – something which is crucial for Oriflame as we operate in different markets with employees from all over the world with diverse backgrounds, ethnic group and beliefs.

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.

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 70 nationalities are represented in our global workforce and in our Group

Gender diversity in total workforce



Gender characteristics in total workforce



Support Office in Stockholm, more than 40 nationalities are represented.

In the workforce as a whole we have a good gender-balance. In 2016, women represented 41% of the global management team, constituting the Company's top 200 managers, a marginal increase compared to 2015. The Group Management consisted of 2 women and 7 men in 2016. We are taking steps to increase representation of women in management positions through our Diversity and Equal Opportunities policy and have initiated a quarterly Diversity scoreboard to closely follow progress.

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 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 2016, there were no fatalities at any of our manufacturing sites. In total there were four accidents per million hours worked and the absentee rate was 4.0%**. None of these were considered major accidents.

At 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.

**An error was identified in the absentee rate reported in 2015, the correct rate for 2015 is 4.1% instead of previously reported 2.3%.

^{*}At present training data covers 70% of employees



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 developed a Corporate Human Rights Due Diligence process. Sustainability and human right risks are incorporated into our corporate business risk assessment process.

During 2015 we conducted an in-depth study assessing the major human rights impacts throughout our business. The assessment included an overall analysis of our value chain and the major impacts our operations have on people. In order to identify our most salient impacts, we conducted interviews with some of our key internal stakeholders, including business unit heads and representatives from all our regions. The evaluation was completed with desktop research on the major human rights issues in our markets and business sectors. As a result, we have identified our most salient risks and we are now working to ensure these are adequately addressed. For some areas we are developing action plans to mitigate risk and potential human rights impact, while seeking the opportunity to increase our positive contribution to society.

We are integrating human rights issues into existing risk assessments when entering new markets and have committed to conducting 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.

Some of our products are sourced 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 recently developed a specific Human rights commitment for Oriflame, based on the UN Guiding Principles on Business and Human rights. To make sure these principles now become an everyday part of how we do business, we have also made a commitment to educate our employees on our business responsibility to respect human rights. During 2016 group management and additional key functional heads were trained, and the training will be rolled out to more employees during the coming years.

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, through a wide range of educational initiatives.



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 direct 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 2016. Since 2009 the total amount raised amounts to more than €8.4 million.
- In 2016, 47 of our markets were involved in charitable activities.
- Through our Volunteer Guide we are working to increase the number of Oriflame volunteers and currently 16 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, in order to make a bigger global impact, we decided to combine all our efforts under one umbrella and establish an independent foundation – the Oriflame Foundation.

The Foundation allows us to make long-term charity commitments and partnerships, and measure the quantity, quality and overall impact of our investment.

How the Foundation works

From the beginning, Oriflame has supported NGOs and charity organisations around the world. One of them being 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 our local offices, and/or makes donations to projects promoted by our Consultants.

However, there are other ways people within our business can contribute to supporting the Foundation. For example, employees are actively encouraged to support their own local projects and organisations through fundraising activities or simply volunteering their time, with all employees given 1 work day per year for volunteering.

We also develop accessories and products sold specifically for fundraising. Markets are also encouraged to raise additional funds through fun, creative and innovative activities, for example through galas and sponsored activities.

NIGERIA CASE STUD'

Over half of Nigeria's population lives in poverty, without access to running water, basic sanitation and nutrition, much less education. In order to help address this situation, Oriflame funded the education of 50 children, through a cooperation with Inner City Mission, a local NGO aimed at supporting orphaned and vulnerable children from inner city slums. By focusing on giving children a chance to fulfill their potential through sustainable solutions such as nutrition and education programs, they strive to break the cycle of poverty by teaching children from all religions and cultures how to become responsible, self-reliant adults, who can give back to society and in turn give Nigeria a chance for a better future.



- COLOMBIA CASE STUD

In Colombia, Oriflame has had a long standing cooperation with Aldeas Infantiles SOS, an international NGO that has operated locally for over 50 years, supporting children in need. In 2016, Oriflame financed education for 70 school children and extracurricular activities for an additional 110 children and teens in one of Colombia's poorest areas. Through hands-on engagement, Oriflame staff and leaders also participated in activities throughout the year meeting families and children participating in Aldeas Infantiles SOS program. One example was the inauguration of a new community center in Cazucá, where Oriflame contributed to building a small recreational area, and Oriflame employees volunteered to help paint and decorate the house.





