



Welcome to L'Oréal's 2009 Sustainable Development Report

BUSINESS

INNOVATION

PRODUCTION

CONSUMPTION

TALENT

COMMUNITIES



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BUSINESS



We are committed to sustainable growth.

A robust scientific approach, a constant quest for innovation, a taste for real challenge and a commitment to diversity and to the environment. These are the foundations of our sustainability strategy.

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Jean-Paul Agon,
Chief Executive
Officer



“ Our world is changing dramatically. At L'Oréal we are transforming ourselves and are integrating sustainable development at every level of the business. ”

BUSINESS

Chairman and CEO message

The adventure of L'Oréal is the story of a socially responsible company. Being a profitable company and a global leader in our field also means being a company that sets an example.

In 2009, we again renewed our efforts regarding sustainable development and made further tangible, quantifiable progress. For the third consecutive year, therefore, L'Oréal is recognised by Corporate Knights as among the 100 most sustainable companies in the world.

The first pillar of our sustainable growth is seeking the total satisfaction of our consumers by remaining constantly alert to expectations and earning trust through the quality, efficacy and safety of our products. Each year, we market around 5 billion products to over 1 billion consumers across the world. We never forget that it is our consumers who are the major stakeholders in the group's continuing success.

The second pillar is sustainable innovation. This is evident in the commitment of our laboratories to integrate eco-design approaches and apply the principles of green chemistry, which allows us to develop our products using the most environmentally friendly processes.

L'Oréal is also cultivating a responsible approach to the sourcing and use of raw materials that respect biodiversity and take into account the challenges of fair trade. 40% of the group's raw materials are of plant origin. By working closely with suppliers, we are able to minimise impacts at supply chain level. The group also recently created a laboratory specialising in natural and organic products, and already markets over 70 organically certified products across all distribution channels.

Our third pillar is an extremely deep-rooted commitment to protecting the environment. For more than 20 years, our eco-responsibility standards have always been ahead of the times. And there is no let-up in our efforts. This year we inaugurated our first carbon-neutral production site, totally powered with green energy. All the plant's electricity – and more – is produced on-site through a process of biomethanisation, using agricultural waste.

But we wanted to go even further and with this in mind we have solemnly undertaken to cut our CO₂ emissions, water consumption and waste by half, by 2015. It is by setting highly ambitious, long-term, quantitative targets for three key indicators that L'Oréal confirms its leadership role.

Our fourth pillar rests on our ethics and values. These are the basis for the trust placed in us and guarantee the permanence of our company. Throughout the year, as in previous years, we implemented our policy to maintain a high level of awareness among employees about ethical issues. One example was our Ethics Day, when L'Oréal directors took part in a live webchat on our intranet. Approximately 10,000 employees logged on and submitted more than 900 questions.

A distinction received this year from the Ethisphere Institute – which rated our group as one of the "World's Most Ethical Companies" among several thousand companies in more than 100 countries



"L'Oréal has been a signatory to the UN Global Compact (UNGC) since 2003. We remain committed to its 10 Principles and provide our [Communication on Progress](#) in this report."

2009

A year of tangible advances in every area of sustainable development:

- [Sustainable innovation](#)
- [Environment](#)
- [Social contribution](#)

↓ 50% by 2015

A year of major commitments on the environment:

- [Greenhouse gas emissions](#)
- [Water](#)
- [Waste](#)

Reductions will be calculated on a like-for-like basis, 2005–2015.



– endorses L'Oréal's promotion of ethics as part of a corporate culture that is built on humanist values and individual fulfilment.

Our fifth pillar is citizenship. Wherever the group operates, we seek to make a genuine long-term contribution and play our part in making a more beautiful world. Reflecting this purpose, we used our Centenary in 2009 as a moment for sharing and turning to others, and to convey the message globally that L'Oréal is committed to promoting the interests of communities everywhere. To mark this, each of our subsidiaries was invited to support a citizenship project. In total, 100 projects, each a long-term commitment and each involving employees, have been rolled out to bring tangible, effective support to local communities.

Finally, also for our Centenary, the L'Oréal Corporate Foundation set itself the task of increasing knowledge and understanding of human beauty, and of sharing this widely. The Foundation initiated a major social sciences study resulting in a reference work entitled 100,000 Years of Beauty. This highly ambitious project brings together more than 300 authors of 35 nationalities – all artists or experts in 20 different disciplines including history, anthropology, sociology and philosophy.

The work of these researchers and authors has revealed the enduring interest of human beings in our appearance, across all civilisations and cultures, from earliest times to the modern day. This demonstrates the crucial role played by beauty throughout human history: proof that our market, the beauty market, is an eternal one.

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BUSINESS

The world's leading cosmetics group

23 international brands each with annual sales of more than 50 million euros.

About L'Oréal

A sense of ethics, a concern for sustainable development, solidarity with local communities, and an eagerness to look ahead to tomorrow's world. Welcome to L'Oréal.

L'Oréal as a business

- 1st cosmetics group worldwide
- 17.5 billion euros of sales in 2009
- 130 countries
- 64,600 employees
- 674 patents registered in 2009

L'Oréal and the economy

L'Oréal generated 17.5 billion euros of sales in 2009 and our investments in tangible and intangible assets amounted to 628 million euros. Our worldwide procurement spend is approximately 1 billion euros a year.

L'Oréal as an employer

The safety and wellbeing of employees is paramount. We are equally committed to providing a workplace where talent can flourish and where our employees can be part of a stimulating, diverse and multicultural community.

L'Oréal and the environment

Although L'Oréal's environmental impact is low in relative terms, we have undertaken to limit it further through an ambitious reduction programme targeting greenhouse gas emissions, water consumption and waste generation. Our commitment goes further than limiting impacts. We actively promote the environment, and aim to strike the right balance between natural and man-made (chemical) ingredients when choosing and developing new formulae.

L'Oréal in the community

L'Oréal believes that by meeting people's beauty needs we can make a difference to wellbeing and self-esteem. Through the L'Oréal Corporate Foundation, we look for ways to increase our positive social impact even further, and invest a multiannual budget of 40 million euros in programmes that bring tangible benefits to communities around the world.

150

L'Oréal products are sold every second



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BUSINESS

The world's leading cosmetics group

L'Oréal brands are pushing back the boundaries of cosmetics

L'Oréal group brands

L'Oréal has 23 international brands (international brands with annual sales of more than 50 million euros). The group also owns 50% of Galderma, the world's leading dermatological company.

CONSUMER PRODUCTS

The Consumer Products Division offers the best in cosmetics innovation at accessible prices in all mass-market retailing channels (hypermarkets, supermarkets and drugstores) on every continent.

L'Oréal Paris
www.lorealparis.com

Take care.
GARNIER
Garnier
www.garnier.com

MAYBELLINE
NEW YORK
Maybelline New York
www.gemey-maybelline.com

SOFTSHEEN-CARSON®
Softsheen Carson
www.softsheen-carson.com

LE CLUB DES
CRÉATEURS DE BEAUTÉ
Club des Créateurs de Beauté
www.ccbparis.fr

PROFESSIONAL PRODUCTS

The privileged partner of hairdressers, the Professional Products Division distributes its products in hair salons all over the world. It supports them in every facet of their development, and offers them high-level education. Its portfolio of differentiated brands meets the needs of all kinds of salons.

L'ORÉAL
PARIS
PROFESSIONNEL

REDKEN
5TH AVENUE NYC

KÉRASTASE
PARIS

L'Oréal Professionnel
www.lorealprofessionnel.com

MATRIX
IMAGINE ALL YOU CAN BE

Matrix
matrix.com

Redken
www.redken.com/international

 **PUREOLOGY**
serious colour care

Pureology
www.pureology.com

Kérastase
www.kerastase.com/dispatch

shu uemura

Shu Uemura Art of Hair
www.shuudemuraartofhair.com

MIZANI.


Mizani
www.mizani-usa.com

KÉRASKIN
ESTHETICS


Kéraskin Aesthetics
www.keraskin-esthetics.com

LUXURY PRODUCTS

The Luxury Products Division brings together a unique set of brands, focusing mainly on three major business segments: skincare, make-up and fragrances. Its brands are sold through selective distribution not only in department stores, perfumeries and travel retail outlets, but also in freestanding stores and through e-commerce websites.

LANCÔME
PARIS

Lancôme
www.lancome.com

GIORGIO ARMANI
PARFUMS

Giorgio Armani
www.giorgioarmanibeauty.com

YVES SAINT LAURENT

Yves Saint Laurent
www.ysl.com

BIOThERM 

Biotherm
www.biotherm.com

RALPH LAUREN

Ralph Lauren
www.ralphlauren.com

Kiehl's
SINCE 1851

Kiehls
www.kiehls.com

shu uemura

Shu Uemura
www.shuuemura.com

HR
HELENA RUBINSTEIN

Helena Rubinstein
www.helenarubinstein.com

cacharel

Cacharel
www.cacharel.com

DIESEL

Diesel
www.diesel-parfums.com

VIKTOR & ROLF

Viktor & Rolf
www.viktor-rolf.com



Roger & Gallet
www.roger-gallet.com

BOUCHERON
PARIS

Boucheron
www.bdeboucheron.com



Yue Sai
www.yuesai.com

STELLA/McCARTNEY

Stella McCartney
www.stellamccartney.com

Ermenegildo Zegna

Ermenegildo Zegna
www.zegnaparfums.com

ACTIVE COSMETICS

The Active Cosmetics Division distributes its products worldwide in all types of health channel, primarily through pharmacies, drugstores, medi-spas and, in some countries, dermatologists. Its unique portfolio of five brands covering all consumers' health and skincare needs, and its privileged partnership with health professionals, have made the division world number 1 in dermocosmetics.

VICHY
LABORATOIRES

Vichy
www.vichy.com

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

La Roche-Posay
www.laroche-posay.com

innēov

Inneov
www.inneov.com

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE

Skinceuticals
www.skinceuticals.com

SANOFLORE
LABORATOIRE BIO

Sanoflore
www.sanoflore.net

THE BODY SHOP

Founded in 1976 in the United Kingdom by Dame Anita Roddick, The Body Shop is well known for its strong ethical commitment and its products based on natural ingredients. More than 65% of them contain Community Trade ingredients, sourced primarily from suppliers in marginalised communities, representing a unique approach in the cosmetics industry. The Body Shop has a network of 2,550 stores in 63 countries.



The Body Shop
www.thebodyshop.com

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BUSINESS

Almost all L'Oréal's sales are in cosmetics

97% of consolidated sales in 2009

Economic affairs

As an international business, L'Oréal is committed to sustainable, responsible growth through a strong business model underpinned by our core values. We aim to create value over the long term for the largest possible number of stakeholders who have an interest in our business and its success.

Review of 2009

As well as marking the centenary of L'Oréal, 2009 was an extremely challenging year due to an unprecedented economic crisis. Despite this, the group weathered the storm well to confirm its position as the world leader in beauty. L'Oréal accelerated in every field, with one clear objective: to quickly expand its consumer base.

2009 was a year of transformation and adaptation. The pace of innovation increased across the group, with clear momentum evident in L'Oréal Consumer Products Division as well as record conquests of new hair salons, a gradual return to strong growth in the Rest of the World zone countries, and large market gains across all Divisions.

Despite the unfavourable context, L'Oréal succeeded in posting solid, good quality results that were extremely close to those of 2008. We have improved gross profit margin, increased research expenses and advertising and promotion expenses, and reduced selling, general and administrative expenses. Furthermore, the group generated record cash flow. Its balance sheet is solid and financial debt reasonable.

We introduced three major strategic changes to prepare for the future: the broadening of our consumer base with the target of winning a billion new consumers worldwide, a thorough transformation of the company to make it stronger and more flexible, and finally, a determined increase of investment in research, advertising and promotion to accelerate future growth.

A solid market

In 2009, the global cosmetics market proved resilient in the context of the economic crisis. It grew by approximately 1%* over the year, illustrating the strength of consumers' attachment to beauty products. Over the course of the last 15 years, the market recorded an annual average growth rate of 3.9%, excluding currency effects.

* Excluding soap, toothpaste and razors. 2009 provisional estimates. Based on estimates of the worldwide cosmetics market updated in 2009. Source: L'Oréal estimates, manufacturer selling prices.



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- > Localised production

Key facts

€17,473m

Consolidated sales

€1,997m

Net profit excluding non-recurrent items after minority interests ⁽¹⁾

€5,389m

Advertising and promotion

€3,517m

Total payroll and benefits

€76m

Interest on debt

€676m

Total corporate income taxes

€609m

Research & Innovation investment

(1) Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets and restructuring costs.

See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Reference Document (pages 27 to 29).


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 Sustainable growth

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 L'Oréal Finance

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BUSINESS

64,643 employees

of 100 different nationalities

Sustainable growth

In 2009, there was an accelerating shift in the global cosmetics market towards what L'Oréal now calls New Markets. Emerging countries advanced strongly, confirming their impetus as a global growth relay.

Almost unlimited potential

Today, people living in emerging countries consume on average 10 times fewer cosmetics products than those in developed countries. With a constantly growing GDP, this level should rise very quickly. This set of countries, which accounts for more than 85% of the world's population, already represents 50% of the global cosmetics market – and is continuing to increase. The shift in the global cosmetics market is happening now.

The acceleration in the New Markets zone is spectacular. Its share in the group's sales has doubled every 10 years, reaching 33% in 2009, and will probably represent more than half our sales in less than 10 years.

This is a fundamental change in the history of our company. L'Oréal today reaches some 1.2 billion consumers around the world, but most of them are in the developed world. This figure may double over the coming years through the winning over of new customers, primarily in the emerging countries. These new markets are distinctive in terms of their diverse and rich social representations of beauty. Winning consumers over in these countries is at least as much of a technological challenge as a question of sensibility and openness.

This solid development potential is underpinned by two other trends: the growth in the number of seniors and the upsurge in the men's market – both of which will contribute to a robust market in the years to come.

Responsible growth

The group ensures healthy long-term geographic and sector-based balance for its brands and increases the rate of its international expansion through a highly selective acquisition policy.

Localised production

The group's growth is never achieved at the expense of a responsible attitude: by manufacturing locally, we contribute to local economic development, applying the principles outlined in our Code of Business Ethics.

Investments

L'Oréal applies the highest standards of quality and innovation in the creation of its products. To ensure total satisfaction of our consumers, this involves significant investment in technology, both in production and in our R&I (Research and Innovation) facilities.



"2010 is the first year of a new phase of expansion for L'Oréal, bolstered by a new strategy and a historic opportunity: the shift of the cosmetics market towards the new markets."

Jean-Paul Agon,
Chief Executive Officer

38

factories worldwide

130

countries

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BUSINESS

Commitment to shareholders

L'Oréal aims to establish and maintain a relationship with its shareholders built on trust and open dialogue.

Shareholder relations

The loyalty of its shareholders is one of the great strengths of our group, and an essential requirement for the implementation of a long-term strategy.

Active financial communications

L'Oréal arranges numerous events for shareholders in order to provide opportunities to strengthen these relationships. The group has increased the number of meetings with individual shareholders: more than 10 shareholder meetings were organised in France, as well as visits to factories and laboratories, and L'Oréal also participated in the Actionaria convention.

In total, L'Oréal financial communications representatives met 7,300 individual shareholders in 2009 and a significant number of institutional investors.

L'Oréal received an award for its shareholder and social responsibility at the first-ever "Grand Prix des Actions" ("Shares Grand Prix"), organised by the French financial magazine *Mieux Vivre Votre Argent* in partnership with Vigeo, an independent agency specialising in corporate social responsibility.

Creation of the Individual Shareholder Consultation Committee

At the start of 2010, the group created a new Individual Shareholder Consultation Committee. The committee, a forum for regular, open and in-depth dialogue between L'Oréal and its individual shareholders, will enable a clearer understanding of shareholder expectations, while constantly increasing the relevance and effectiveness of our initiatives for individual shareholders.

Rewarding the loyalty of L'Oréal shareholders

Since the Annual General Meeting of April 27th, 2009, L'Oréal has been one of the few CAC 40 companies to offer a loyalty bonus. A preferential dividend of +10% is thus offered to all holders of registered shares - whether directly or managed - for at least two years*, to reward those who support the company in a long-term perspective. Shares held in registered form enable L'Oréal to get to know its shareholders better, and to offer them more advantages. The number of shareholders signing up for registered shares increased very sharply up to the end of the year.

* The preferential dividend is subject to a limit of 0.5% of the share capital per shareholder. The first preferential dividend will be paid in 2012 on the dividend for 2011, for shareholders who have continuously held registered shares—whether directly or managed—from December 31st, 2009 until the payment date of the dividend after the Annual General Meeting of 2012.



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€1.50 per share

Dividend approved at Annual General Meeting on April 27th, 2010

€879m

Distribution to shareholders



Transparent reporting


After analysing over 1000 CSR reports in 23 industries and 43 countries, The Sethi International Center for Corporate Accountability (SICCA) ranked L'Oréal's last Sustainable Development report in first place in its sector and among the top six reports in all industry sectors. The [Sethi CSR Monitor Report \(PDF\)](#) is a systematic approach that aims to meet the need of investors and other stakeholders for objective guidance.

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Francis Quinn,
Sustainable
Development Director



“ For L'Oréal, the strategic challenge in a rapidly changing world is to create sustainable growth. ”

BUSINESS

Sustainability strategy

By the very nature of its products, L'Oréal understands the precious value of natural resources. We aim to strike a balance between natural capital and manmade capital, which is key to our sustainable growth. Our commitment to sustainability goes further than respecting the environment and biodiversity; we must meet our economic goals and social responsibilities too.

Growing responsibly

After a century in existence, L'Oréal has grown from a single brand to become the world's leading beauty company. This growth is built on lasting values of integrity, responsibility and respect, bringing us recognition from markets and stakeholders as one of the world's most sustainable businesses.

A rigorous scientific approach has driven our progress and continues to guide the way ahead. The cosmetics industry has always had the capacity to strike a balance between natural capital and manmade (chemical) capital in the selection and formulation of ingredients. That expertise puts our industry in pole position for sustainable growth.

Growing sustainably

The world is changing rapidly and the challenge is no longer to arbitrate between the three constituents of sustainable development – economy, environment and society, but rather to deliver sustainable growth. At L'Oréal, our strategy for sustainable growth is based on two main objectives.

The first involves **the strategic management of our raw materials** – to provide a sustainable supply secured with respect towards the environment and the communities where they are sourced.

The second goal is to continue to **optimise key intangible value drivers** that affect reputation, market share and long-term success. These include L'Oréal's diversity of talent and leadership, relationships of trust with stakeholders, and intellectual property.