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Cooperation with WORLD **CHILDHOOD**

foundation

During 2015 Oriflame launched a new fragrance, Tenderly Promise, in support of World Childhood Foundation. The fragrance was developed in cooperation with World Childhood Foundation, represented by H.R.H Princess Madeleine of Sweden, and for every bottle sold Oriflame makes a donation to World Childhood Foundation, with the aim of raising over €1 million over a three year period. The goal is to help children who are neglected, abused, exploited and alone to have happier, healthier childhoods full of dreams and the promise of a brighter future.

I respect the work that Oriflame does to support and empower children. As one of the co-founders of World Childhood Foundation, they have worked in close collaboration with us over the last 15 years, raising more than €2 million. This new initiative shows the company's clear dedication to help children fulfill their dreams by having a better childhood. All children should have the opportunity to dream, and the opportunity to pursue those dreams.

H.R.H Princess Madeleine of Sweden

Honorary Board Member of World Childhood Foundation



Supporting FAIR TRADE COMMUNITIES

Oriflame sources Fairtrade® Organic coconut oil from a community of farmers in Kerala, India, for use in the world's first global Fairtrade certified cosmetic products - the Ecobeauty face and eye cream. By working with Fairtrade, the farmers are ensured a fair price for the ingredients. In addition a percentage of

the sales of the products are invested into a fund which further supports the com-

in India

- The organising of South India's largest seed exchange event: The annual Seed Festival brings together each year tens of thousands of farmers who between them exchange nearly 6000 indigenous varieties of seeds that enhance bio diversity and food security.
- · The creation of community seed banks where neighbourhood women's collectives serve as custodians of the myriad seed diversity in select crops through in situ conservation.
- Training on climate risk mitigation and natural resource management, including the development and protection of community water resources.
- Promoting food security and crop protection through bio-fencing around farm lands and solar/battery powered fencing.

Fair Trade Alliance Kerala is an organisation of small holder farmers in South India. The organisation evolved as a response to the agrarian crisis that resulted in indebtedness and a situation where farmers were many times not even covered for the cost of production. By introducing the Fairtrade principles, small scale farmers are guaranteed a fair price for their produce, while sustainable farming also means that the land and workers are better protected.







GOALS & COMMITMENTS

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 Progress: On track

During 2016 we distributed almost €350 million directly to our Consultants through bonuses and other forms of recognition, an increase from €320 million in 2015.

COMMITMENT 2

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

Deadline: 2020 Progress: On track

In 2016 a total of 80 000 leaders and potential leaders participated in leadership trainings run by Oriflame. In addition approximately 160 000 Consultants participated in Oriflame Business and Beauty academy trainings, learning business skills as well as more about our products. The roll-out of the open e-learning platform continued with the development of new video sessions and micro e-learning courses launching in 2017. A total of 37 markets have now implemented the e-learning platform, up from 33 during 2015, and 32 000 course completions by Consultants during the year.

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 Progress: More to do

Through the re-launch of Ecobeauty we have been integrating some environmental messages in our catalogues and social media. The launch of a specific concept to increase sustainability communication and reach a wider audience has however been delayed and will be launched in 2017.

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 Progress: Completed 2016

An employee engagement survey was conducted in Central Europe, more than 560 employees from 14 markets were invited. The response rate was high at 97% and the overall sustainable engagement score 85%.

COMMITMENT 5

Ensure equal opportunities for all women and men, by ensuring that the minority gender represents no less than 40% in management teams.

Deadline: 2020 Progress: On track

In 2016, women represented 41% of the global management team, constituting Oriflame's top 200 managers, a slight increase compared to 2015.

In Group Management, women held 22% of the seats.

4 RESPECT HUMAN RIGHTS FOR THOSE TOUCHED BY OUR OPERATIONS

COMMITMENT 6

Educate our employees on our business responsibility to respect human rights. Train the global management team (top 200 managers) by 2018.