Key sustainable development targets to 2015

50%

reduction in greenhouse gas emissions

50%

reduction in waste generated per finished product

50%

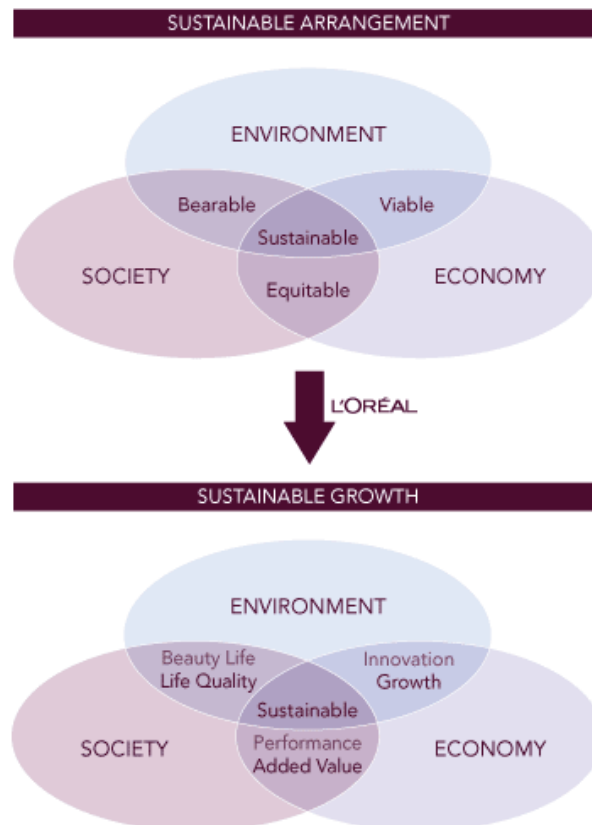
reduction in water consumption per finished product

Reductions will be calculated on a like-for-like basis (2005–2015).

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▶ In Close-Up: Make-up



Sustainable development is often described as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs". When the definition was coined in 1987, sustainable development was generally seen to involve a compromise between three constituents – economy, environment and society – in order to achieve a "sustainable arrangement" at best.

Today though, in this rapidly changing world in search of a new paradigm, the strategic challenge is no longer to make compromises on how to manage these three constituents but rather to deliver sustainable growth. To meet the challenge, L'Oréal considers sustainable development as a driver of innovation and growth, not a business limitation. Our strategy is based on:

- the integration of sustainable development principles into business, innovation, products and processes,
- equitable and sustainable business that respects the environment and that delivers economic performance while at the same time meeting our societal responsibility,
- a commitment to optimising intangible value drivers, particularly human and intellectual capital, and stakeholder relations.

Seizing opportunities in a changing world

As we progress our ambition to double our consumer base in the next 10 years, a sustainable approach becomes even more essential. Tomorrow, Chinese, Indians, Brazilians and Indonesians will together form the majority of our customers, profoundly changing the profile of our consumer base.

Our capacity to grow responsibly and sustainably depends on meeting societal challenges as well as raising the bar on environmental performance. We will do this by continuing to anticipate evolving markets and also by understanding and responding to the rapidly changing societies our markets are rooted in.

At L'Oréal, sustainable development is a driver for responsible growth and a source of inspiration for our brands.

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BUSINESS

Managing environmental and societal challenges

L'Oréal's success relies on knowledge of a rapidly changing world

Sustainability topics

Why is an ageing society significant for L'Oréal and its consumers? How do we approach biodiversity challenges? What is our position on scientific breakthroughs such as adult stem cell research? These and other key sustainability topics have been identified through active engagement and consultation with our stakeholders.

Each topic has been analysed, both in terms of stakeholder concern and its relevance to the company, and mapped on the grid below. Click on a topic to download a factsheet summarising L'Oréal's approach to these challenges.

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BUSINESS

13 worldwide evaluation centres

researching beauty needs and product performance

Active engagement

To identify and address the sustainability topics of concern to our stakeholders and that are relevant to L'Oréal, we draw on opinion and knowledge from a variety of sources, proactively engaging both internally and externally.

Understanding consumers, markets and societies

L'Oréal's has 13 dedicated evaluation centres focused on understanding consumers' beauty expectations in different socio-economic and cultural contexts around the world. In the 50 countries where L'Oréal has a subsidiary, more than 1.5 million contacts with consumers were recorded.

Our people: creating the L'Oréal of tomorrow

L'Oréal believes that employee fulfilment is a fundamental driver of economic performance. As well as sharing its business vision with employees, L'Oréal believes that it is essential to engage employees in the group's sustainability vision. In 2009 employees were invited to take part in 100 citizen projects worldwide, launched as part of the group's centenary celebrations. L'Oréal regularly seeks the opinions of its employees through the PULSE survey, which will be conducted again in 2011.

Leadership, collaboration and support

We pursue our leadership role and share progress on sustainability through a variety of memberships and collaborations including:

- Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE), a European business network for the development and exchange of corporate social responsibility tools and knowledge,
- CSR Europe, a European business network for corporate social responsibility with around 75 multinational corporations,
- Carbon Disclosure Project, a global network of organisations committed to addressing climate change,
- The Conference Board, a US-based organisation that creates and disseminates knowledge to help companies engage in exemplary corporate citizenship,
- World Business Council for Sustainable Development (WBCSD), a CEO-led, global association dealing exclusively with business and sustainable development,
- Global Business Coalition (GBC), dedicated to fighting against HIV/AIDS, TB and malaria,
- United Nations Global Compact (UNGC) – L'Oréal has been a signatory to the 10 principles of the UNGC since 2003,
- Forest Footprint Disclosure Project (FFDP), which engages with businesses to help them understand their 'forest footprint'. L'Oréal was named as sector leader in the

MORE...

In this report...

- ▶ Shareholder relations

2009 FFDP index for responsible sourcing of cardboard and palm oil.

Additionally, we:

- Support academic research, including sponsorship of the Chair in Bioplastics at École des Mines, Paris, to study alternative materials for packaging,
- Participate in leading industry forums and networks,
- Actively and openly discuss sustainability topics with interested parties, including environmental advocacy groups, charitable partners and suppliers.

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BUSINESS

In Close-Up: Make-Up

The use of make-up is deeply rooted in cultures and civilisations throughout the world. Far from masking natural beauty, make-up is used to enhance and reflect personal and collective identity as well as contributing to a sense of self-esteem and wellbeing.

WHAT GOES IN?

▶ **Raw materials – responsibly sourced**

40% of ingredients used by L'Oréal are of natural origin. When sourcing these, L'Oréal takes into account issues of fair trade and respects traditional know-how and existing uses of a raw material by local populations.

▶ **Expert knowledge**

L'Oréal's worldwide Research & Innovation (R&I) laboratories develop make-up products based on rigorous science. R&I experts determine the ingredients that go into L'Oréal formulas in order to optimise the performance of a product and to assess its safety in use, including interaction with the skin.

▶ **Care for the environment**

Make-up has very limited environmental effects, due to the nature of the products and how they are used. Before considering a new raw material, L'Oréal carefully assesses any potential impacts that might be associated with its use.

▶ **Talented employees**

L'Oréal's researchers and scientists are at the forefront of brand innovations in make-up. 80% of these teams are women, and there are 30 different nationalities in our Research & Innovation network, reflecting the diversity of the



WHAT COMES OUT?

▶ **Value for customers**

Through the history of civilisation, make-up has been an important attribute of identity and has helped to reinforce social bonds. Make-up also helps vulnerable individuals to restore their self-confidence at various life stages, especially when affected by traumas.

▶ **A successful business**

Make-up is an iconic part of the cosmetics industry. It represents a turnover of almost 3.5 billion euros for L'Oréal and is a strong growth area in emerging markets.

▶ **Value beyond cosmetics**

Make-up offers people the option to conceal serious skin disorders such as loss of pigmentation, permanent scarring following an accident, or discolouration. The psychological and physical effects of certain medical treatments can also be relieved through the use of make-up, so helping patients to regain a sense of wellbeing.

Rules and laws

In developing its products and in every other activity, L'Oréal complies with all the international regulations governing the cosmetics industry.

Integrity, responsibility and respect

Make-up ingredients are comprehensively and scientifically evaluated by L'Oréal for their performance and safety, as well as for any potential environmental or societal impacts.

Ethics

L'Oréal brands are trusted by consumers around the world for safety and performance, and L'Oréal as a company is recognised for its longstanding commitment to responsible, ethical business.

Diversity

To meet beauty needs, L'Oréal has developed in-depth geocosmetics knowledge – the many different characteristics of skin and hair, and consumers' beauty customs and expectations in every part of the world.

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BUSINESS

100 new citizenship projects

launched in 2009
www.citizenprojects.loreal.com

Our commitments

Beauty plays a fundamental role in society, connecting people and creating wealth. In a world of change, remaining true to core values is the basis for building growth over the long term. This means fulfilling our beauty promise, making sustainability an integral part of all that we do and acting on our commitments.

Sustainable growth

Ensuring long-term, value-creating growth for the largest possible number of stakeholders participating in L'Oréal's success.

- Our economic contribution includes a total shareholder return of 13.94% over 20 years.* During the same period, the CAC 40 increased by 6.5% per year.**
 * Initial capital multiplied by 14.93 in 20 years.
 ** Reinvested dividends; source: Datastream.
- In 2009, 193 million euros of profits were shared with employees. ✓

Doing business responsibly and ethically

Advancing business ethics, human rights, corporate responsibility, anti-corruption and sustainability.

- L'Oréal's dedicated Ethics department engages with all employees, providing support and training in our Code of Business Ethics.
- L'Oréal features in all major benchmarks of responsible companies, including Ethisphere's "Most Ethical" index.

Sustainable innovation

Innovating responsibly and ethically, by integrating sustainable development principles into research and development.

- More than 3,000 research employees from 60 nationalities form part of the group's dynamic and diverse R&I (Research & Innovation) teams.
- L'Oréal has developed new ways to exploit cosmetics performance potential with no compromise on safety.

Respect for the environment

Committing to absolute reductions in our footprint where these are possible, and being an advocate for the environment.

- Our long-term greenhouse gas emissions reduction target goes further than those set by governments.



"Most Ethical"

L'Oréal has once again been included in the Ethisphere Institute's "Most Ethical" index, which comprises 100 major companies. Ethisphere, a leading international think tank, evaluated a record number of entries, amounting to thousands of businesses in more than 100 countries and 36 industries.
www.ethisphere.com



A UNGC signatory since June 2003

MORE...

In this report...

- ▶ UNGC Communication on Progress
- ▶ Ethics

L'Oréal only selects new plant-based ingredients that meet internationally recognised biodiversity criteria.

Respect for employees

Fostering the personal fulfilment of employees and safeguarding health and safety at work.

- L'Oréal is committed to excellence in the safety performance of all our sites.
- L'Oréal has a longstanding commitment to promoting diversity as a core value, as reflected in national diversity charters and our Code of Business Ethics.

Respect for suppliers

Creating long-term partnerships with suppliers based on mutual respect and transparency.

- L'Oréal audits suppliers' sites applying the same high standards used in our own factories.

Respect for consumers

Providing innovative products, guaranteeing excellence, and marketing products responsibly.

- L'Oréal upholds the UDA principles and other codes of responsible advertising and is a member of the Anti-Corruption Commission of the International Chamber of Commerce.

Respect for communities

Being an exemplary corporate citizen.

- L'Oréal launched 100 social projects throughout the group in 2009, representing a significant long-term commitment to the sustainable development of communities all around the world.

 Data reviewed by PricewaterhouseCoopers.

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BUSINESS

Our commitment

L'Oréal has been a signatory to the United Nations Global Compact since 2003. (Photo: L'Oréal Executive Committee)

UN Global Compact

Our commitment

L'Oréal has been a signatory to the United Nations Global Compact since 2003 and is a member of the French network of the Global Compact (Forum des Amis du Pacte Mondial).

Communication on Progress

L'Oréal is committed to supporting and implementing, within its sphere of influence, the ten fundamental principles relating to human rights, labour standards, the environment and the fight against corruption.

We work closely with the following major associations and institutes to advance practices and exchange learning:

- Anti-Corruption Commission of the International Chamber of Commerce,
- Global Council on Business Conduct, The Conference Board,
- Ethics and Compliance Officers Association,
- International Business Ethics Institute,
- Institute of Business Ethics,
- Cercle d'Ethique des Affaires.



HUMAN RIGHTS

Principles	Commitment	Systems	Actions (2009)	Performance (2009)
	A statement of specific commitments.	A description of policies, programs and management systems used to address each principle.	A description of practical actions taken during the reporting period.	A description of the impact of systems and tangible outcomes of actions.
Principle 1: Business should support and respect the protection of internationally proclaimed human rights.	L'Oréal supports the United Nations' Universal Declaration of Human Rights. In particular, L'Oréal wants to help end the exploitation of children in the workplace and the use of forced labour, ensure that workers' rights are respected and promote diversity. More: Diversity	L'Oréal's human rights policy is outlined in our Code of Business Ethics (PDF) . Employees may contact the group Director of Ethics via a dedicated and secure website if they have a concern on human rights issues. A strict no-retaliation policy applies	L'Oréal subsidiaries throughout the world were encouraged to increase the level of communication and training on ethics-related issues, including human rights issues.	95% of Countries have communicated to employees on at least one ethics-related subject (+10% from 2008) 56% of
Principle 2:				

<p>Business should make sure that they are not complicit in human rights abuses.</p>	<p><u>Social Responsibility audits</u></p>	<p>for concerns raised in good faith. More: <u>Ethics</u></p> <p>Staff are trained on human rights issues through the group's ethics training courses. More: <u>Ethics</u></p> <p>L'Oréal's monitoring system includes the regular auditing by third party auditors of all its own plants and distribution centres as well as suppliers and subcontractors. More: <u>Group Audit programme</u> <u>Supplier Social Responsibility Audits</u></p> <p>L'Oréal's annual ethics reporting system is used to assess the group's performance with regards human rights. More: <u>Human rights</u></p>		<p>Countries have communicated on 5 ethics-related subjects or more (+19% from 2008)</p> <p>89% of Countries have organised local training on at least one ethics-related subject (+4% from 2008)</p> <p>56% of Countries* have organised local training on 5 ethics-related subjects or more (+12% from 2008) More: <u>Databank</u></p>
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LABOUR

Principles	Commitment	Systems	Actions (2009)	Performance (2009)
	<p>A statement of specific commitments.</p>	<p>A description of policies, programs and management systems used to address each principle.</p>	<p>A description of practical actions taken during the reporting period.</p>	<p>A description of the impact of systems and tangible outcomes of actions.</p>
<p>Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>L'Oréal supports the fundamental principles of the United Nations Universal Declaration of Human Rights and the Fundamental ILO Conventions.</p> <p>In particular, L'Oréal wants to help end the exploitation of children in the workplace and the use of forced labour, ensure that workers' rights are respected and</p>	<p>All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which namely include an undertaking to comply with ILO C87 and C98 Conventions on freedom of association.</p>	<p>A <u>Responsible Restructuring policy (PDF)</u> was issued.</p> <p>The agreement with the French and European trade unions FECCIA and EMCEF that established our <u>European Works Council (IEDS/EWC)</u> in 1996 was most recently revised in 2009. The IEDS/EWC has 30 members from various European countries, who receive regular training on economic and labour-related issues. A new consultation procedure was also introduced, which applies to transnational projects involving local consultation procedures in at least two countries.</p>	<p>In France, there are 90 bodies with well over 500 employee representatives.</p> <p>Our revised agreement with FECCIA and EMCEF regarding our European Works Council represents an important advance, and aims to reinforce social dialogue at L'Oréal while remaining a step ahead of legislation.</p> <p>In most countries, L'Oréal's minimum salary levels are significantly higher than the legal minimum wage (at the national or regional level or as determined by</p>

	promote diversity.			collective bargaining agreements) – for example, in Portugal 72% higher; Colombia 41% higher; Taiwan 19% higher; and India 18% higher.
Principle 4: Business should uphold the elimination of all forms of forced and compulsory labour.		All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which namely include an undertaking to comply with ILO C29 and C105 Conventions of the ILO on the abolition of forced labour. More: Supplier Relations	In 2009 the L'Oréal Social Responsibility supplier audits programme was extended. 436 audits of suppliers' sites were carried out worldwide in 2009, totalling more than 2,148 to date.	28% of non-conformities in supplier sites audited by L'Oréal relate to working hours, and 26% of non-conformities relate to compensation and benefits.
Principle 5: Business should uphold the effective abolition of child labour.		All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which namely include an undertaking to comply with ILO C138 and C182 Conventions of the ILO on the prohibition of child labour. More: Supplier Relations L'Oréal has set the minimum age of 16 for all its employees. The Body Shop is a signatory of the Ethical Trading Initiative which sets a minimum age of 15. Employees aged 16 to 18 also benefit from special attention. All L'Oréal entities are required to check the age of employees upon hiring.	In 2009 the L'Oréal Social Responsibility supplier audits programme was extended. 436 audits of suppliers' sites were carried out worldwide in 2009, totalling more than 2,148 to date.	9% of non-conformities in supplier sites audited by L'Oréal relate to child labour. More: Audit results
Principle 6: Business should uphold the elimination of discrimination in respect of		All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which	Key diversity actions (PDF)	Key diversity outcomes (PDF)

employment and occupation.		namely include an undertaking to comply with ILO C100 and C111 Conventions on equality.	
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ENVIRONMENT

Principles	Commitment	Systems	Actions	Performance
Principle 7: Business should support a precautionary approach to environmental challenges.	L'Oréal has a longstanding commitment to environmental protection and climate change mitigation, as defined in the group's Environment, Health and Safety (EHS) policy. More: Production	L'Oréal uses internationally recognised systems including ISO 14001 for environmental management. More: Environmental management	L'Oréal has set itself the target to cut by half, by 2015, its CO ₂ emissions, water consumption, and waste (reductions will be calculated on a like-for-like basis, 2005–2015). More: Production	Except in energy consumption, the group achieved absolute reductions in water consumption, transportable wastes generation, greenhouse gas emissions, sulphur dioxide, volatile organic compounds, and in our index of wastewater quality. We are also pleased to have achieved our safety target. More: Databank
Principle 8: Business should undertake initiatives to promote greater environmental responsibility.	To protect and promote biodiversity, since 2005 L'Oréal's approach has been in accordance with the objectives of the Convention of Biological Diversity and the recommendations of the Convention on International Trade in Endangered Species of Wild Fauna and Flors (CITES). More: Biodiversity	Our worldwide EHS audit programme assesses progress and compliance with our policies and standards, and audits are also carried out at supplier sites. More: Audit programme		
Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.	L'Oréal is committed to operational efficiency and manufacturing excellence and has invested significantly in state-of-the-art facilities and technologies that contribute significantly to our environmental programme to achieve absolute reductions, where possible, in our footprint. In research and innovation, we have an ongoing commitment to sustainable development through product eco-design, the application of "green chemistry" principles in formulation processes, and an increasing expertise in organic and natural products sourced with respect for the environment.			