Deadline: 2018 Progress: Updated

Classroom training of the full global management team did not take place in 2016, instead selected workshops and trainings for smaller teams were conducted and will continue throughout 2017.

COMMITMENT 7

Respect Human rights by continuing implementation of UN Guiding Principles on Business and Human Rights through our due diligence process and integrating human rights into Oriflame's policies, procedures and culture.

Deadline: Ongoing Progress: Updated

During 2015 our most salient human rights impacts were identified and actions are now being taken to ensure these are adequately addressed. During 2016, a new Human rights commitment was developed and roll-out and integration will continue in 2017.

COMMITMENT 8

Conduct a Human rights risk assessments for all new markets as part of our due diligence process.

Deadline: Ongoing Progress: Completed 2016

No new markets were entered in 2016.

COMMITMENT 9

Continue implementation of the Oriflame Global Supplier Evaluation Program.

Deadline: Ongoing Progress: Completed 2016

The roll-out of the 5 step Supplier Evaluation program continued. The self-assessment tool has been further rolled out to global suppliers, suppliers representing 92% of our Finished Goods suppliers, currently use the tool. For our high risk suppliers, mainly located in Asia, we conducted sustainability audits during the year covering approx. 20% of the global direct and second tier accessories suppliers.

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

COMMITMENT 10

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

Deadline: 2020 Progress: More to do

During 2016, the total amount of money raised by Oriflame Foundation was more than €1.1 million, similar to 2015. Since 2009 the total sum raised amounts to €8.4 million.

COMMITMENT 11

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

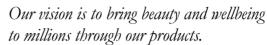
Deadline: 2016 Progress: More to do

In 2016, 48 markets (87% of all sales companies) were involved in charitable activities, by raising money for the Oriflame Foundation or by developing other activities with the employees, local communities and NGOs.



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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

- Oriflame's sustainability flagship range Ecobeauty was relaunched in 2016. The skin care range is approved by leading independent organisations, Ecocert® as natural or organic certified and the carton board is sourced from Forest Stewardship Council (FSCTM) certified forests. In addition, some of the products contain Fairtrade® certified ingredients.
- 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 though GreenPalm credits.
- In 2012, we also launched the world's first foaming product containing RSPO-certified segregated sustainable palm oil.
- In 2016, 8% of palm oil used was Mass Balance certified palm oil (up from 4% in 2015), and the remaining share was covered by GreenPalm credits.
- Our environmental scientists review every single ingredient's sustainability profile, assessing how natural, ethical and environmentally responsible it is.

- We apply a thorough safety evaluation process and have certificates of safety for 100% of our 1,000+ cosmetic products.
- We have reduced the use of petroleum as an ingredient in our product formulations by 80% since 2009, replacing it with plantderived alternatives.
- In 2015, we successfully carried out a trial run of biopolymer-based packaging in our Love Nature range a plant-based alternative to petroleum.
- Since 2014 we are only using natural origin exfoliants in new product developments. During 2016 we launched a number of scrub products containing natural origin materials such as castor wax, olive stone and sugar.

*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.



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. Ecobeauty was relaunched in 2016. The skin care range of products are approved by leading independent organisations, Ecocert® as natural or organic certified, and FSCTM to guarantee that the fibers used in the cartons come from well managed forests. In addition, the face and the eye cream contain Fairtrade ingredients and are certified by Fairtrade®.

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 – a great example of promoting the use of natural ingredients, reducing carbon impact and boosting sustainable farming economies. 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.

Over the last two years all of our new exfoliating products launched contain natural origin scrubs, including almond shell, olive stone, silica, castor wax, sugar and fruit seeds.

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, in 2015 we launched our first biopolymer packaging as a trial – a plant-based alternative to petroleum-based plastic. This kind of initiative helps reduce the total environmental impact from the packaging. We continuously look 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 to extract for example 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 forced labour, child labour or conflict concerns etc.

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 strike to make our primary packs for example, the tube or bottle a product comes in are recyclable so

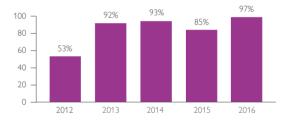
they can be disposed of responsibly where recycling facilities are available. And we are continuously working to find the right balance between lighter packaging and durability.

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

Cartons, liners and leaflets

- We have been working with the Rainforest Alliance since 2010 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 2016 we sourced 97% of display packaging cartons and leaflets from FSC certified sources, a significant increase from 85% in 2015. At the end of the year all our global carton and leaflet suppliers had switched to 100% FSC.

FSC certified product packaging



Reducing impact from plastic

- In 2011 we started using post-consumer recycled plastics (known as PCR plastics) in some of our tubes. Ecobeauty and Love Nature are examples of ranges using PCR plastic, and our ambition is to increase usage across all our brands.
- The vast majority of the materials we use are recyclable and our ambition is to use only recyclable materials. One small but important achievement was the development of the Ecobeauty Face Cream pump which is made out of only plastics, and therefore 100% recyclable. Pump-based products are notoriously hard to recycle because of their mixed material makeup; the Ecobeauty pump however does not contain any metal and is, as a result, much easier for our customers to dispose of responsibly. Additionally, the Ecobeauty Face Cream pump is airless, meaning that all of the product gets dispensed from the pack.
- In 2015 we successfully carried out a trial run of biopolymer-based packaging in our Love nature range. Because this uses renewable plant-based materials rather than petroleum, it has a lower climate impact.





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 2016 there was one incident with a cosmetic product that did not meet our strict safety standards and this was immediately rectified.

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, 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.



GOALS & COMMITMENTS

Bring Beauty & Wellbeing through

RESPONSIBLE PRODUCTS

6 IMPROVE THE SUSTAINABILITY PROFILE OF OUR PRODUCTS

COMMITMENT 12

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

Deadline: Year on year 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. A number of launches with a clear sustainability direction are being developed. To further strengthen our ambition to reduce our impact on water we developed biodegradable formulae for our new Love Nature range. Our Ingredient Integrity Process progressed allowing us to address specific ingredients. Strategy work within all product categories is being formalised.

COMMITMENT 13

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

Deadline: Year on year Progress: More to do

PCR content is being introduced in plastic tubes wherever possible. Due to a number of reasons, e.g. quality perception and limitations in suppliers providing PCR, the percentage of tube concepts launched during 2016 containing PCR material decreased.

FOCUS ON INNOVATION

for example the innovative Ecobeauty range, from 2015.

Deadline: Ongoing Progress: Completed 2016

skincare with both natural and certified organic products, as well as two (face and eye) certified Fairtrade products. In 2017 we will see the launch of our new Love Nature range, which includes biodegradable rinse-off products.

COMMITMENT 15

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

Deadline: Year on year Progress: Completed 2016

We are consistently increasing our portfolio of actives from plant stem cells technology with an additional 17 products launched in 2016.

COMMITMENT 14

Launch at least one sustainable Oriflame product innovation annually,

In 2016 we re-launched our Ecobeauty range which focused on luxurious

process ensuring a single global safety standard.

In 2016 there was one incident with a cosmetic product that did not meet our strict safety standards and this was immediately rectified. 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 Progress: Completed 2016

No products were launched during 2016 breaching this commitment.

8 FOCUS ON PRODUCT INGREDIENTS AND SAFETY

COMMITMENT 16

Continue sustainability review of ingredients used across our product portfolio. Incorporate formal review of Wellness raw materials by 2018.

Deadline: 2018 Progress: Updated 2016

100% of our current cosmetics raw materials have been sustainability reviewed and profiled. Focus is now on our Wellness products.

COMMITMENT 17

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

Deadline: Year on year Progress: Completed 2016

Our experts consistently monitor ingredient concerns – both from a regulatory and a consumer perspective. We have a governance process that strategically supports the brand, and this will be formalised going forward so that the business continues to make decisions about key ingredient topics.