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Commitment and Policy			
Basic Reporting Elements		Desired Reporting Elements	
B1	L'Oréal supports the fight against corruption, abides by the United Nations Convention against Corruption and is	D1	L'Oréal's Code of Business Ethics publicly states a zero-tolerance policy to corruption, except in rare cases where an

	committed to be in compliance with all relevant laws, including anti-corruption laws. This commitment can be found in L'Oréal's Code of Business Ethics on the corporate website.		employee's safety could be at stake. The anti-corruption policy contained in the Code of Business Ethics applies to all employees, officers and directors of the group and our subsidiaries worldwide.
B2		D2	L'Oréal abides by the United Nations Convention against Corruption and is a member of the Anti-Corruption Commission of the International Chamber of Commerce. More: Anti-corruption
		D3	A practical tool enables Country Managers to evaluate and analyse their possible ethical risks, namely covering corruption, in order to formulate a corrective action plan, if necessary. Countries are encouraged to carry out this assessment on an annual basis and to check for progress made upon their corrective action plan, if any. More: Anti-corruption
		D4	L'Oréal's Code of Business Ethics covers issues such as bribery and facilitation payments, conflicts of interests as well as gifts and entertainment. The Code of Business Ethics is given to all new employees and is available in 43 languages on L'Oréal's corporate website. Other policies such as L'Oréal's Purchasing Code and Fundamentals of Internal Control also address these issues.
		D5	Work in progress

Implementation

Basic Reporting Elements		Desired Reporting Elements	
B3	Country Managers are responsible and accountable for the implementation of L'Oréal's anti-corruption policy. They can call upon the Office of the group Director of Ethics for assistance and on their internal and external legal resources. The elements of L'Oréal's anti-corruption programme are detailed below and include communication, training and monitoring. More: Anti-corruption	D6	Work in progress
B4	L'Oréal's anti-corruption policy is supported at the highest level and namely by L'Oréal's CEO. For example, employees were able to ask Mr. Agon questions on these subjects during the live webchat on the Code of Business Ethics with which took place during the Company's Ethics Day in October 2009. More: 2009 highlights	D7	Human Resources procedures supports L'Oréal's anti-corruption commitment via the ethical competency "Obtain results with integrity" which is included in the annual appraisal system for all staff.
B5	There is regular communication on Ethics at L'Oréal which covers anti-corruption commitments. In particular, a day is set aside every year to ensure continued awareness on ethics: Ethics Day. The central event is a live webchat with L'Oréal's CEO on the Code of Business ethics accessible to all staff around the world. More: 2009 highlights Moreover, bribery and facilitation payments, gifts and entertainment and conflicts of interests are addressed in our ethics training courses. More: Ethics	D8	
B6	The Company's Internal Audit teams are particularly vigilant on this subject and corruption risks are systematically	D9	Concerns and questions can be reported without fear of retaliation in line with L'Oréal's Open Talk policy and namely

	covered during internal audit missions.		through the L'Oréal Ethics Open Talk website which provides a secure mechanism for raising concerns directly with the group Director of Ethics. More: Ethics
		D10	The Company's Internal Audit teams are particularly vigilant on this subject and corruption risks are systematically covered during internal audit missions.

Monitoring			
Basic Reporting Elements		Desired Reporting Elements	
B7	Country Reporting Ethics, our annual ethics reporting system, helps monitor the group's ethical performance on this subject. Each Country receives a report which allows them to see how they compare to other entities with regards the implementation and monitoring of ethical issues, including anti-corruption. More: Anti-corruption	D11	L'Oréal is a member of the Anti-Corruption Commission of the International Chamber of Commerce.
		D12	Work in progress
		D13	All incidents are thoroughly investigated and corrective measures are taken if necessary in line with L'Oréal's Open Talk policy. More: Databank
		D14	N/A
		D15	N/A

 Data reviewed by PricewaterhouseCoopers.

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BUSINESS

Bringing ethics alive online

L'Oréal employees asked 900 questions at an Ethics Day live webchat with our CEO, Jean-Paul Agon (near right).

Ethics

L'Oréal is built on three fundamental values: respect, integrity and the pursuit of excellence, supported by courage and transparency. L'Oréal's commitment to act in an ethical and responsible manner is summarised in a document called "The L'Oréal Spirit".

Ethics and sustainability

Ethics is at the heart of L'Oréal's commitment towards sustainable growth. "The L'Oréal Spirit" forms the framework for L'Oréal's policies with regards to corporate governance, environmental stewardship, health and safety, social affairs and diversity, supplier relations, sustainable innovation, corporate consumer responsibility and philanthropy.

L'Oréal's Code of Business Ethics

The Code of Business Ethics, available in 43 languages, is the reference document for ethics within L'Oréal. It applies to all employees, officers and directors of the group and subsidiaries worldwide. All employees receive their own personal copy.

The Code of Business Ethics was first issued in 2000. In 2007, the Code was updated with the help of employees from 22 countries via international working groups in Asia, Europe, North America and Latin America. The Code was then validated by each Country Manager, Human Resources Manager and local counsel to make sure it was applicable locally. To underline the importance of this document, L'Oréal's Chairman and Chief Executive Officer both signed the foreword, and the introduction is signed by the entire Management Committee.

The Code of Business Ethics is regularly reviewed in order to improve it, if necessary. Employees are encouraged to give their feedback on the Code.

Country Managers are responsible for ensuring that the Code of Business Ethics is respected at local level.

The group Director of Ethics

The group Director of Ethics reports directly to the Chief Executive Officer.

His role includes promoting and integrating ethical best practices across the group, providing help in ethical making decision-making, training employees and addressing any possible complaints.

The group Director of Ethics regularly measures and assesses results and provides periodic reports to the Chief Executive Officer and the Executive Committee.

The group Director of Ethics has access to all the information and documentation relating to L'Oréal's activities and can call upon all the company's resources to carry out his mission.

The Office of the group Director of Ethics is ISO 9001 certified.

MORE...

At L'Oréal.com...

- ▶ Interview with L'Oréal's Director of Ethics
- ▶ Our Code of Business Ethics

Open Talk

Employees are encouraged to raise their concerns with their management. Additional resources are available in certain countries such as Human Resources, Ethics Correspondents, staff representatives, grievance procedures or helplines. Employees may also contact the group Director of Ethics via a dedicated and secure website. A strict non-retaliation policy applies for all concerns raised in good faith.

Ethics and performance management

L'Oréal employees are appraised not only on their results but also on the way such results are obtained. Two ethical competencies are now part of L'Oréal's appraisal system worldwide – "Act/Lead with human sensitivity" and "Obtain results with integrity".

Ethics and restructuring

L'Oréal's sustainable growth is the best guarantee for its employees. In order to achieve this objective, L'Oréal must continually adapt itself to its environment. This can give rise to restructuring, particularly given the current difficult economic climate.

Any decision likely to affect the job and working life of employees is taken only after careful consideration. Our values of respect and integrity guide us in such situations. We communicate in a clear and regular manner to make sure that our employees are fully informed and ensure an on-going dialogue with our employees and staff representatives. When redundancies prove unavoidable, we aim to maintain employment by supporting employees in their professional reorientation, in particular through internal redeployment or solutions adapted to each individual situations.

External initiatives

L'Oréal is a signatory of the United Nations Global Compact since June 2003 and a member of the French network of the Global Compact (Forum des Amis du Pacte Mondial).

L'Oréal also works closely with the following major associations and institutes:

- Anti-Corruption Commission of the International Chamber of Commerce,
- Global Council on Business Conduct, The Conference Board,
- Ethics and Compliance Officers Association,
- the Ethics Resource Center,
- International Business Ethics Institute,
- Institute of Business Ethics,
- Cercle d'Éthique des Affaires.



DATABANK

- > Ethics Progress Report
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External recognition

L'Oréal is rated as one of the "Most Ethical Companies in the World" (Ethisphere Institute).

BUSINESS

2009 highlights

Ethics Day

In order to ensure continued awareness on Ethics, a day is set aside every year (Ethics Day).

In 2009, the theme for Ethics Day was the Code of Business Ethics' Open Talk policy (encouraging employees to ask questions and raise possible concerns). The central event was a live webchat with L'Oréal's CEO on the Code of Business Ethics accessible to all staff around the world from their workstation.

Countries organised local events including meetings with Country Managers, local webchats on ethics, games and quizzes and the display of the Ethics Day webchat with the CEO on wide screens in meeting areas, staff restaurants, and so on.

Nearly 900 questions were sent in from employees throughout the world for the webchat. There were approximately 10,000 logons from workstations and given that most entities showed the webchat on wide screens, it is estimated that approximately 15,000 employees watched the session.

Employee feedback on the event was very positive and the webchat is now set to become an annual event.

L'Oréal named one of the "World's Most Ethical Companies" by the Ethisphere Institute

This nomination follows a record number of entries from thousands of companies in more than 100 countries and 36 industries.

Based on in-depth research and a multi-step analysis, the companies selected for this ranking have demonstrated exemplary behaviour in ethical commitment and positive engagement with local communities. The rankings of the "World's Most Ethical Companies" 2010 are available on Ethisphere's website: ethisphere.com/wme2010/

"L'Oréal for Ethics" Excellence Bursary

The "L'Oréal for Ethics" Excellence Bursary aims to support students who have chosen to include the study of business ethics in their vocational training. The winners are selected on the basis of their academic record, their financial needs and the quality of an essay, which this year was on the theme of "The importance of ethics in the global leaders of tomorrow".

The first "L'Oréal for Ethics" Excellence Bursary was awarded by Jean-Paul Agon, L'Oréal's CEO, to two students of the University of Cergy-Pontoise's European "Law and Business Ethics" Master's Degree, which L'Oréal contributed to launch in 2008.

Ethics in L'Oréal's appraisal system

The two ethical competencies "Act/Lead with Human Sensitivity" and "Obtain results with integrity", which had been included in the annual appraisal system for all managers are now being

ISO 9001 Certification

L'Oréal's Office of the group Director of Ethics is ISO 9001, To our knowledge, it is the first Ethics and/or Compliance Department to obtain this certification.

MORE...

At L'Oréal.com...

- ▶ Interview with L'Oréal's Director of Ethics
- ▶ Our Code of Business Ethics

extended to all staff thanks to the new HR policy "L'Oréal & Me"

Ethics Correspondents

18 Ethics Correspondents were nominated in the group's major countries to support Country Managers in deploying L'Oréal's Ethics Programme and to serve as a local ethics resource for staff. By the end of 2010, there should be an Ethics Correspondent in all Countries employing 300 staff or more.

IBE "Marketing Responsibly" publication

Convinced that successful brands are built on a relationship of trust with consumers, L'Oréal sponsored the Institute of Business Ethics' publication *Marketing Responsibly* in order to help raise awareness on the various ethical issues raised by marketing and advertising.

Responsible marketing is covered in L'Oréal's Code of Business Ethics.



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BUSINESS

"Stanley C. Pace Leadership in Ethics" Award

was received by L'Oréal CEO Jean-Paul Agon in 2008.

Ethics timeline

The timeline below indicates the history and progress of L'Oréal's ethical practices and achievements from 2003 to the 2010. Use the slider underneath the diagram to scroll to previous years.

2003

Signature of UN Global Compact

Reference to Fundamental ILO Conventions included in group's General Conditions of Purchase and Payment

2004

First Sustainable Development Report

Start of Supplier Social Audits Programme

2005

Country Reporting Ethics (annual reporting system)

2006

Social Audits of L'Oréal plants and distribution centres

2007

Nomination of a group Director of Ethics

New edition of the Code of Business Ethics

Introduction of 2 ethical competences in managers' appraisal system

L'Oréal named one of the "World's Most Ethical Companies" by Ethisphere

2008

Launch of L'Oréal Ethics Open Talk website (secure reporting mechanism to group Director of Ethics)

Ethics Risk Assessment and Analysis Tool begins to be deployed

L'Oréal sponsors the first European Masters Degree in "Law and Business Ethics"

Responsible Restructuring policy issued

L'Oréal CEO receives "Stanley C. Pace Leadership in Ethics" Award

2009

Ethics Day – worldwide live webchat with CEO

Nomination of Ethics Correspondents in 18 Countries

"L'Oréal for Ethics" Excellence Bursary

2 ethical competences included in all staff appraisal system

Office of group Director of Ethics certified ISO 9001

2010

L'Oréal named one of the "World's Most Ethical Companies" by Ethisphere

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BUSINESS

Our Code of Business Ethics

defines a practical approach to implementation of human rights

Human rights

Responsibility

L'Oréal's CEO has entrusted the group Director of Ethics with the responsibility of ensuring strict compliance with regards to human rights.

Policy and training

The subject of human rights is addressed in our ethics training courses and several chapters of our Code of Business Ethics are devoted to the practical implementation of human rights – in particular Health, Safety and Security, Diversity, Harassment and Bullying, Sexual Harassment, Privacy, Contribution to the Community and Supplier Selection and Fair Treatment of Suppliers.

Child labour

L'Oréal has chosen to set the minimum age of 16 for all its employees, which is higher than the minimum age set by the Fundamental Conventions of the International Labour Organization (ILO).

All L'Oréal subsidiaries are required to check the age of employees upon hiring. Waivers may be granted by the group Director of Ethics in countries where apprenticeship or after-school work programmes are the norm, but only if schooling is continued and an internal mentor is assigned.

Employees aged 16 to 18 also benefit from special attention; they are not allowed to work nights or overtime, handle dangerous machinery or carry heavy loads.

The Body Shop has set its minimum age at 15 pursuant to its being a signatory of the Ethical Trading Initiative.

Supply chain

L'Oréal seeks to ensure that human rights are respected throughout its supply chain. Through L'Oréal's Buy & Care programme, all our suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which include an undertaking to comply with the Fundamental Conventions of the ILO and local legislation – for example in terms of minimum wage, working hours and health and safety. Regular audits are carried out in order to monitor compliance.

Our own plants and distribution centres regularly undergo the same social responsibility audits that we impose on our suppliers and subcontractors. These are carried out by the same external auditors using exactly the same criteria.

Monitoring

Country Reporting Ethics, our annual ethics reporting system, covers all the themes covered in our Code of Business Ethics, providing us with a comprehensive analysis of initiatives carried out at country level and enabling us to assess the group's performance with regards to human rights.

Human rights policy

L'Oréal is preparing its human rights policy for publication in 2010.

MORE...

In this report...

- ▶ UN Global Compact
 - ▶ Ethics Progress Report
- At L'Oréal.com...
- ▶ Interview with L'Oréal's Director of Ethics
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- > Ethics communication to employees
- > Origin of ethical concerns submitted to the Director of Ethics
- > Nature of ethical questions to the Director of Ethics
- > Follow up of concerns submitted to the Director of Ethics
- > Ethics training

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BUSINESS

Responsible, ethical business
 A commitment at the highest level

Anti-corruption

L'Oréal supports the fight against corruption, abides by the United Nations Convention against Corruption and is committed to comply with all relevant laws, including anti-corruption laws.

Anti-corruption policy

L'Oréal's Code of Business Ethics publicly states a zero-tolerance policy on corruption, except in rare cases where an employee's safety could be at stake. It covers bribery and facilitation payments, conflicts of interests as well as gifts and entertainment.

The anti-corruption policy contained in the Code of Business Ethics applies to all employees, officers and directors of the group and our subsidiaries worldwide. Other policies such as L'Oréal's Purchasing Code and Fundamentals of Internal Control also address these issues.

This commitment is supported at the highest level and namely by L'Oréal's CEO who answered questions on these subjects during the live webchat with employees which took place during the Company's Ethics Day.

Implementation

Country Managers are responsible and accountable for the implementation of L'Oréal's anti-corruption policy. Human Resources procedures support this commitment via the ethical competency "Obtain results with integrity", which is included in the annual appraisal system for all staff.

Bribery and facilitation payments, gifts and entertainment and conflicts of interests are addressed in our ethics training courses.

Employees are encouraged to express any concerns in line with L'Oréal's Open Talk policy, and the L'Oréal Ethics Open Talk website provides a secure mechanism for raising questions or concerns directly with the group Director of Ethics.

Monitoring

The Company's Internal Audit teams are particularly vigilant on this subject and corruption risks are systematically covered during internal audit missions.

Country Reporting Ethics, our annual ethics reporting system, also enables us to monitor the group's ethical performance on this subject.

Risk Assessment

The Ethical Risk Evaluation and Analysis Tool helps L'Oréal Country Managers to evaluate their possible ethical risks (including corruption) and take corrective action if necessary.

MORE...

- In this report...
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BUSINESS

Transparency and responsibility

Our approach to corporate governance

Corporate Governance

An independent, available and vigilant board of directors.

The L'Oréal Board of Directors

The L'Oréal Board of Directors is a collegial body which collectively represents all the shareholders, and is bound by obligation to act in the best interests of the company in all circumstances. At the end of 2008, the Board of Directors considered that the recommendations of the Afep-Medef Code of December 2008 were in line with L'Oréal's corporate governance approach. This Code is therefore used by the company as its reference when drawing up the Chairman's Report on the conditions in which the Board's work is prepared and organised.

Find out more

See also Volume 2 of the Reference Document:

- Corporate governance (with the separation of the roles of Chairman and Chief Executive Officer): chapter 3, pages 106 and 107,
- Remuneration of the corporate officers: chapter 2, from page 77,
- Regulated Commitments: chapter 2, pages 81 and 82.

Balanced allocation of roles and responsibilities

In 2006, the Board of Directors decided to separate the roles of Chairman and Chief Executive Officer, with a clear definition of the responsibilities of each of them, described in the Internal Rules of the Board (see the 2009 Reference Document, from page 130).

During its meeting on Monday, February 15th, 2010, the Board decided to continue this separation and renew the tenure of Sir Lindsay Owen-Jones as Chairman and that of Mr Jean-Paul Agon as Chief Executive Officer at its meeting to be held at the end of the Annual General Meeting of April 27th, 2010, subject to the renewal of their terms of office as directors. The Board chose this course of action after noting, during the annual evaluation of its modus operandi, that the separation of the two functions has proven entirely satisfactory.

Directors with a complementary range of experience

The directors of L'Oréal come from different spheres; they complement each other in respect of their diverse professional experience and expertise, and they have a good knowledge of the company. The directors are present, active and closely involved. These are all assets for underpinning the quality of the Board's deliberations and the preparation of its strategic decisions. The directors are independent in their thinking, have a duty of vigilance, and exercise complete freedom of judgement. This freedom of judgement enables them in particular to participate in a totally independent way in the decisions and work of the Board and its Committees.