COMMITMENT 18

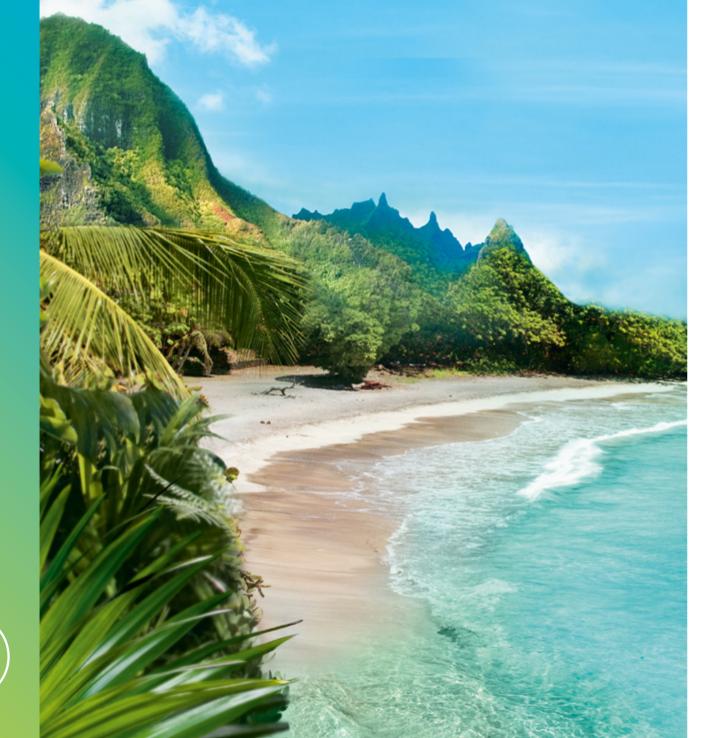
Continue to implement the Oriflame Product Safety Evaluation

Deadline: Ongoing Progress: Completed 2016





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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

- In 2016, 99% of our catalogue paper came from credibly certified forests
- We stopped more than 96% of our manufacturing waste from going to landfill in 2016.
- In the WWF palm oil scorecard 2016 Oriflame scored 9 out of 9 points, among industry best.
- We are continuously working to reduce impact focusing on emissions to water from our products. For many years we have used biodegradable cleansing agents in our bodycare rinseoff products, and in 2016 we focused on launching complete biodegradable formulations for the 2017 Love Nature range.
- Our main office in Moscow was granted BREEAM In-Use certification in May 2016. The certification helps drive sustainable improvements through operational efficiency.
- In 2015, the Noginsk production site in Russia received Silver certification using the LEED® for New Construction rating system. In addition Oriflame's new Wellness facility in Roorkee, India received Gold certification under the LEED® for New Construction rating system.
- Since 2010, we have cut our carbon dioxide emissions by 32%.
 In 2016 absolute emissions were stable compared to 2015 while relative emissions decreased by 4%.
- In the CDP 2016 climate change evaluation Oriflame was awarded a score B – reflecting our actions to reduce carbon emissions and mitigate the business risks of climate change.

 Oriflame achieved a score A, Leadership for timber, and a score B, Management for palm oil, in the CDP's forests program, a recognition of our actions to source forest based products responsibly.

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.

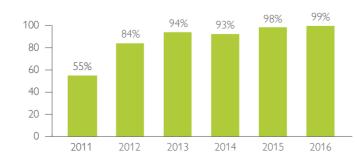
Progress on paper

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 2016, we were able to trace 99% 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 material 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 sustainable palm oil* by physical supply chain. While in the past we have been restricted in moving forward quickly towards our target due to, among other things, lack of availability of certified sustainable derivatives, our plan now is to accelerate our uptake as we get closer to our 2020 deadline.

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 2016, WWF gave us 9 out 9 on their Palm oil Scorecard, placing us with the best in our industry.
- In 2014 we started purchasing Mass Balance certified palm oil and in 2016 over 8% of palm oil products used in our finished goods was certified sustainable by Mass Balance (an increase from 4%** in 2015). We plan to increase the share of Mass Balance materials further during the coming years.
- We have participated in RSPO Conferences since 2011, and are currently
 a member of one standing committee and one working group within the
 organisation. We are recognised as a leading player 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.

**The method to calculate palm oil usage was updated during the year, resulting in adjusted 2015 results (previously reported 10%). The new externally audited calculations increase accuracy of volumes used and exact timings of usage. Full 2015 volumes were covered by RSPO approved supply chains.



Carbon footprint and

CLIMATE CHANGE

We are taking action to cut emissions across our business. By 2020, we want to cut Oriflame's CO₂ 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. All 16 years of the 21st century rank among the seventeen warmest on record, and the number of extreme weather events continues 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 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.

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, travel and transportation.

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

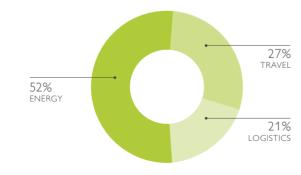
also regarding the scope of issues under consideration. We will continue to review the likely impacts of climate change on our business and supply model.

Results since 2010

By implementing a company-wide program, we reduced the emissions from Oriflame's operations by 32% since 2010. In 2016 emissions remained on a similar level compared to 2015.

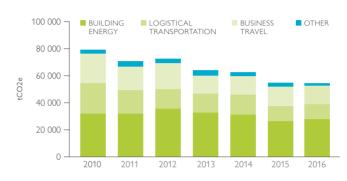
The emissions intensity measured as emissions per €M revenue (tCO₂e/ €M) was 43.4 in 2016, a reduction of 17% since 2010. Compared to 2015 the ratio decreased by 4%. The emissions per square meter (tCO₂e/m²), an indicator of energy efficiency, decreased by 2% compared to 2015 and by 35% since 2010.

Emissions breakdown 2016



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

Carbon emissions, 2010-2015



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 more than 54% 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.
- 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 52% since 2010. (This helped saved us €5.5 million between 2010 and 2016.)
- We are improving our transportation routes, and focusing on reducing our air shipments. This also includes increasing the share of shipments directly from suppliers to Oriflame markets' warehouses.
- 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 39% reduction in the number of total pallets shipped since 2010, 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 targets. Initiatives include developing lower energy processing tech-

niques, upgrading lighting and lighting control, improving heating and ventilations systems and focusing on better building insulation.

Finally, we are continuously working to increase our share of renewable energy across the business with the long-term ambition to achieve 100% renewable energy in Oriflame owned buildings. During 2016 43% of total electrical consumption, and 20% of energy use in manufacturing came from renewable sources. The drop of renewable energy consumption over time is mainly due to the divestment of our Swedish facility which ran primarily on renewable electricity.

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.

The results of this study have helped 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. New targets for reducing water usage at our sites have now been set for 2020.

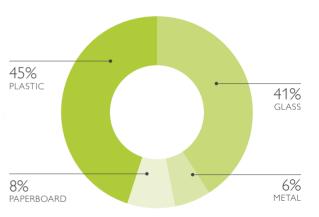
Another important focus area raised by the study is the biodegradability of our ingredients. Many beauty products end up in the water system – in particular, rinse off products like shower gel and shampoo. We have already committed to using only biodegradable cleansing ingredients in our personal care products and the findings of our study are helping us prioritise how to strengthen this commitment further, for example by phasing out specific ingredients. We have strengthened our efforts and during 2016 we focused on developing fully biodegradable formulas for a key upcoming launch, and of course we continued to use only natural origin scrub beads in our exfoliating developments.



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. 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.

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.

Towards zero waste to landfill

By 2020, we plan to send zero waste to landfill across our manufacturing – in 2016 96% of our waste avoided landfill, the vast majority going to recycling. 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.



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 certifying all our new construction and major renovations. In 2015 our new Manufacturing facility at Noginsk, Russia was awarded a LEED® Silver certification using the LEED® for New Construction rating system. The same year our new Manufacturing sites at Roorkee, India received Gold certification under the LEED® for New Construction rating system. The project incorporated many innovative measures focusing in particular on water and energy efficiency and included the installation of roof mounted solar panels.

Our main office in Moscow was granted BREEAM In-Use certification in May 2016. The certification helps drive sustainable improvements through operational efficiency.

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 2016 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 ${\rm CO_2}$ scope – and have seen a significant decrease in emissions from travel since 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.