The Board of Directors of L'Oréal comprises 14 members: the Chairman and the Chief Executive Officer, six directors from the majority shareholders, three of whom represent Mrs Bettencourt's

Governance of sustainability issues

L'Oréal's progress on sustainability is driven by a Sustainable Development Steering Committee, which is responsible for strategy and implementation. It is made up of managers from the different divisions of the company and is chaired by Francis Quinn, the Director of Sustainable Development. The Steering Committee reports to the Executive Committee for Sustainable Development, which is chaired by the Chief Executive Officer, Jean-Paul Agon, and is made up of the five functional Executive Vice-Presidents, the Senior Vice-President in charge of External Relations and Public Affairs, and the Director of Ethics.

MORE...

In this report...

- ▶ Composition of Board of Directors
- ▶ Management of Environment, Health and Safety

At L'Oréal.com...

- ▶ Annual Report 2009

family group, and three of whom represent Nestlé (the two Vice-Chairmen of the Board being chosen from among these members) and six independent directors: Annette Roux, Charles-Henri Filippi, Xavier Fontanet, Bernard Kasriel, Marc Ladreit de Lacharrière and Louis Schweitzer. Mr Ladreit de Lacharrière has been a director of L'Oréal for more than 12 years, but his professional experience and his freedom of judgement, combined with his good knowledge of the company, make a considerable contribution to the Board's discussions and decisions.

Systematic annual self-evaluation

Every year, the Board reviews its composition, organisation and modus operandi. It considers the avenues of possible progress and makes any improvement that it considers appropriate. The Board met six times in 2009, with an average attendance rate of approximately 92%. The directors all attended the Annual General Meeting. In 2009, the Board of Directors devoted one whole day to analysing various strategic aspects. The presentations which were made and the ensuing discussions, in the presence of several senior managers, were followed by visits to a L'Oréal plant within the framework of the group's industrial strategy, and to a shopping centre to be able to judge the presence of the group's brands in all distribution channels.

Further progress has moreover been noted in the functioning of the Board Committees, whose preparatory work is increasingly extensive and thorough. Finally, in 2009 the Board was provided with regular information on the group's business activities, and, at the end of the year, the directors made new proposals for subjects to be discussed at their meetings in 2010.



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> Breakdown of shareholding structure

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BUSINESS

Composition of Board of Directors

at December 31st, 2009

Board of Directors

Sir Lindsay Owen-Jones⁽¹⁾

Age: 63. British. Joined the L'Oréal group in 1969. After starting his career in France, he was Chief Executive Officer of L'Oréal in Italy from 1978 to 1981 and President (CEO) of L'Oréal USA from 1981 to 1984. He was appointed Chief Executive Officer of L'Oréal in 1984, then Chairman and Chief Executive Officer in 1988, non-executive Chairman of the group since April 25th, 2006. L'Oréal Board member since 1984 (term of office renewed in 2006). Director and Chairman of the L'Oréal Corporate Foundation. Board member of Sanofi-Aventis and Ferrari (Italy).

Jean-Paul Agon

Age: 53. Joined the L'Oréal group in 1978. Following his international career as General Manager of Consumer Products in Greece, and of L'Oréal Paris in France, International Managing Director of Biotherm, Managing Director of L'Oréal in Germany, Managing Director of the Asia zone, President and CEO of L'Oréal USA, appointed Deputy Chief Executive Officer of L'Oréal in 2005 and then Chief Executive Officer in April 2006. L'Oréal Board member since 2006. Board member of the L'Oréal Corporate Foundation.

Jean-Pierre Meyers⁽²⁾⁽⁴⁾⁽⁶⁾

Age: 61. L'Oréal Board member since 1987 (term of office renewed in 2009⁽⁷⁾), Vice-Chairman of the Board. Nestlé SA (Switzerland) Board member.

Peter Brabeck-Letmathe⁽²⁾⁽⁴⁾

Age: 65. Austrian. With the Nestlé group since 1968, appointed General Manager in 1992, then Chief Executive Officer of Nestlé SA (Switzerland) in 1997, Vice-Chairman of the Board in 2001 and Chairman in 2005. L'Oréal Board member since 1997 (term of office renewed in 2009), Vice-Chairman of the Board. Vice-Chairman of the Board of Crédit Suisse Group (Switzerland), Board member of Roche Holding (Switzerland) and Delta Topco Limited (Jersey).

Liliane Bettencourt⁽²⁾

Daughter of Eugène Schueller, the founder of L'Oréal. L'Oréal Board member since 1995 (term of office renewed in 2007).

Françoise Bettencourt Meyers

Age: 56. Daughter of Mrs Bettencourt. L'Oréal Board member since 1997 (term of office renewed in 2009).

Werner Bauer

Age: 59. German. With the Nestlé group since 1990, appointed General Manager in 2002. L'Oréal Board member since 2005 (term of office renewed in 2009⁽⁷⁾). Board member of Alcon (Switzerland).

Francisco Castañer Basco⁽²⁾⁽⁶⁾

Age: 65. Spanish. With the Nestlé group since 1964, appointed General Manager in 1997. L'Oréal Board member since 1998 (term of office renewed in 2006). Board member and Vice-Chairman of Alcon (Switzerland).

Charles-Henri Filippi⁽⁵⁾

Age: 57. French civil service from 1979 to 1987. Worked for CCF (which became HSBC France in 2000) from 1987 to 2008. Chief Executive Officer of CCF in 1995, HSBC Group Executive Committee member from 2001 to 2004, Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board from September 2007 to December 2008. Chairman of Octagones and Alfina. L'Oréal Board member since 2007(8). France Telecom Board member, Supervisory Board member of Euris and Censor of Nexity.

Xavier Fontanet

Age: 61. Appointed Chief Executive Officer of Essilor in 1991, Vice-Chairman and Chief Executive Officer in 1995, Chairman and Chief Executive Officer from 1996 to 2009, Chairman of the Board of Directors since January 1st, 2010. L'Oréal Board member since 2002 (term of office renewed in 2006). Board member of Crédit Agricole SA and Fonds Stratégique d'Investissement (FSI).

Bernard Kasriel⁽²⁾⁽³⁾

Age: 63. With the Institut du développement industriel from 1970 to 1975. Chief Executive Officer of Braud from 1972 to 1974. Executive Vice-President of the Société phocéenne de métallurgie from 1975 to 1977. Joined Lafarge in 1977, appointed Deputy General Manager in 1982. Assigned to the United States from 1987 to 1989, appointed Vice-Chairman and Chief Executive Officer from 1989 to 2003, and then Chief Executive Officer from 2003 to 2005. L'Oréal Board member since 2004 (term of office renewed in 2008). Board member of Lafarge, Arkema and Nucor (United States). Partner of LBO France.

Marc Ladreit de Lacharrière

Age: 69. Member of the Institut. With L'Oréal from 1976 to 1991, former Executive Vice- President in charge of Administration and Finance, Deputy Chief Executive Officer from 1984 to 1991. Chairman and Chief Executive Officer of Fimalac. Chairman of Fitch (United States). L'Oréal Board member since 1984 (term of office renewed in 2006). Board member of the L'Oréal Corporate Foundation. Board member of Renault and Casino.

Annette Roux

Age: 67. Joined Bénéteau in 1964, Chairman and Chief Executive Officer from 1976 to 2005, Vice-Chairman of the Supervisory Board thereafter. L'Oréal Board member since 2007. President of the Bénéteau Corporate Foundation.

Louis Schweitzer

Age: 67. Joined Renault in 1986, Chairman and Chief Executive Officer from 1992 to 2005, Chairman of the Board until 2009. Chairman of the Board of AstraZeneca (United Kingdom). Chairman of the Supervisory Board of Le Monde group. L'Oréal Board member since 2005 (term of office renewed in 2009). Board member of BNP Paribas, Veolia Environnement and AB Volvo (Sweden). Member of the Consultative Board of Allianz AG (Germany).

Under the Articles of Association, the length of a L'Oréal director's term of office, which is renewable, is four years or less, to enable staggered renewal of the directors' terms of office.

Each director holds a minimum of 1,000 L'Oréal shares.

The full list of directors' offices and directorships, in accordance with legal requirements, is included in the Report of the Chairman of the Board of Directors (Vol. 2 of the Reference Document).

(1) Chairman of the Strategy and Implementation Committee.

(2) Member of the Strategy and Implementation Committee.

(3) Chairman of the Appointments and Governance Committee and the Remuneration Committee.

(4) Member of the Appointments and Governance Committee and the Remuneration Committee.

(5) Chairman of the Audit Committee.

(6) Member of the Audit Committee.

(7) The term of office of Mr Bauer and Mr Meyers was renewed for a period of three years to enable a

harmonious renewal of the directors' terms of office.

(8) Mr Filippi was co-opted as a member in November 2007 and appointed in 2008 for the remainder of the term of office of his predecessor, i.e. until 2010.

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BUSINESS

Actively involved committees

The Board's Committees act strictly within the framework of the remit given to them by the Board.

Board Committees

The Board's Committees act strictly within the framework of the remit given to them by the Board. They are actively involved in preparing the Board's work, and make proposals, but do not have any decision-making powers.

The Strategy and Implementation Committee

This Committee clarifies, through its analyses, the strategic orientations submitted to the Board, and monitors the implementation and advancement of significant operations in progress. It ensures that the main financial balances are preserved. In this context, the Committee reviews the main strategic lines of development, options and projects presented by the General Management, together with their economic and financial consequences, acquisition opportunities, and financial transactions that may significantly change the balance sheet structure.

The Committee met five times in 2009. Along with the constant and close review of the group's business activity and the analysis of markets and competitors, the Committee noted at the start of 2009 the economic contraction, and took note of the strategic decisions taken at a very early stage to tackle the difficult economic environment. On the proposal of the Committee, the Board encouraged the General Management to continue to introduce more accessible innovation, create major products, win market share in the field, and control industrial, administrative and commercial costs. Increased investment in research and advertising and promotion expenses, which are essential business drivers for the support and long-term development of the brands, was validated.

The Audit Committee

Without prejudice to the authority of the Board of Directors, this Committee is in particular responsible for monitoring the process of preparing financial information, the effectiveness of internal control and risk management systems, the auditing of the annual and consolidated financial statements by the Statutory Auditors, and the independence of the Statutory Auditors. Mr Charles Henri Filippi, L'Oréal director and a financial expert, is the Chairman of the Committee.

The Committee met four times in 2009, each time in the presence of the Statutory Auditors. The necessary documents were provided to it prior to the meeting concerned. The Committee considered that the work by the Internal Audit Department and the Internal Control process put in place, which it reviewed on several occasions particularly with regard to the risk aspects, are continuing to improve in quality. The Committee also reviewed the main items of the profit and loss accounts and the balance sheets, and the conditions of application of the Eighth Directive on Statutory Audit. In this respect, it noted that its modus operandi was in keeping with the text of the order of December 2008. The Committee also carried out hearings of the Statutory Auditors in connection with the renewal of their term of office in 2010.

The Remuneration Committee

The Appointments Committee takes charge of governance

The growing proportion of governance issues on the agenda for the Appointments Committee meetings has led the Board of Directors to rename it the Appointments and Governance Committee. The Committee's role in this capacity is to provide guidance to the Board for its decisions on the way in which the General Management's functions are exercised, and on the status of corporate officers, to discuss the basis of qualification for independent director status which is reviewed each year by the Board, and to prepare for the Board's decisions concerning amendments to its Internal Rules. The Rules were amended at the end of 2009 to incorporate the new recommendations of the Afep-Medef Code and the provisions of the Eighth Directive on Statutory Audit, particularly with regard to the functioning of the Audit Committee.

The main remits of the Remuneration Committee, in the context of the work of the Board of Directors, are to make proposals with regard to the remuneration of the Chairman of the Board and the Chief Executive Officer, to the amount of attendance fees to be submitted to the Annual General Meeting and the method of distribution of such fees, and to the implementation of long-term incentive plans, such as those providing, for example, for distributions of stock options or for free grants of shares.

The Committee met four times in 2009 to consider all these matters. After the closing of accounts it made proposals to the Board of Directors with regard to the remuneration of the corporate officers and the implementation of a plan relating to stock options and conditional allocations of shares to employees concerning a large number of people.

The Board approved the Committee's proposals.

The Appointments and Governance Committee

In addition to the complementary remits entrusted to it at the end of 2009 (see box, above right), the Appointments and Governance Committee's other remits consist of making proposals to the Board on the choice of directors, expressing an opinion on the Chairman's proposals for the appointment of the Chief Executive Officer, ensuring the implementation of a procedure preparing the succession plans for the corporate officers in the event of an unforeseen vacancy, and conducting the reflection process with regard to the Committees in charge of preparing for the Board's work.

The Committee met three times in 2009. As in 2008, it proposed that the Board should review the situation of each of its members on a case-by-case basis, in particular in light of the independence criteria set out in the Afep-Medef Code. In the 2009 Reference Document, the independent directors are clearly identified as such, in light of the criteria adopted by the Board. Furthermore, the Committee continued its work of very thoroughly studying the concurrent employee and corporate officer status of the Chief Executive Officer. It made a recommendation on this matter to the Board of Directors in early 2010. Lastly, the Committee considered the best way of providing for the regular renewal of the Board of Directors, and it proposed a new scheme for staggering the terms of office which was accepted by the Board, and which led to an amendment to the Internal Rules.

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BUSINESS



Among the world's top 100
of responsible, ethical companies

Ratings and awards

L'Oréal's sustainable development initiatives received widespread recognition in 2009.

- For the third year running, L'Oréal has been ranked one of the 100 most sustainable enterprises in the world by Corporate Knights magazine.
- L'Oréal is one of the top 10 companies most committed to reducing climate change according to Climate Counts, which each year assesses 90 consumer goods companies.
- L'Oréal was awarded the title of "Leader in the Personal and Household Goods sector" by the Forest Footprint Disclosure Project (FFD) for its responsible purchasing of cardboard and palm oil.
- The WWF also recognised L'Oréal's initiatives on palm oil, ranking us one of the top 10 companies for responsible sourcing and use.
- In its Brand Emissions Ratings, the University of Edinburgh ranked L'Oréal in the top three consumer goods companies for its efforts to reduce greenhouse gas emissions.
- The United States government agency EPA (Environmental Protection Agency) has recognised the measures taken by the L'Oréal plant at Piscataway in the United States to reduce its environmental impact.

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L'Oréal is listed in all the major sustainable development indexes, including FTSE4Good, ASPI Eurozone, Ethibel and the Global 100.



FTSE4Good



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INNOVATION



We open new frontiers.

At L'Oréal, we constantly search for new and better ways to meet diverse beauty needs and aspirations – while also enhancing wellbeing and safeguarding the environment. Because sustainable economic growth relies not just on a spirit of adventure but also a culture of respect.

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Amanda Chen,
Senior Laboratory
Manager



“ Tens of thousands of young scientists like me graduate every year in China, aspiring to break new ground in science and technology. ”

INNOVATION

Introduction

In the context of new and emerging legislation, rising societal expectations and worldwide environmental and health concerns, sustainable and responsible innovation is a priority for L'Oréal.

With this in mind, research teams are aligning their practices and adapting their projects as part of ongoing efforts to put sustainable development at the heart of research activities.

L'Oréal's innovation strategy is going through a fundamental transformation while observing three key values that guide our research work:

- Openness – producing and sharing pioneering knowledge, underpinned by dialogue with our stakeholders and partners;
- Ethics – designing products that perform well, that contribute to people's well-being and that respect the socio-economic environment, eco-systems and future generations;
- Responsibility – taking into account and preventing any impacts generated by ingredients and products throughout their life cycle.

Key achievements in 2009

Raw ingredients and formulas

- Demonstration of the cosmetic efficacy of essential oils
- Development and implementation of a raw materials roadmap
- Ongoing assessment of the endocrine disruption potential of ingredients
- Sustainability assessment extended to a further 250 raw materials
- Extension of predictive tools and methods
- Development of new sunscreen filter with reduced environmental impact
- Cosmébio organic certification obtained for dozens of formulas in various brands

Predictive safety assessment of raw ingredients and formulas

- Alignment with the 2009 regulatory framework, as a result of the integrated safety assessment strategy
- Presentation at the 7th World Congress on Alternative Methods to Animal Testing of L'Oréal's integrated strategy for safety assessment of ingredients and formulas for skin irritation

Expert knowledge of hair and skin

- Discovery of the skin proteome in collaboration with Laval University, Quebec, and St Louis Hospital, Paris
- Extensive study of hair growth and hair colour characteristics involving many thousands of consumers in 23 countries.

674 patents

registered in 2009.

€609 million

invested in research and innovation in 2009.

World-wide innovation

From its worldwide research laboratories and evaluation centres, L'Oréal creates brand innovations based on rigorous science, respect for people, and respect for the environment, to meet consumers' beauty expectations in every region of the world.

MORE...

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▶ In Close-Up: Alternative Methods

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▶ The science behind the products



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- > Research & Innovation budget
- > Research employees
- > Number of patents

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INNOVATION

3,313 employees and more than 60 nationalities

in L'Oréal Research & Innovation

Our approach

Our approach is based on an ongoing commitment to sustainable innovation.

I. Eco-design of products that respect the environment

1. A transversal and global eco-design approach
2. Revised processes for sourcing and selecting raw materials with regard to their impact
 - a) Development of the portfolio towards renewable raw materials with reduced impact
 - b) Sustainability Assessment Framework for raw materials
 - c) Extensive use of ecotoxicology testing
 - d) Taking biodiversity issues into account
 - e) Life Cycle Analyses (LCA)
 - f) Green chemistry, at the heart of eco-design

3. Revised formulation processes in the laboratory
4. Increasing expertise in organic and natural products
5. An approach that extends to the supply chain

- a) Taking the need for a fair return into account
- b) Fair trade

II. Safe and ethical products

1. Employee protection
2. Consumer protection
3. Developing a new approach to ingredient and formula safety assessment
4. Developing integrated tools based on in vitro predictive methods for the safety assessment of ingredients and formulas
 - a) Reconstructed tissue
 - b) Other predictive methods
 - c) Compliance with local safety assessment standards
 - d) Supplier training in alternative safety assessment

5. L'Oréal's position on substances that have been called into question

6. Taking ecotoxicology into account

III. Efficacy of products

1. Revising our approach to evaluating the efficacy of ingredients and formulas



Brand innovations in diverse markets

Garnier designs ranges of products inspired by the specific needs of consumers in each region of the world. For example, Fructis Stop Caída haircare in Mexico; Ultra Doux, with its new recipe for colour treated hair in Western Europe; Mineral Deodorant launched in Eastern Europe; Caffeine Eye Roll-on in Asia; and Garnier Men, a new men's skincare range in India.

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- ▶ Ethical and safe products
- ▶ Efficacy and diversity

2. Exploring new routes to innovation
3. Deepening knowledge of the contribution of cosmetics
 - a) Social science research
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4. Integrating diverse needs and expectations

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INNOVATION

RSPCA Good Business awards

The RSPCA has recognised L'Oréal's commitment to finding alternatives to animal testing.

In Close-Up: Alternative Methods

L'Oréal is committed to ending animal testing through alternative methods such as tissue engineering, in vitro tests, and the development of predictive methods. These represent new and promising possibilities in innovation.

WHAT GOES IN?

▶ **Raw materials - responsibly tested**

All new raw materials entering the L'Oréal portfolio have been tested for skin irritation on validated reconstructed skin models manufactured by Episkin and SkinEthic (RHE).

▶ **Expert knowledge**

Two major areas of expertise at L'Oréal are the development of tests using reconstructed human skin and corneas, and predictive methods based on mathematical tools. Our laboratories have contributed to most of the replacement methods accepted today in the cosmetics industry – including the tests on Episkin validated by ECVAM (European Centre for the Validation of Alternative Methods), which have become industry standards. Another alternative method – to test for eye irritation and allergic reaction – is being validated in Europe (due 2010). L'Oréal has initiated the European Partnership for Alternative Approaches to Animal Testing (EPAA) for the sharing of validated methods and scientific advances.

▶ **Care for alternative innovation**

L'Oréal is a pioneer in the development of reconstructed skin and alternative methods in cosmetics. Over 20 years, the group has invested 600 million euros: in international research centres, production sites (Episkin) and marketing

WHAT COMES OUT?

▶ **Value for consumers**

Consumer protection and consumer access to the best innovations are absolute priorities for L'Oréal. A large-scale, global programme in reconstructed tissue methods is developing assessment tools in response to the regulatory challenges of 2013, and identifying effective and reliable new ingredients. Developments include a new type of allergy testing using Langerhans cells; a partnership with Hurel in microfluidics; and, through COLIPA, external collaboration on predictive methods. In 2009, L'Oréal continued its involvement in the international programme, Tox Cast, piloted by the US Environmental Protection Agency.

▶ **Value for predictive innovation**

L'Oréal incorporates its know-how in reconstructed tissues in a predictive approach to identify new effective and safe molecules. In this way, the group develops alternative methods based on mathematical and in silico techniques. These can enable initial human use for molecules with a chemical structure close to that of an ingredient that is already known, so avoiding recourse to animals.

▶ **Value for business partnerships**

L'Oréal continues to provide training in alternative methods for key suppliers with the aim of enabling these tools to be incorporated



sites (SkinEthic). L'Oréal employs more than 100 scientists to work in this area of research at its advanced research facilities. New ingredients for L'Oréal and The Body Shop are systematically tested on different reconstructed tissue models.

by suppliers in the safety assessment of their ingredients. L'Oréal also works with suppliers to enhance *in vivo* / *in vitro* correlations: the ingredients retained are tested on reconstructed tissue systems.

► Value beyond cosmetics

L'Oréal's scientific knowledge has gone beyond the cosmetics industry and animal welfare – contributing, for example, to the improvement of skin grafts for burn victims and to cellular therapy for Xeroderma Pigmentosum, a rare genetic disease characterised by the body's incapacity to repair damage from sunlight, which leads to skin cancers, and whose young sufferers are sometimes described as "moon children".

Rules and laws

The 7th amendment to the European Cosmetics Directive, effective from March 2009, prohibits progressively the use of animal testing in Europe for the assessment of cosmetic ingredients.

Ethics

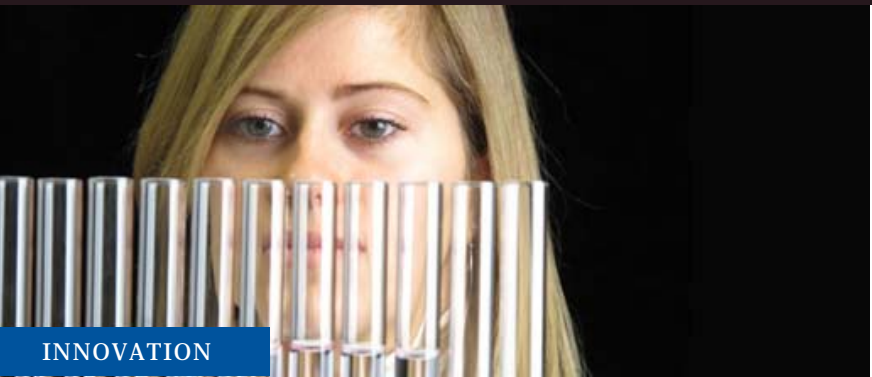
As early as 1989 – and 14 years before the European Directive (see left) came into force – L'Oréal ended the use of animal testing for the evaluation of its finished products. The ethical issues surrounding animal testing are not simple and could even be called an ethical trilemma because of three imperatives: the protection of consumer health and safety; the need for continuous innovation (enabling L'Oréal to ensure its long-term development); and the recognition that animal testing is not in keeping with L'Oréal's vision.

Diversity

L'Oréal aims to increase knowledge of skin diversity and to work on the design of new reconstructed skin models – reflecting our ambition to broaden our consumer base over the next 10 years. For example, we are partnering with the Institute of Medical Biology in Singapore, and L'Oréal's research centre in Shanghai is one of the largest centres outside Europe for reconstructed skin.

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INNOVATION

Reducing environmental impacts

through innovative approaches

Eco-design

A transversal and global eco-design approach.

L'Oréal's eco-design approach, which began several years ago, is at the heart of the Research Department's activities and forms an integral part of Research & Innovation processes at all stages.

In partnership with L'Oréal's suppliers, eco-design aims to reduce the environmental, ethical, social and societal impact of ingredients and end products, without affecting their performance.

Eco-design at L'Oréal is a global approach for cosmetic ingredient and formula design based on five key priorities, which address the main Sustainable Development issues associated with R&I activities:

- Human health and safety,
- Environmental protection,
- Respect for biodiversity,
- Social and societal impact,
- Fair trade.

This evolution involves routes to innovation, the selection of natural ingredients, processes of transformation (extraction, purification and biotechnologies) and assessment methods.

DATABANK

- > Research & Innovation budget
- > Research employees
- > Number of patents

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Fair for all

From the Pracaxi tree of Amazonian Brazil comes Pracaxi Oil, the main active ingredient of Kerastase's hair care product Oleo-Relax Slim. Clumps of seeds from the ripened beans generally lie unused where they fall, caught in tree branches along the margins of the Pará river. These are easily collected by gatherers and taken to a co-operative where they are traded, helping the local economy and providing an income alternative for 2000 families.

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INNOVATION

57% of raw materials

added to the portfolio in 2009 are plant-based

Raw materials

The sourcing and selection of raw materials with regard to their impact.

Development of the portfolio to include renewable raw materials with reduced impact

L'Oréal wishes to increase the use of renewable raw materials in its products. 57% of materials included in the portfolio in 2009 were obtained from plants, and 39% of these fully comply with green chemistry principles.

This proactive approach has in some cases enabled us to source plant-based alternatives to petrochemical raw materials: 70% of newly registered polymers are of plant origin. Certain synthetic polymers are therefore currently being replaced with polysaccharides.

In 2009, R&I also decided to no longer include raw materials containing D5 Silicone into its portfolio. We are working on identifying alternatives to D5 Silicone with fewer impacts but which offer the same performance, by exploring the potential of molecules or solvents of natural origin.

Raw materials impact assessment

A framework for assessing impacts, first developed in 2003, was applied to further raw materials in 2009. The framework aims to provide a better understanding of the overall impact of each ingredient, and suppliers of L'Oréal are closely involved in this approach.

In 2009, the framework was also extended to include a quantitative impact assessment and now takes into account challenges that are specific to each supply chain area concerned.

The objective for 2010 is to assess all new materials on the basis of this framework. Work is also continuing on raw materials already in use, with priority being given to the largest tonnages and to ingredients of natural origin.

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INNOVATION

Dedicated resources

L'Oréal has its own ecotoxicology laboratory, set up 15 years ago

Ecotoxicology

Extensive ecotoxicology testing.

Ecotoxicology is the study of environmental impacts from the use or presence of chemical substances.

L'Oréal has been able to draw on the expertise of its own in-house ecotoxicology laboratory for the last 15 years, which increased its screening and assessment capacity in 2009.

A profile of the raw material's environmental impact, based on PBT (Persistent, Bioaccumulative and Toxic) and vPvB (very Persistent and very Bioaccumulative) criteria, is systematically established well in advance and at high throughput, relying particularly on in vitro and in silico tools and by working closely with suppliers. This is one of L'Oréal's key eco-design approaches because it enables us, from the beginning of the process, to discard ingredients with an unfavourable environmental profile. All the raw materials in the portfolio have been evaluated on the basis of vPvB, and this is in progress for raw materials from new acquisitions of the group.

In 2009, all the raw materials registered by L'Oréal have a favourable environmental profile.

The environmental profile of each raw material is transmitted to the formulator who takes this into account in product design. In this way, the environmental quality of formulas is improved year on year.

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Towards environmental labelling of cosmetic products

L'Oréal plays an active role in the work of the French trade association FEBEA (Fédération des Entreprises de la Beauté), in defining a methodology and framework for the environmental labelling of fast-moving consumer goods such as shampoos. The ecological certification of a cosmetic product, via environmental labelling, is key to providing consumers with the clearest and most relevant information possible.

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INNOVATION

Working with plant experts

L'Oréal worked with the Musée d'Histoire Naturelle in Paris to check for potential impacts on biodiversity from use of plant-based raw materials.

Biodiversity

Taking biodiversity issues into account.

As part of its efforts in biodiversity preservation, since 2005, L'Oréal's approach to sourcing raw materials of plant origin has been in accordance with the objectives of the Convention on Biological Diversity and notably with the recommendations of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

The systematic analysis of biodiversity impacts is in place, managed through two approaches, which enable:

- the identification, in advance, of the potential issues associated with use of a plant (Plant Data Sheets). In 2009, this approach was also applied to the portfolios of raw materials of natural origin recently acquired by the group;
- the minimisation of impacts within the supply chain, by evaluating supplier practices using a set of criteria that includes "respect for biodiversity".

If the use of a plant entails a risk to biodiversity, an action plan is put in place to resolve this with the supplier in question, with facilitation from external third parties if required.

Palm oil

The production of palm oil has led to large-scale deforestation in the primary forests of the Southern hemisphere.

L'Oréal, conscious of its responsibility to contribute to the preservation of biodiversity and ecosystems, has been taking part in the Round Table on Sustainable Palm Oil (RSPO) since 2006, which works towards building responsible supply chains. An internal cross-disciplinary work group entitled "2010 sustainable palm oil" was also established.

L'Oréal, which uses approximately 300 tonnes of palm oil a year, committed until the end of 2010 to exclusively source sustainable palm oil, certified CSPO. The chosen certification guarantees that any palm oil contained in a given product has originated solely from plantations that have been certified as "sustainable" by the RSPO. From 2009, L'Oréal's suppliers – all members of the RSPO – provided L'Oréal with 100% certified oil.

L'Oréal was recently ranked in the top 10 of Responsible Users of Palm Oil by the WWF.



Lifecycle analyses

In 2009, R&I continued its programme of life-cycle analyses (LCA) of raw materials. It is focusing particularly on the use of potable water throughout the product life-cycle. For example, in shampoo design, production of the ingredients is the stage with the highest water consumption.

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INNOVATION

The use of mainly plant-based renewable materials

is an important part of L'Oréal's sustainable development strategy

Green chemistry

"Green chemistry" focuses on the development of more eco-friendly and efficient products and processes and is at the heart of eco-design at L'Oréal.

The commitment made by L'Oréal Research & Innovation (R&I) to comply with the principles of green chemistry in ingredients design lies at the heart of its sustainable development initiatives. There are three fundamental principles:

- The use of renewable raw materials, mainly of plant origin,
- The development of environmentally friendly and waste minimising transformation processes,
- The production of biodegradable ingredients with low ecotoxicity.

In 2009, L'Oréal progressed its eco-design processes related to ingredients by developing various modelling tools and predictive methods:

- Advance assessment, using predictive calculations, of an ingredient's environmental impact.
- Measurement of the "E Factor" in transformation processes, from the laboratory to the factory. This allows for the amount of waste generated per kg of product to be rapidly determined. In 2009, the E factor of Pro-Xylane synthesis was reduced from 13 to 6.6, equating to a saving of over 100 tonnes of waste.

In 2009, various international partnerships were established with the aim of developing new ingredients in accordance with the principles of green chemistry. For example, as a member of the global Industries and Agri-Resources (IAR) group, L'Oréal participated in the "Synthons" project, and in the ANR programme called CD21 (Sustainable Chemistry – Industry – Innovation), which promotes the development of green technologies and green processes using biomass.

All these developments are important in enabling us to progress and develop our formulations using eco-design principles.

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INNOVATION

L'Oréal researchers

have successfully demonstrated the cosmetic efficacy of essential oils

Formulation processes

Evolving processes and laboratory methods.

Research & Innovation teams play a significant part in eco-design at L'Oréal. By advancing their knowledge of raw materials and impacts, they are evolving their approach to formulating ingredients and are redefining innovation in three main areas: formulas, processes and packaging. This includes a formulation tool, currently being developed using all relevant data assembled to date.

For some years L'Oréal laboratories have been carrying out a major revision of formulations, by selecting ingredients that have a favourable environmental profile and which offer the same performance. This approach also helps in the development of new formulations, providing products with high environmental credentials that comply with eco-label requirements.

To ensure this, before a formula is designed, the formulators refer to a variety of environmental indicators that help define the environmental profile of each raw material and the formula as a whole, depending on the concentrations used. This approach to formulation became standard procedure in 2009.

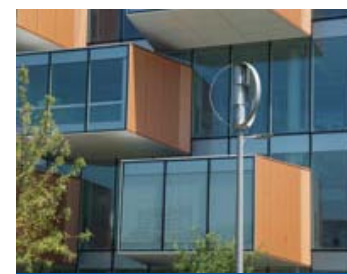
This approach has led to:

- a reduction of the usage concentration of cationic surfactants, now limited to 3%, in the new Garnier Fructis haircare products,
- increasingly frequent use of diesterquats, which have low ecotoxic properties, in haircare products (e.g. Garnier Ultra Doux shampoo with brewer's yeast),
- launch of Kerastase "Nature Series", a range of high performance, biodegradable professional shampoo products,
- formulation of shower gels with a 100% biodegradable cleansing agent, launched by Sanoflore.

L'Oréal formulators are actively working towards more economic and efficient processes. Increasingly, products are systematically tested using reduced samples and automated equipment, in order to reduce the quantities of raw materials used, and to increase the rate of screenings and the number of ingredients assessed.

This all reflects the increasing integration of corporate social responsibility into the work of the laboratories.

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Environmental audit of R&I site

In 2009, the Make-up, Skin Care and Perfume product development department played a key role in integrating sustainability principles into the activities of the Chevilly-Larue site. An environmental audit is in progress, with the objective of obtaining ISO 14001 and OSHAS certifications in 2010 on employee health and safety and environmental impact.

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INNOVATION

Access to a botanical garden in Vercors, France

enables L'Oréal researchers to study more than 350 plant species

Natural ingredients

A growing expertise in organic and natural products.

The orientation towards organic and natural products adopted by L'Oréal R&I is continuing, and is now being extended into a growing number of conventional brands.

As a result, dozens of formulas were labelled "organic Ecocert" in 2009 labelling and many other brands have natural raw materials in their new formulations.

Certain formulas that are already on the market are also being reappraised in order to introduce ingredients of natural origin that offer the same level of performance. For example, a sugar, first introduced in an "organic" labelled shower gel, has consequently replaced a fossil-based surfactant in all the conventional shower gels, which has contributed towards reducing their environmental impact and their development cost while still offering the same performance.

From 2009, the formulation of products claimed as being "natural", "of natural origin" and "organic" is supported by a specific framework, which redefines the categories of authorised raw materials and promotes green chemistry processes.

The raw materials portfolio has also been extended to include new organic ingredients. Around 500 of our ingredients are in line with organic Ecocert standards. These efforts are supported by the transfer of technologies and "green" raw materials between the various group laboratories.

In 2009, as a member of COLIPA (European cosmetics trade organisation), L'Oréal continued to be involved in defining what "natural" means in the cosmetics industry. COLIPA's working group is developing specifications for natural and organic cosmetic products, which should soon result in an ISO standard.

R&I has also increased its research efforts regarding natural and organic cosmetic products. A dedicated laboratory, set up in 2008, aims to identify and promote skin-friendly and hair-friendly plant extracts that are just as effective as conventional cosmetics.

In 2009, for example, The Body Shop launched Nutraganics, its first range of anti-ageing products made with organic certified active ingredients. L'Oréal Professional also marketed Pureté Naturelle, a professional shampoo formulated with 99% natural origin ingredients and which is Cosmebio certified.

L'Oréal's cosmetics know-how will play a key role in optimising the skin sensitivity and tolerance of organically labelled or plant-based products.



A botanic garden for innovation and biodiversity

The laboratory dedicated to natural and organic cosmetics has an experimental farm and botanic garden at its disposal in the Vercors region of France. These support the development of products in line with organic farming and enable more than 350 plant species to be studied. The laboratory also plays an active role in protecting biodiversity by diversifying the portfolio of plants used in its products, combating intensive monoculture and promoting the cultivation of marginalised species. Catnip, for example, has recently been put back into cultivation for its antibacterial properties.

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INNOVATION

The Açaí berry

is sourced responsibly from the Amazonian region, in partnership with leading Brazilian supplier Beraca

Supply chain

An approach that extends to L'Oréal's supply chain.

Taking fair return issues into account

As the number of raw materials of plant origin in the portfolio increases, careful attention is given to the issue of fair return, which is all the more important when the plant in question represents a significant source of revenue and employment for local communities.

Since 2005, L'Oréal has been developing tools to identify in advance any "fairness" challenges associated with the use of a plant.

We use our Sustainability Assessment framework when considering raw materials for the portfolio. This includes the following criteria, which are evaluated using information provided by suppliers:

- The importance of the plant for local revenue and employment and degree of benefit to the community.
- Recognition of traditional uses and know-how – these are taken into account to manage all the intellectual property aspects.
- Access of the local populations to raw material sources.
- Any change in land use resulting from production of the raw material. Particular importance is placed on land used for food.