GOALS & COMMITMENTS

Drive environmental SUSTAINABILITY

10 SOURCE RENEWABLE AND SUSTAINABLE MATERIALS WHENEVER POSSIBLE

COMMITMENT 20

Source 100% certified sustainable palm oil by physical supply chain by 2020.

Deadline: 2020 Progress: On track

We continued to take steps in supporting the production and usage of sustainable oil palm products. In 2016 over 8% of oil palm products used in our finished goods was certified sustainable by Mass Balance (up from 4%* in 2015). The remaining usage was covered by GreenPalm Credits.

COMMITMENT 21

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

Deadline: Ongoing Progress: Completed 2016

We purchased GreenPalm credits to cover our full 2016 volume.

COMMITMENT 22

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

Deadline: 2020 Progress: On track

In total, all paper and board surveyed in 2016 showed a compliance rate of 99%. We will keep working to ensure that 100% of our paper is proven acceptable by our policy.

*The method to calculate palm oil usage was updated during the year, resulting in adjusted 2015 results (figure previously reported 10%). The new externally audited calculations increase accuracy of volumes used and the exact timings of usage. Volumes for full-year 2015 were covered by RSPO-approved supply chains.

COMMITMENT 23

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

Deadline: 2016 Progress: Completed 2016

In the annual supply chain analysis of our catalogue suppliers we found that 99% 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.

COMMITMENT 24

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

Deadline: 2016 Progress: Completed 2016

The analysis of our supply chain for display packaging cartons and leaflets purchased during full year 2016 showed that 97% of the material was certified by FSC. By the end of 2016 all material purchased was coming from FSC certified sources.

11 REDUCE EMISSIONS TO AIR

COMMITMENT 25

Reduce CO₂ emissions from global Oriflame operations by 50% by 2020.

Deadline: 2020 Progress: On track

During 2016, the total greenhouse gas emissions from our operations remained on a similar level in absolute terms and decreased by 4% in relative terms. Since our base year 2010, absolute emissions are down by 32% and relative emissions by 17%.

Reduce CO₂ emissions from factories by 15% by 2020.

Deadline: 2020 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 in Poland is from 100% certified renewable sources. Our new Wellness factory in India is getting part of its electricity from solar panels. Since 2015 CO₂ emission decreased by 1% per unit while absolute emissions increased by 12%.

COMMITMENT 27

Reduce energy use in factories by 15% by 2020.

Deadline: 2020 Progress: On track

Numerous initiatives to reduce energy consumption were implemented in 2016, e.g. improved technical processes. The energy consumption per unit decreased by 8% while absolute figures increased by 4%.

COMMITMENT 28

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

Deadline: 2018 Progress: On track

During 2016 43% of total electrical consumption, and 20% of energy consumption at Oriflame factories came from renewable sources, similar levels to 2015.



GOALS & COMMITMENTS



COMMITMENT 29

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

Deadline: Ongoing Progress: Completed 2016

Only biodegradable cleansing ingredients are used in our Personal Care developments. To further strengthen our ambition to reduce our impact on water we developed biodegradable formula for our new Love Nature range.

COMMITMENT 30

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

Deadline: 2014 Progress: Completed

In 2016 we continued to use only natural origin scrubs - such as olive stone, fruit seeds and silica – in all of our exfoliating products. We stopped manufacturing older products with plastic microbeads at the end of 2016.

B REDUCE SOLID WASTE

COMMITMENT 31

Reduce waste disposed at all our factories by 15% by 2020.

Deadline: 2020 Progress: On track

We have reduced the waste produced per unit by 22% since 2015. In absolute terms this represents a decrease of 12%.

COMMITMENT 32

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

Deadline: 2020 Progress: On track

In 2016, approximately 96% of all waste produced at Oriflame's factories avoided ending up in landfill.

COMMITMENT 33

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

Deadline: Year on year Progress: More to do

A large share of our offices and service centres offer recycling facilities to employees and Consultants. The most common materials to recycle are paper, carton, plastic and glass. We need to further investigate how to increase share of facilities offering recycling and also how to increase usage of these facilities.