In 2009, L'Oréal carried out a systematic study of the patents registered by the group to ensure that they respected traditional know-how and the free access of populations to their resources. The same criteria were applied to supplier patents.

The guarantee of a fair return to local populations is an essential sustainability concern for L'Oréal. It is an integral part of a socially responsible and sustainable supply chain that meets the requirements of the Convention on Biological Diversity.

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INNOVATION

Oil from the Argan tree of Southern Morocco

is responsibly sourced by L'Oréal

Fair trade

A global approach to fair trade.

Since 2008, L'Oréal has been working on developing a global approach to fair trade. Key in this respect has been a collaborative platform finalised in 2009. This is consistent with the forthcoming ISO 26000 standard on societal responsibility and is applicable to all L'Oréal group brands and its suppliers – applying equally to North-South trade as well as to North-North trade.

In 2009, three raw materials from the "Community Trade" programme were used by L'Oréal group brands other than The Body Shop. These are sesame seed oil, sugar cane and olive oil. The volume of "Community Trade" raw materials purchased by L'Oréal, which are now included in over 200 formulas, continues to rise. The Body Shop, for its part, has introduced a new "Community Trade" ingredient, which is organic alcohol.

L'Oréal has also further developed its partnership with Beraca involving socially responsible supply channels, through three Amazonian-sourced ingredients: white clay, Açai extract and Pracaxi oil. The supply of these ingredients is organised in close collaboration with the local communities that harvest them.

In 2009, they were incorporated into a number of products, including the Kérastase Oléo Relax Slim hair masque formulated with Pracaxi oil and Kiehl's facial skin care range Rare Earth Pore Minimising skin care range formulated with white clay. In addition, Kiehl's Açai Damage-Repairing Skincare collection, which is Ecocert certified and formulated with Açai berries received the Cradle to Cradle GOLD certification in 2009.

Sanoflore was awarded the Bio Solidaire certification in 2009, which recognises supply chains that prioritise the sourcing of local raw materials. Sanoflore is the first French organic cosmetic brand to highlight the local origin of its products in this way.

The Argan supply chain

Three raw ingredients from the Argan tree – oil, leaf extract and berry extract – are used by L'Oréal brands in a number of haircare, skincare and make-up products. In partnership with a supplier, Laboratoires Sérobiologiques (Cognis France), and the French NGO Yamana, these are purchased by L'Oréal from six cooperatives from the Targanine EIG (Economic Interest Group) in Morocco.

An important aim of this approach is to better recognise the value of the Argan tree – a fragile natural resource – in order to contribute to its conservation – by improving social and environmental conditions, developing by-products and increasing income opportunities for women in local communities.

As a result of this initiative, in 2009 six products in Kiehl's "Superbly Restorative" range containing fair trade Argan oil were launched, as well as several ranges of L'Oréal Paris, Redken, Garnier and Lancôme.

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Ingredients from socially responsible supply chains

In 2009, a framework for the development of products containing ingredients acquired through a fair trade approach was completed.

A commitment was made to use these ingredients for at least two years, to ensure a steady supply of production and purchase volumes.

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INNOVATION

Stringent testing

is carried out on all the group's products

Ethical and safe products

Employee and consumer protection.

Employees

L'Oréal takes enormous care to protect employees. Measures are in place to improve the traceability of exposure routes and to minimise these, for example through the use of automation in the formulation and weighing of ingredients.

Regular check-ups and targeted training and information help to increase the effectiveness of already stringent safety procedures.

Consumers

Consumer protection is one of L'Oréal's absolute priorities. The stringent safety tests applied to end products before they can be brought to market mean that L'Oréal complies with all current safety regulations enshrined in the national legislation of the 130 countries where it markets its products.

To complement this, an international Post-Marketing Surveillance Network uses stringent and well-established methods to analyse any adverse effects arising from product use. This is a very effective early detection system for signs of intolerance to a product, however mild, and should there be any occurrence whatsoever L'Oréal takes immediate corrective action as necessary.



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- > Number of patents

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INNOVATION

For more than 20 years

L'Oréal has been investing in new scientific methods for assessing safety.

Safety assessment

Moving towards a new approach to safety assessment for ingredients and formulas.

Safeguarding health and wellbeing is of paramount importance to L'Oréal. L'Oréal has not tested its finished products on animals since 1989.

A new regulatory framework – the 7th amendment to the European Cosmetics Directive, which came into force in 2009 – prohibits the testing of raw materials for cosmetic use on animals in Europe.

In response to these regulatory requirements, a new model, similar in scope to the eco-design model, is being developed by Research & Innovation (R&I) for the safety assessment of ingredients and end products. This is a vital part of the group's capacity to innovate by exploiting the cosmetic performance potential of ingredients selected initially because of no impact on health or the environment.

This capacity stems from L'Oréal's 20-year investment to develop tools for predicting the impact of raw materials and end products on human health and the environment, without recourse to animal testing.

The predictive capability of these tools is increasing all the time, keeping pace with developing technologies in tissue engineering, modern biology, mathematical modelling, computing power and the valuable repository of data built up over a century, particularly through recourse to animals.

This is a constantly growing source of knowledge, helped by a number of factors including information exchange between L'Oréal and other companies, the regulatory framework, the development of in vitro/in vivo correlations, product use data, and human tolerance studies. Thanks to this array of predictive methods, L'Oréal is able to meet the regulatory framework of the 7th amendment to the Cosmetics Directive without adverse effects on innovation nor on the safety of ingredients and products.

In continuing to improve these methods and tools, the group is able to progress an integrated safety assessment strategy attuned to the challenges of "21st century toxicology". In 2009, progress was made towards the transition from simulation methods to the first human application using a combination of predictive and in vitro tools. This involves a certain number of ingredients exclusively for cosmetic use.

By developing an approach that combines predictive and vitro methods, the aim is to assess, in advance, the innocuousness of new ingredients and end products, in compliance with prevailing legislation. This work enables us to constantly improve the methods used to make the initial selection of ingredients based on safety criteria.

In 2009, this integrated safety assessment strategy and supporting tools were presented by R&I



At L'Oréal Research & Innovation centres, Episkin reconstructed tissue provides us with an alternative method to animal use for evaluating safety and efficacy. Episkin allows L'Oréal researchers to look at skin irritancy, for example, or how a sunscreen performs under different conditions and for different skin types.

RELATED LINKS

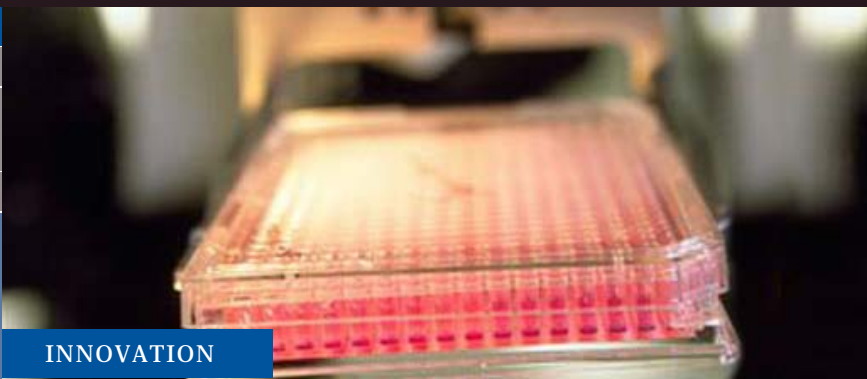
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- ▶ L'Oréal's contribution to 7th World Congress on Alternatives and Animal Use in the Life Sciences (PDF)
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teams at the 7th International Conference on Alternative Methods.

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INNOVATION

Research into the biology of cells and tissue engineering

is adding to scientific methods in safety assessment.

Predictive methods

A combination of in vitro and predictive safety assessment tools for ingredients and formulas.

L'Oréal's added value in terms of the safety assessment of its ingredients and end products lies in its investment in tissue engineering, combined with a range of predictive methods that includes statistical and mathematical models, in silico and QSAR (quantitative structure-activity relationship), developed in-house or through external collaborations. These are used in combination with one other to optimise the predictive capacity.

Areas of toxicity to be addressed by the 2009 deadline (7th amendment to the European Cosmetics Directive) are now covered by a set of in vitro predictive methods, which replace animal testing.

Reconstructed tissues

For some time, L'Oréal's research teams have been conducting research into cellular biology and tissue engineering for reconstructing various models of human skin and tissue. There are four main applications:

- Developing knowledge about skin without having to perform invasive clinical trials,
- Developing and assessing the effectiveness of new active substances,
- Helping to assess the safety of raw materials and end products,
- Creating, validating and standardising new alternative tests for assessing product safety and efficacy.

In 2009, a number of commercial opportunities were explored, relating to the use of reconstructed tissue models for the safety assessment of ingredients and formulas.

Skin irritation

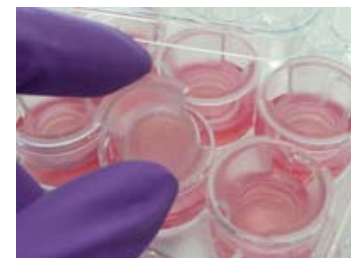
R&I has access to two validated methods for skin irritation assessment, developed with skin models made by Episkin (Episkin model) and by SkinEthic (RHE model). The entire raw materials catalogue of L'Oréal and The Body Shop has been tested using these models – an initiative that has added to our data on ingredients and their regulatory status.

Formula assessments have also continued and in 2009, 1,485 ingredients and 738 end products were tested for skin irritation. A total of over 12,000 formulas and 2000 ingredients have been evaluated since 2006.

Eye irritation

For the assessment of eye irritation, the SkinEthic reconstructed HCE cornea model is currently going through regulatory approval.

In 2009, a published study demonstrated the reliability of the protocol developed by L'Oréal and



1989
- L'Oréal ends animal testing for finished products.

1995
- ECVAM/COLIPA in vitro phototoxicity validation study.
- Amalthee prize of alternative methods (OPAL).

1997
- Acquisition of Episkin SNC, industrial centre for cutaneous engineering.
- Introduction of Langerhans cells in reconstructed skin (EU 4th Framework Programme).

1999
- COLIPA guidelines on in vitro percutaneous absorption.

2005
- Participation in SENS-IT-IV assessment of alternatives for allergens (EU 6th Framework Programme).

2006
- Founder member of the EPAA (European Partnership on Alternative Approaches to Animal Testing).
- Acquisition of SkinEthic.

2007
- Episkin validated for skin irritation.

which has been tested on over 400 ingredients. New ingredients are systematically tested using the HCE model.

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2008

- SkinEthic RHE validated for skin irritation.

2009

- At the 7th World Congress of Alternative Methods in Rome, L'Oréal unveiled its strategy, based on predictive methods.

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INNOVATION

Joint research efforts

include collaborations within the cosmetics industry and beyond.

Other predictive methods

For several years L'Oréal has been prioritising the research and innovation of new assessment tools.

In 2009, Research & Development (R&I) teams added to knowledge in two areas of toxicology: skin sensitisation and systemic toxicity. This was part of a joint industry effort in partnership with the European Commission (7th framework project).

L'Oréal encourages collaboration with other relevant industries, particularly within the framework of the EPAA (European Partnership on Alternative Approaches to Animal Testing), in order to progress alternative multi-disciplinary solutions in safety assessment.

Skin sensitivity

L'Oréal R&I is working on a number of methods for predicting skin sensitisation in order to develop an integrated predictive assessment strategy.

In 2010, in collaboration with Hurel, an American start-up company, L'Oréal is investigating the potential of microfluidics in combination with reconstructed tissues, with the aim of developing an experimental circuit to mimic skin allergy reactions.

Chronic toxicity

With **COLIPA**, L'Oréal is participating in a community programme, led by the European Commission in the 7th framework programme involving funding of up to €50 million, half of which is provided by COLIPA. Its aim is to develop methods for predicting chronic toxicity phenomena.

L'Oréal is also developing predictive *in silico* methods based on mathematical approaches such as QSAR (Quantitative Structure Activity Relationship). These methods can be used for molecules with a chemical structure close to that of an ingredient already in use and as this predictive method delivers sufficiently precise results, the cosmetic ingredients can be applied for human use without recourse to animal testing.

L'Oréal R&I has entered into collaboration with Pr. Mékélyan to contribute to several predictive tools being developed by the OECD.

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INNOVATION

L'Oréal meets all its international obligations

with regard to the safety assessment of its products.

Global and local approaches

Respecting local norms in the assessment of safety.

L'Oréal has not used animals to test its finished products since 1989, except in the case where national legislation requires it. This is the case in certain countries where L'Oréal operates and in those locations regulations require testing using animals before substances can be registered for commercial use.

As L'Oréal operates on an international scale, it is obliged to comply with the current national legislation for products that are manufactured locally and sold locally. However, by working with national authorities to exchange knowledge on alternative methods, the group is able to share and promote European safety assessment values and encourage other countries to take steps towards alternative methods.

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INNOVATION

Supplier partnerships

are essential for advancing knowledge and exchanging good practice.

Supplier training

Supplier training in alternative methods of safety assessment.

In 2009, we continued our efforts in the training of eight L'Oréal suppliers in alternative methods, particularly in the use of reconstructed tissue.

The objective is to enable suppliers to be able to integrate these tools into their existing methods for assessing the safety of their ingredients.

L'Oréal is also working in partnership with its suppliers to enhance *in vivo/in vitro* correlations.

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INNOVATION

L'Oréal's values:

integrity, responsibility, respect.

Anticipating toxicological challenges

L'Oréal's position on substances that have been called into question.

L'Oréal's values are rooted in robust science and a responsiveness to societal concerns. Taking a pre-emptive approach, L'Oréal evolves its formulations by removing substances that are the subject of concern and replacing them.

Phthalates

L'Oréal has only ever used diethyl phthalate (DEP). In line with its commitments, L'Oréal has continued to replace DEP in its formulations in 2009. The DEP replacement programme for L'Oréal brands is targeted for completion in 2010.

Parabens

We have continued to remove long-chain parabens from the end products. Various group brands are offering products without parabens wherever possible; in other cases, the use of short-chain parabens is systematically favoured.

In addition, R&I is continuing to develop alternative approaches for preserving its formulas, involving work on packaging and new routes to formulation.

Triclosan

L'Oréal has met its goal to refrain from using triclosan and will systematically apply the same approach to products resulting from the group's future acquisitions.

Heavy metals

Since 2007 L'Oréal has deployed extremely sensitive equipment that enables the detection of heavy metal traces to the order of a few parts per million. This has enabled an analysis of the entire portfolio of raw materials of natural origin and the building of a vast repository of data. Now, through predictive calculation, the degree of inevitable heavy metal traces in finished products can be established in order to guarantee that these remain below the authorised or recommended level.

Nanotechnologies

L'Oréal has limited the use of nanotechnologies to nanoemulsions and nanopigments.

Nanoemulsions are formed from water and oil droplets containing active ingredients that are released on contact with the skin at the time of application. They are reduced to nanometric size to increase the quality and efficacy of the formula.

Mineral nanopigments are present in our natural environment. Titanium dioxide, an inert, non-toxic material, is the best known for its capacity to reflect UV light and to protect human skin against the adverse effects of the sun.

REACH

The REACH European regulations came into force in June 2007 and relate to the safety of chemical products. They require companies to assess and register chemical substances and make their use subject to authorisation. In 2009, with a view to optimising compliance with the obligations imposed by REACH and by the new chemical regulations emerging in several countries, a new group was set up in L'Oréal: the International Chemistry Regulatory Affairs Division. In 2009, L'Oréal, which has been supporting the REACH directive since 2003, became heavily involved with professional associations for developing methods and contributing towards the enhancement of information, and provides support to its suppliers in helping them register their substances. L'Oréal primarily bases its substance cases on predictive methods, literature reviews and approved alternative tools.

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These nanopigments are nowadays a very effective complement in helping to provide high protection factors. The European NanoInteract programme has confirmed that titanium dioxide nanopigments are not present at the time of application as separated nanoparticles, but as larger aggregates, often in the order of several microns in size.

Sunscreen filters

In 2009, Research & Innovation continued its study of new protection processes based on a combination of several filters.

This work has given rise to a new formulation, using Mexoplex technology, which has reduced the concentration of chemical filters by 18%, while maintaining the same level of effectiveness, by incorporating a photo-stabilising emollient oil, developed in collaboration with the CNRS (the French National Centre for Scientific Research). This has been introduced in a Roche-Posay suncare product.

In addition, tests aimed at measuring the impact of sunscreen filters on aquatic ecosystems have been developed. All the products concerned will be assessed using these protocols.

Hair colourants

In 2009, L'Oréal continued its efforts in developing less sensitising colourants and reworking formulas to reduce their concentration of dye precursors, particularly PPD and PTD, without compromising their performance.

Aluminium salts

For several years L'Oréal has been working on reducing the concentration of aluminium salts contained in deodorants, and has invested in the development of alternative solutions that deliver a similar level of performance.

These efforts, still underway, resulted in a number of ranges being launched in 2009, by Garnier, LaScad and Biotherm.

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INNOVATION

All new raw materials

are tested in advance.

Endocrine disruptors

Conscious of concerns expressed about the potential of some substances to disrupt hormone balance, L'Oréal has placed this at the heart of its research effort.

Conscious of concerns expressed about the potential of some substances to disrupt hormone balance, L'Oréal has placed this at the heart of its research effort. The objectives of Research & Innovation (R&I) teams is to remove all endocrine disruptors completely and to ensure that they are not marketed by the group's brands.

For this reason, all new raw materials are tested in advance to determine their potential for interacting with certain biological receptors. This assessment, based on the use of a range of *in vitro* tools combining cellular and reconstructed skin tests, allows us to identify any early biological activity that reveals potential interference of the ingredient with certain mechanisms involved in endocrine disruption. If such a case is identified, the ingredient in question is withdrawn.

The assessment of ingredients already in the portfolio is also underway; they are withdrawn in the same manner if there is any element of doubt about them: this was the case for DEP, triclosan and long-chain parabens, whose removal is almost complete. Certain development projects have not been continued, following test findings.

In addition, R&I has continued its research effort aimed at gaining a better understanding of the endocrine disruption mechanism and developing predictive assessment methods related to this phenomenon and its impact on human and environmental health.

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INNOVATION

Year on year

we are improving the environmental profile of our formulas.

Aquatic ecosystems

L'Oréal is working hard to reduce the impact of its raw materials and its products on aquatic ecosystems.

L'Oréal is:

- Developing innovative methods for early environmental assessment of raw materials in its ecotoxicology laboratory (for example: automisation of the safety test on micro-algae),
- Assessing raw materials in accordance with PBT/vPvB criteria,
- Using the Sustainability Assessment Framework for raw materials, certain criteria of which relate directly to the impact of ingredients or industrial activity on fresh water,
- Using Green Chemistry,
- Developing a biodiversity protection strategy.

In 2009, in partnership with external experts, L'Oréal's own ecotoxicology laboratory, set up over 15 years ago, continued to develop methods for predicting the impact of ingredients and end products on aquatic ecosystems in order to enhance the eco-design of formulas. An alternative method for predicting acute toxicity in fish is also in the process of being validated by the OECD.

R&I teams are also working towards a better understanding of the impact of trace materials found in the group's products, once they have been released into the environment. A partnership with the Pasteur Institute in Lille was established to study this issue in more depth and to develop an analysis protocol. There are two elements taken into consideration: the assessment of the biological effects and physico-chemical analysis.

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INNOVATION

SoftSheen Carson

Number 1 in the ethnic haircare products market

Efficacy and diversity

Evaluating the efficacy of ingredients and formulas.

The stock of knowledge and data on substances, and the predictive methods to which L'Oréal Research & Innovation (R&I) has access, represent a threefold value for innovation. These enable the safety of ingredients and formulas to be assessed, efficacy to be measured and, from the initial stages, allows the most promising ingredients to be selected, rationalised and used in the design of new active substances.

Developments over 20 years, particularly in tissue engineering, are part of this dynamic process of change, providing both biological information as well as a medium for innovation. Reconstructed skin models are a unique tool for predicting human physiological reactions by imitating, as far as possible, the conditions under which the products are applied.

In 2009, for example, they allowed us to document the cosmetic efficacy of certain essential oils, such as lemon balm.

L'Oréal is entering a new age: the systematic use of reconstructed tissue to assess the effectiveness of its active substances and formulas. The variety of reconstructed skin models to which the group has access provide models for assessing the effectiveness of ingredients and formulas under consideration. The reliability of these models is enhanced on an ongoing basis through the application of state-of-the-art scientific knowledge and techniques such as genome and proteomic science.

Specific measurement protocols are currently being developed by the Advanced Research Department to construct an integrated predictive evaluation strategy.

The aim is to eventually achieve a prediction quality that is reliable enough to be considered an alternative to clinical trials. In addition, evidence for the efficacy of the main molecules developed by L'Oréal is increasingly based on the data from *in vitro* protocols.



Vichy: Neovadiol Gf.

Neovadiol Gf. is Vichy's new skincare product that reflects advances in tissue engineering at L'Oréal laboratories. Aimed primarily at menopausal women, this product has a deep impact on the visible effects of the menopause. After 10 days the cheekbones are resculpted, the neck slimmed, and the facial contours redefined. These results have been clinically verified by dermatologists on menopausal women in several countries.

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INNOVATION

Comprehensive design programmes

deliver brand innovations and product performance.

New routes to innovation

Innovation is rooted in knowledge that is applied in three key areas: active ingredients, formulation and evaluation.

A foundation of knowledge

In 2009, Research & Innovation (R&I) teams completed a genome map of skin based on reconstructed skin, as part of a project carried out with Laval University, Quebec, and Saint Louis Hospital, Paris. This ten-year research programme has resulted in new knowledge in a number of areas, particularly the discovery of the skin proteome. The aim now is to exploit this knowledge to refine the selection of new ingredients and to maximise their cosmetic properties in even more tailored products.

Design and formulation

The sourcing of new ingredients relies on these tools, as part of a comprehensive design programmes in which safety is assessed very early in the process.

A number of initiatives have been implemented in this area:

- The development of a physico-chemistry platform, which enables the characteristics of new ingredients to be defined by generating as much data as possible about them, in addition to information provided by suppliers.
- The systematic use of computer modelling in advance of ingredient design.
- Optimisation of design processes from the early stages.

Virtually all of L'Oréal's ingredient development programmes are now part of this new approach. This research is leading to the gradual redefinition of the innovation path for each major category of ingredient.

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Génifique: "From fundamental research to the consumer"

L'Oréal researchers draw on a unique background of knowledge based on recent advances in "omic" technologies used in skin and molecular biology. This has led to one of the breakthrough product innovations of 2009: Génifique anti-aging serum. Génifique has been formulated using reconstructed skin, thereby limiting invasive sampling. Moreover, Génifique meets the objective of anchoring innovation in the use of renewable active ingredients, with respect for people and the environment. One of these active ingredients is a probiotic lysate (Bifidobacterium longum) of natural origin, obtained through traditional "soft" fermentation technologies.



INOA

INOA, one of the flagship launches of 2009 in L'Oréal Professional's hair colourant line, was especially developed to enhance the comfort of consumers and hair salon professionals by reducing the chemical odour and scalp irritation that can be caused by ammonia-based colourants.

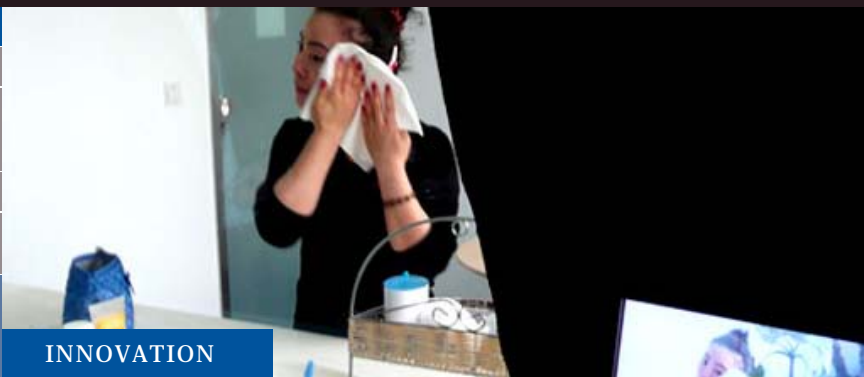
In developing a new "oleodiffusion" system, the L'Oréal teams have formulated an innovative product without ammonia and without compromising the technical performance of the product.

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INNOVATION

By 2025

There will be more than one billion women in the world over 50.

The contribution of cosmetics

L'Oréal is adding to knowledge about the contribution of cosmetics in human society.

Social science research

R&I's outsourced social sciences network is investigating the psychosocial and socio-cultural processes at work in cosmetic use and personal hygiene routines.

Since 2005, interdisciplinary research (in the form of four theses and a post-doctoral study) in psychology, sociology and anthropology has been conducted. Three international round tables have also been organised.

These studies centre on people's deep motivation to take an interest in their appearance and related to this, their attitude to risk. They take the issues of culture, acculturation and social networks into account, based on data gathered from ten populations.

In 2009, two theses and a post-doctoral study were completed and formed the basis of new protocols. This has led to the development and validation of new psychometric tools which can be reused on other populations: providing measurement indexes in relation to appearance, self-esteem, and risk perception.

Quality of life

An ambitious programme, the BeautyQoL initiative, has been underway since 2006 to develop a new quality of life index specific to cosmetology. Involving 13 countries and 16 cultures, it enables a comprehensive assessment of new products drawing on aspects such as wellbeing, self-esteem and other psychosocial criteria.

This tool provides a new indicator for developing products more in line with consumer expectations, by taking into account cultural variables and their environment.

In 2009 the results of a study, in partnership with the Sainte-Anne Hospital in Paris, on the impact of cosmetic use on adult patients suffering from anorexia, were published as part of proceedings for the 61st Institute of Psychiatric Services in the USA. The study was entitled: "Cosmetics care in anorexia nervosa: a few grams of eye shadow to relieve self-loathing".

Integrating diverse needs

To gain a better understanding of skin and hair diversity throughout the world and to design products tailored to the needs of every individual, L'Oréal makes continued efforts to study the specific characteristics of local populations.

In 2009, for example, a study aimed at determining hair colour and growth parameters was carried out by the hair product laboratories in 23 countries.

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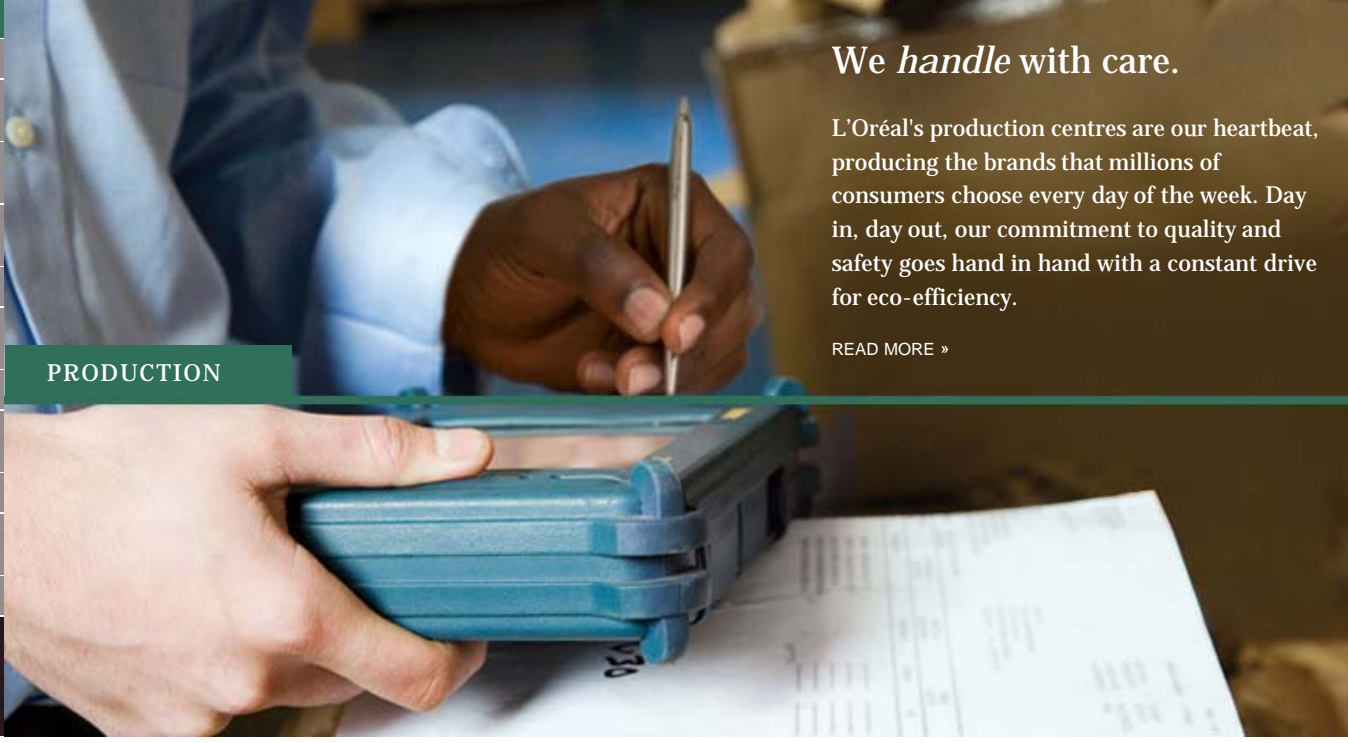
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The Make-up laboratory carries out typology studies on an ongoing basis and has completed research that has resulted in extensive knowledge of skin colour around the world.

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PRODUCTION

We handle with care.

L'Oréal's production centres are our heartbeat, producing the brands that millions of consumers choose every day of the week. Day in, day out, our commitment to quality and safety goes hand in hand with a constant drive for eco-efficiency.

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Serge Pradon,
HR Director of Aulnay
Plant



“ What's most important in a production plant? It's the men and women who work there. ”

PRODUCTION

Introduction

For a company whose business is beauty, promoting and preserving the beauty of nature is not simply a benchmark but rather a core value. In our factories, warehouses and offices, respect for the environment goes in hand with a commitment to providing a healthy and safe place to work.

Raising the bar

Achieving sustainable growth means raising the bar on environmental performance and L'Oréal has set itself significant long-term goals (opposite). These reflect our commitment to absolute reductions where possible and go further than targets set by governments. Where absolute reductions are not practicable, we aim for greater eco-efficiency and more environmentally friendly approaches.

The operating efficiency of our factories and distribution centres is a priority at L'Oréal and often has a significant beneficial impact on our environmental footprint – as well as being an important part of providing safe and healthy places to work.

Summary of 2009

L'Oréal's manufacturing capacity increased by 4.6% thanks to factory innovations, particularly in haircare and make-up. Optimised cleaning routines and new "cold" processes are helping us to substantially reduce water and energy consumption.

The group achieved absolute reductions in a number of areas:

- greenhouse gas emissions reduced,
- other atmospheric emissions reduced,
- water consumption reduced,
- transportable wastes generation reduced,
- wastewater quality index improved.

We are also pleased to have achieved our safety target.

While we made substantial progress in energy use per finished product and waste per finished product, we regret missing our targets in these areas.



In 2009...

Manufacturing up 4.6%

Absolute reductions in GHGs, water consumption and other impacts



Key sustainable development targets to 2015

50%

reduction in greenhouse gas emissions

50%

reduction in waste generated per finished product

50%

reduction in water consumption per finished product

Reductions will be calculated on a like-for-like basis (2005–2015).



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PRODUCTION

2009: Maintaining an excellent record

Further improvement in lost time injuries and no serious injuries or fatalities.

Health and safety

The health and safety of our employees is paramount and L'Oréal's ultimate goal is zero accidents and incidents. By promoting an interdependent culture of safety through the effective application of best practice, we will continue to improve and sustainably manage our health and safety performance with the aim of achieving excellence.

Summary

Over the last 10 years, from an already low incident rate, L'Oréal has reduced its accident rate by 75%, thanks to comprehensive health and safety measures. Several factories and distribution centres have worked for millions of hours or for more than three years without a single lost time accident.

The group is committed to achieving excellence so has set itself the goal of a further improvement in safety performance of 70% by 2015 (base year 2005).

Health and safety initiatives

L'Oréal's Safety Improvement Opportunities (SIO) programme promotes the need for employees to identify areas for improvement and reduce the risk of incidents. In 2009 we standardised this approach as best practice across all operational sites worldwide.

In 2009 we also launched L'Oréal's global behavioural programme "MESUR" – Managing Effective Safety Using Recognition & Realignment – in over 70 operational sites worldwide. In 2010 MESUR will be extended to all operational sites and some administrative offices and Research & Innovation centres.

This builds on other initiatives over the last two years including the appointment of a group Safety & Industrial Health Director; and the completion of our pilot safety management programme for senior managers.

Another group initiative in 2009, "Ergonomic Attitude" aims to develop a preventative approach in the workplace.

Reflecting the importance placed on health & safety and the environment, L'Oréal's annual EHS award scheme recognises achievements in our factories, distribution centres and administrative sites. Almost 100 nominations were received for effective safety, hygiene, environmental and citizenship projects carried out in 2009, and five award winners (from Canada, France, the Philippines and India) were chosen.

Exchanging best practices

L'Oréal benchmarks its safety performance and exchanges good practice internationally in forums such as the Conference Board, the International Occupational Hygiene Association, and the World

19%

improvement in lost time injuries (based on enlarged frequency rate).



2010 EHS award winner

At L'Oréal's Montreal factory, an innovative approach to the safe handling of loads led to a significant improvement in the factory's injury rate. 34 managers of all levels of seniority were trained to give on-the-spot, one-to-one coaching in safe techniques. This, combined with simple but powerful risk reduction tools, has raised awareness among employees of the importance of correct technique every time a load is lifted.

Business Council on Sustainable Development.



DATABANK

> 2009 health and safety performance

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2010 EHS award
winner

At the Centrex distribution centre in France a working group developed an innovative "arm extension" tool to reduce Repetitive Strain Injury risks and back strain. This simple, cost-effective tool helps warehouse staff to grip packages while maintaining an ergonomic posture.

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PRODUCTION

EHS training and guidance

Includes 80 L'Oréal standards and internal and external technical training.

Environmental management

L'Oréal has had an Environmental, Health and Safety (EHS) policy for many years. This sets out our commitments to the development, production, distribution and sale of innovative products of the highest quality in an ethical manner, by minimising our impact on the environment and guaranteeing the safety and health of our employees, our customers and the communities in which we work.

EHS policy

In 2009, as part of continuously improving our environmental management, we began a review of our EHS vision, values and basic principles to ensure that these fully reflect the company culture and needs.

Organisation of EHS

There are clear accountabilities for EHS at every level. The Managing Director of the L'Oréal Operations Department is responsible for EHS and reports to the CEO. The EHS department is linked to each part of our operations through EHS managers. Each division has a dedicated EHS function in their areas. At the local level, a typical factory of 350 workers will have three to four full-time EHS staff. The remuneration of factory and distribution managers is linked to environmental, health and safety performance.

Systems and standards

L'Oréal uses internationally recognised systems including OHSAS 18001 (VPP in the US) for occupational health and safety, and ISO 14001 for environmental management. All L'Oréal and Galderma factories are accredited to one of these standards as relevant, apart from two factories which are recent acquisitions or start-ups.

Worldwide audit programme

External experts visit L'Oréal's facilities to assess progress and risks. In 2009 we expanded the EHS audit scheme to include L'Oréal warehouses and other sites. Third party audits are also carried out at supplier sites using the same standards as we apply to ourselves.

Impact assessments

The cosmetics industry has limited environmental risks, but as with any manufacturing operation, these do exist. Before building or renovating a factory anywhere in the world, and before introducing new manufacturing equipment and processes, L'Oréal assesses all the potential EHS impacts and develops mitigation strategies where required.



"In all the countries I've worked in over recent months, I've seen a wide range of projects, from solar installations in our plants in Brazil and Mexico, to the new biomethane facility at our Libramont factory in Belgium. Not to mention the HQE "green building" certification for our Vichy site in France, or all the initiatives underway in China and North America. The aim of them all is to help us meet our target for 2015 to cut our CO₂ emissions by 50%."

Miguel Castellanos, Director of Environment, Health and Safety





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Information for employees

With energy provider EDF, L'Oréal ran a campaign at its industrial site in Caudry, northern France, to keep employees informed about energy saving at home.



2010 EHS award winner

A significant percentage of the water that we use in our factories is for essential cleansing and sanitisation. L'Oréal's Ormes factory in France invented a practical solution to an everyday challenge, finding a new way to clean and change the hoses on tanks and filling machines without compromising strict hygiene standards. The idea is a simple yet effective "sock" inside the hose, resulting in less water, steam and detergent for cleansing, less waste and greater efficiency.

State-of-the-art fire prevention

Although our sites have a low fire risk, L'Oréal takes it extremely seriously. Our warehouse in Essigny (Fr), which stores aerosol products containing flammable gases, is considered a model across Europe for fire prevention measures.

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PRODUCTION

Every L'Oréal site

has a Compliance audit every three to four years.