PREDUCE IMPACT FROM ORIFLAME ACTIVITIES, EVENTS, PROJECTS & FACILITIES

COMMITMENT 34

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

Deadline: Ongoing Progress: Completed 2016

Oriflame's main office in Moscow was granted BREEAM In-Use certification in May 2016. The certification helps drive sustainable improvements through operational efficiency.

COMMITMENT 36

Reduce water use at all our factories by 15% by 2020.

Deadline: 2020 Progress: On track

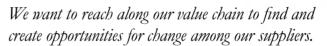
The water consumption per unit decreased by 22% since 2015, while absolute consumption decreased marginally.







SUSTAINABL



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 Finished Goods sourcing closer to our main sales markets, primarily CIS and India, and support them by sourcing packaging and raw materials locally.
- During 2013, Ecovadis supplier rating tool was launched to strategic suppliers. The trial results were positive, and the tool has been further rolled out to more key suppliers since then. More than 92% of our Finished Goods suppliers currently use the 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 agreement with Oriflame. With the implementation of a new Global Procurement Policy in 2016, each regional suppliers are also requested to sign our Code of Conduct to entering business with Oriflame.
- With regard to our accessory supply chain, in 2016, Oriflame audited 20% of global direct and global second tier accessory suppliers.

Love Nature

Oriflame's SUPPLY CHAIN

Oriflame produces close to 50% of cosmetic products in-house with manufacturing sites located in Poland, Russia, India and China. External suppliers in Western and Central Europe, Russia and Asia produce the majority of the remaining products, including cosmetics, accessories and wellness products. Through 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 2016 we continued to increase 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. In addition we kicked-off a China sourcing project to support our growth in China.

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 assess our suppliers on a range of sustainability criteria. All global suppliers are part of this program, and join 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, sustainability performance is taken into consideration. A risk evaluation process also includes considerations on human rights issues such as child and forced labour.

Supplier assessment tool

During 2013 Ecovadis supplier rating tool was launched to strategic suppliers. The trial results were positive, and the tool has been further rolled out to more suppliers since then.

This 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, they are flagged for a physical audit and we make sure that we work with them and provide the support for them to improve and achieve acceptable levels.

More than 92% of our Finished Goods suppliers, currently use the assessment tool.

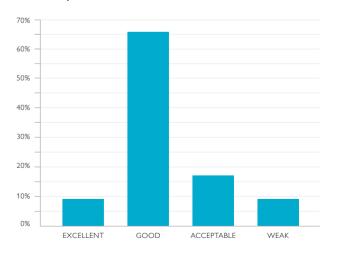
Accessories from Asia

When evaluating our supply chain, we concluded that our main risk suppliers are accessory suppliers located in Asia. For these 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 key trading houses to evaluate their systems and processes. We conduct regular review meetings to ensure continual improvements and discuss main findings from audits. A limited amount of accessories are developed locally and we are currently working to put processes in place to ojectively verify that quality and sustainability parameters at these local suppliers are in line with our Supplier Code of Conduct.

Audits of suppliers in 2016

In 2016, Oriflame audited 20% of global direct and global second tier accessories suppliers. During this year we also started rolling-out supplier audits to our main cosmetics suppliers in India. Total audit results have improved considerably compared to 2015. Focus in the past years has been on working together with suppliers to reduce non-conformances, and many re-audits were performed during 2016. We can also see positive results of collaborating with our trading houses to align expectations on second tier suppliers. Currently we are re-evaluating the scoring criteria and methodology for reporting our non-compliances, and therefore we are unable to show the compliance results for 2016. Chemical safety, Working hours and wages, 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



60



ABOUT THIS report

Oriflame has a strategy for becoming a more sustainable company which includes communicating openly on our commitments and progess. During the last years, we have increased our reporting gradually and we published our first separate Sustainability Report in 2014.

This Sustainability Report covers material sustainability strategies, activites and performances for the company Oriflame Holding AG (called Oriflame in this report) during the period January 1 to December 31, 2016, unless stated otherwise. Franchise operations are not covered in this report. This report was published on Oriflame's website, www.oriflame.com, on May 23, 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 2016. 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. This methodology has been reviewed and approved by an external party, SGS, which also conducted a limited assurance review of our logistics and manufacturing emissions, in accordance with the requirements set by the CDP.

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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