Audit programme

L'Oréal carries out audits of all our operational sites. We expect equally high standards from our subcontractors and suppliers so we carry out and pay for audits at those sites too, focusing on a range of important areas in industrial practice and labour standards.

Audits of L'Oréal sites

There are two distinct types of audits carried out at our operational sites: EHS Compliance and EHS Improvement.

EHS Compliance

These audits assess compliance to legislative and L'Oréal requirements and are carried out by external experts.

The process includes opening and closing meetings with the management team, interviews with employees, and the detailed auditing of zones, activities and processes throughout a site. Based on the findings identified, the site receives an overall rating with specific scores in key aspects of EHS management, personal safety, fire prevention, industrial hygiene and environmental protection.

EHS Improvement

A new initiative for 2009, the objective is to review EHS site management with respect to EHS excellence, and combines self-evaluation and expert assessment. The audit focuses on 16 key elements, from training to emergency planning, and contractor management to communication.

This type of audit is carried out by internal experts and is normally triggered by safety indicators. However, as an indicator of the programme's success, an increasing number of already high performing sites request this review to further improve their performance.

Example of EHS Improvement audit assessment



Compliance

L'Oréal sites are audited every three to four years by external experts. In 2009 Compliance audits were carried out at 8 L'Oréal factories, 10 warehouses and 3 administrative sites.

Improvement

In 2009 internal experts carried out audits to identify opportunities for further performance improvements at 11 L'Oréal factories and 9 warehouses.

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▶ Supplier relations



Group EHS Audit Committee

Both types of audit are reviewed by the group EHS Audit Committee, which met three times in 2009. The Committee has three main functions:

- Assure the audit corporate governance, the quality of the audits and the efficiency of the programmes,
- Share audit feedback and trends with the EHS Directors of each operational zone as a basis for future audit focus or EHS actions at group, Zone or divisional levels,
- Follow up of the closure of findings.

Audits of third-party sites

Subcontractor audits

L'Oréal's subcontractors manufacture and/or package L'Oréal finished products and must meet exactly the same high standards as our own sites. This type of audit focuses on compliance to legislative requirements, with recommendations made on good practices in industrial EHS risk management.

Until 2010, these inspections have been performed by L'Oréal's own EHS experts but the subcontractor audit programme will be externalised from 2010.


Social Responsibility audits

Social Responsibility audits are carried out by external experts and focus on labour standards and the most critical aspects of safety, industrial hygiene and environmental performance. These audits vary in intensity based on countries or locations considered at risk.

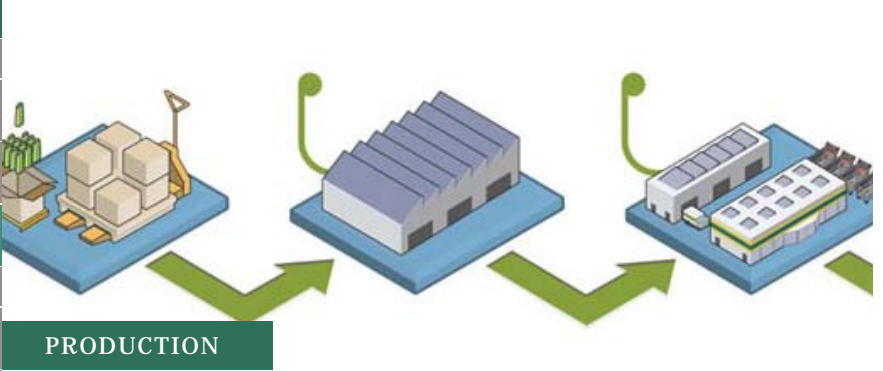
Suppliers or subcontractors with significant issues to be resolved are referred to technical experts for assistance. Those not willing to resolve critical issues lose authorisation to do business with L'Oréal. Major subcontractors directly producing L'Oréal products undergo the normal labour standards audits but also are directly audited by L'Oréal quality and EHS personnel.

Other audits

Other types of audit carried out by L'Oréal include insurance audits, certifying audits (ISO 14001 and OHSAS 18001). In addition, there is a separate annual audit to assure the accuracy of our KPI data.

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38 industrial factories on 5 continents

94% of what we produce is manufactured in L'Oréal factories.

Carbon emissions

To help address climate change, L'Oréal has made a significant new pledge to halve carbon emissions by 2015. To do so we are looking for savings in every part of our business and beyond, from energy use to products in use, from raw materials to transportation and from the supply chain to the production line. At L'Oréal we are well underway with the challenge.

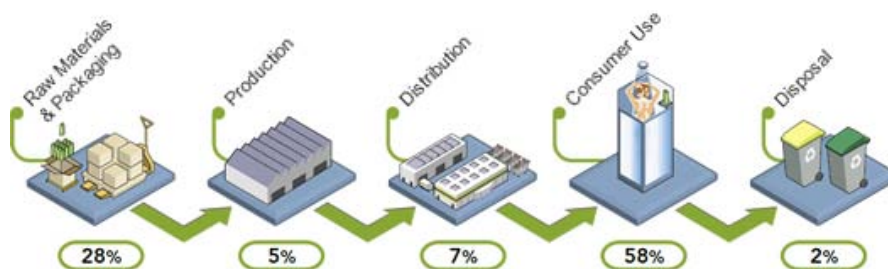
Energy and greenhouse gases in manufacturing

L'Oréal has a relatively low energy use and is exempt from the European regulations on carbon emission quotas. We are committed to achieving reductions nonetheless. Our energy strategy is focused on greater efficiency, the use of natural gas in preference to fuel oil (which has a higher carbon intensity) and renewable energy.

L'Oréal sites around the world are contributing to the group's ambitious greenhouse gas reduction target:

- Our North Little Rock, Arkansas factory completed a hydropower agreement in 2009 to halve its GHG emissions.
- Our warehouse in Mexico City has one of the largest solar installations in Latin America, and expects to reduce equivalent CO₂ emissions by 54 tonnes a year.
- Our Yichang factory in China has installed 2,000 solar tubes for the preheating of water, which will reduce CO₂ emissions by more than 5.3 tonnes a year.
- Our factory in Burgos (Spain) has made a public commitment to be carbon neutral by 2015 by using green technologies including solar arrays, biofuel and geothermal energy.
- L'Oréal's plant in Pune (India) uses solar heating to preheat wash water, saving 93 tonnes of CO₂ per year, or 6% of total energy use. There are 320 solar panels spread over 920m².

Wider carbon footprint



L'Oréal has estimated its wider carbon footprint through major studies which looked at eight product categories including a lipstick, a shampoo and a hairdye. We estimate that 12% of



Win-wins for farming, the environment and factory efficiency

Technology investment at L'Oréal's plant at Libramont, Belgium enables us to use biomass (waste product from local farmers and the food industry) to produce 100% green energy, resulting in a carbon neutral operation. 120 tonnes of farming waste a day comes to the plant where L'Oréal uses it to produce methane, which is then converted to meet all the factory's electricity needs and 80% of its heat requirements. In fact, Libramont now produces more electricity than it needs, and the surplus (equivalent to the needs of some 4,000 households) is managed by the national grid. Even the slurry waste from the plant's biomethane production is put to good use and is returned to the farming community to fertilise the fields.

Target

50%

reduction in greenhouse gas emissions

Reduction will be calculated on a like-for-like basis (2005-2015).

L'Oréal's carbon footprint relates to raw materials, and, looking at the whole life cycle, we estimate that 58% on average is related to consumer use, influenced mainly by the use of hot water with shampoos, conditioners and other wash-off products.

By measuring carbon emissions through the whole lifecycle, from raw materials extraction right through to product use and disposal, we are identifying where savings can be made and taking action where we can.



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PRODUCTION

Nearly 12% reduction

in water use over five years.

Water

L'Oréal has had a strong water conservation programme in place since 2003 and we have made significant progress in reducing total water use and increasing eco-efficiency.

Our approach

L'Oréal takes every care to conserve water, the world's most precious resource. Our focus is on reducing water consumption in our factories since this is where most of our water is used.

Over the last five years we have reduced water use per finished product by 13.7% and cut our use in absolute terms (by 11.7%) despite a production increase of 2.3%. New methods have contributed to these savings, including the use of low pressure steam instead of hot water for some cleansing processes.

Water use in factories

Most of the water L'Oréal uses goes into our manufacturing processes, and is mainly used for cleaning production equipment and packaging lines to maintain our strict hygiene standards. This represents approximately 40% of all our water consumption in manufacturing.

Product content represents about 18% of our water use in factories. Water use in each factory is related not only to the number of products manufactured by also the types of products – for example, a shampoo versus a powder.

Water quality

We make sure that the water that we use in cleansing and other factory processes is tested and treated before it goes back into municipal systems to be used again.

L'Oréal has on-site treatment at approximately 60% of our sites, using state of the art treatment plants using biological as well as physical and chemical processes. In 2009, we reduced our overall generation of COD (Chemical Oxygen Demand, the single most commonly used indicator for the need for wastewater treatment) by 25%.

L'Oréal is supporting research in this area, working with the University of Karlsruhe on alternative wastewater treatments and with the University of Newcastle as part of an EU research project on energy efficiencies in wastewater treatment.

Target

50%

reduction in water consumption per finished product

Reduction will be calculated on a like-for-like basis (2005–2015).

Chimex, Mourenx

To coincide with World Water Day, Chimex ran an education programme with a local school and college to raise awareness about water-related issues. This included student visits to the factory, discussions, and a drawing competition. The winning entries were used in an engagement campaign within the plant about water management, which involved staff members and their children in the water theme.



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PRODUCTION

54%

of our sites sent no waste to landfill in 2009.

Waste and recycling

L'Oréal has a large waste reduction programme in place across the group, with the long-term goal of achieving zero waste to landfill. We have set ourselves the target to reduce waste per finished product by 50% by 2015 (2005 baseline).

Types of waste

All material leaving L'Oréal sites other than in products is considered to be a waste. This also applies to items that are used again, such as pallets. Typical waste streams include construction debris, old equipment, products rejected for quality reasons, and residues from manufacturing.

Waste reduction

Reducing unnecessary waste and recycling where feasible helps to avoid greenhouse gas emissions, conserves natural resources and leads to greater sustainability.

In 2009 we reduced waste per finished product by a small percentage but did not achieve our target of a 5% reduction. However, the waste reduction initiatives in many of our factories and distribution centres are producing results that we are building on across the group:

- In our Ormes site in France, cardboard, plastic and paper from Point of Sale displays is sorted for recycling, providing work opportunities for three disabled people, and enabling L'Oréal to re-use 70% of the waste recovered,
- At Yichang, China, sludge is dried and used as garden compost, significantly reducing the quantity of transportable waste leaving the factory.

Infrastructure and regulations

Although reducing waste is a priority for L'Oréal, in some countries where we have factories and distribution centres, the infrastructure or markets do not enable us to source alternatives. In many countries outside Europe, for example, it is not possible to recover energy via incineration.

Our waste management must also comply with regulation. In the case of wastes subject to customs duty, for example, these must be landfilled and cannot be recycled.



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- > Transportable wastes
- > Waste treatment

Waste per finished product

1.4%

reduction in 2009.

L'Oréal is a global leader in waste recovery

95%

We recover 95% of the waste we generate.

Target

50%

reduction in waste generated per finished product

Reduction will be calculated on a like-for-like basis (2005-2015).




2010 EHS award winner

in a "Healthy Place, Happy Place" campaign, which included education on EHS policies and housekeeping. The aim was to help employees to be environmentally responsible in everyday activities and increase productivity and business efficiency.

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PRODUCTION

WWF

L'Oréal has been recognised by the WWF for its sourcing of sustainable palm oil

Sourcing

Strategic management of our raw materials is at the heart of L'Oréal's sustainability strategy. Responsible sourcing is the right way to conserve precious ingredients for the future, protect biodiversity and reduce adverse effects on the environment, health and quality of life.

Ingredient selection

New predictive research methods developed by L'Oréal in partnership with all sectors of industry have been designed to exploit the cosmetic performance potential of ingredients without making any concessions on safety, while limiting animal experiments.

Understanding the total impact of raw materials

L'Oréal has developed a special Sustainability Assessment Framework to evaluate potential raw materials on a broad range of sustainability criteria.

Green Chemistry

Through the L'Oréal Green Chemistry programme, set up several years ago, we are generating more environmentally-friendly ingredients, incorporating materials of renewable plant origin and designing more eco-friendly processes.

Ingredient use and biodiversity

Using Plant Data Sheets, L'Oréal evaluates any potential effects on biodiversity from our use of an ingredient. Although we use very little palm oil, in 2008 we committed to source all that we use from sustainable plantations, and in 2009 were recognised by WWF as one of the 10 most responsible companies amongst the members of the Roundtable on Sustainable Palm Oil (RSPO).

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Certified organic

More than 400 raw materials across the group are Ecocert certified. In the Active Cosmetics Division, Sanoflore, in conjunction with the Bio Partenaire association, was awarded the "Bio Solidaire" label in 2009 for dozens of raw materials. As well as requiring organic farming certification, this system applies principles to promote "North-North" fair trade.

A world of ingredients



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PRODUCTION

40% of ingredients
are of plant origin

A world of ingredients

L'Oréal's portfolio of ingredients comprises man-made chemicals created in the laboratory and materials that are found in nature.

Materials of renewable vegetal origin (more than 1,200 ingredients in our portfolio), represent 40% of total ingredients used.



<p>Our supply chain</p> <p>We support <u>diversity</u> among our suppliers and continuously develop relationships with minority</p>	<p>Engaging with suppliers</p> <p>Our <u>Buy & Care programme</u> is a global programme with local actions. It incorporates vendor events hosted by</p>	<p>Sharing our standards and values</p> <p>To do business with L'Oréal, suppliers' operations must meet the same standards as</p>	<p>Sustainable sourcing</p> <p>More than 400 <u>raw materials</u> across the group are Ecocert certified. In the Active Cosmetics Division, the</p>
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and women-owned businesses.

L'Oréal for suppliers around the world.

L'Oréal's own sites. Third-party labour standards audits, paid for by L'Oréal, are carried out at supplier sites.

Sanoflore organic laboratory, in conjunction with the Bio Partenaire association, was awarded the "Bio Solidaire" label in 2009 for dozens of raw materials – recognising that L'Oréal takes fair trade principles into account as well as organic farming standards.

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PRODUCTION

The long-term supply of raw ingredients

depends on responsible sourcing

What makes a natural ingredient sustainable?

Before using a natural ingredient, L'Oréal carries out a complete sustainability assessment using the following criteria.



Argan oil from Morocco

Once widespread, the Argan tree now grows mainly in South Morocco. We are working closely with our supplier, LS, and have invited an expert NGO to advise us on approaches that would help local co-operatives, provide a fair return on price and provide protection against biopiracy.

Wood fibres for cardboard

L'Oréal demands that all our suppliers only use wood fibres from FSC or PEFC certified forests that are managed sustainably and that provide appropriate traceability.

Fairly traded ingredients

The Body Shop's pioneering

In 2009, Kiehl's launched Açaí Damage-Repairing Skincare, using a formula of 100% natural origin with açai berries, which have proven anti-oxidant properties. This Ecocert certified organic skincare product has been granted the Cradle to Cradle Gold label, one of the most widely recognised certifications in the United States in terms of respect for the environment.

Since 2005, L'Oréal researchers have been focusing efforts on enhancing biodiversity and meeting the targets of the Biological Diversity Convention. Today, 40% of the group's raw materials are plant-based, and are derived from 300 species, evaluated for their potential impact on biodiversity preservation by a dedicated team at L'Oréal.

In 2004, L'Oréal started work with the Musée d'Histoire Naturelle to check whether any of our 120 plant-based raw materials were endangered species. Now, before we include any raw material in

our portfolio we check for potential risks to biodiversity and we only start using it if the profile is favourable.

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Community Trade programme today includes 30 suppliers in 23 countries and benefits 25,000 people. Coconut oil from Samoa and Tea Tree oil from Kenya are two of the latest organic Community Trade ingredients to be added. In the foothills of Mount Kenya, the Tea Tree plant is hand-harvested by the local growers' co-operative.

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PRODUCTION

L'Oréal's supply chain

8,500 employees, 4.4 billion products delivered, 450,000 points of delivery, 146 distribution centres

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 - > OUTLOOK AND OBJECTIVES

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Supplier relations

L'Oréal builds and maintains a long-term relationship with its suppliers based on mutual respect, transparency, regular communication and high standards.

Operating ethically


Our approach is covered extensively in the company's Code of Business Ethics, Social Responsibility Evaluation, Performance Assessment, Purchasing Code and training courses.

All our suppliers are required to comply at the very least with ILO guidelines and SA8000 standards.

Supplier audits

The group closely monitors the suppliers it works with and evaluates them on the basis of Social Responsibility, Innovation, Quality, Logistics, and Competitiveness.

Third-party labour standards audits are carried out at our sites and those of our suppliers and subcontractors. Suppliers or subcontractors with significant non-compliances to be resolved are referred to technical experts for assistance. Those not willing to resolve critical issues lose authorisation to do business with L'Oréal. Major subcontractors directly producing L'Oréal products undergo the normal labour standards audits but are also directly audited for quality, environment, health, and safety standards.

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PRODUCTION

2,148 Social Responsibility audits

of supplier sites since 2002, carried out by independent experts and paid for by L'Oréal.

L'Oréal Buy & Care programme

L'Oréal Buy & Care is our global programme, committing to long-lasting relationships with our suppliers and subcontractors. It involves joint efforts to promote sustainable growth, business opportunities and innovation, and encourages high-quality and frequent exchanges of information.

Working with suppliers

Our purchasing teams contribute to corporate results in the areas of:

- cost – achieving economic performance and savings,
- risk – actively contributing to risk management,
- growth – differentiation with competitors, leveraging suppliers and promoting innovation.

Our Buy & Care programme integrates innovation, performance and sustainability at each stage in the supply chain. All our suppliers are evaluated according to five main criteria:

- corporate social responsibility,
- innovation,
- quality,
- logistics,
- competitiveness.

A worldwide approach

Buy & Care is a global programme with local actions. Our approach is based on ongoing communication and long-term relationships. We share information and provide appropriate support to help suppliers meet our standards. Special supplier days held throughout the world are an important part of our dialogue with suppliers.

Business reviews and good practices

L'Oréal uses formal business reviews to reinforce standards and raise awareness among our top 50 suppliers worldwide. We also communicate our KPIs to suppliers and have ongoing dialogue with them to understand how they are addressing sustainable development issues.

We conducted a survey among 20 packaging suppliers to assess their perceptions of L'Oréal's supplier relationship management and engagement on social and environmental activities. Feedback and critical issues identified will be discussed with the respective suppliers in the next business review.

L'Oréal USA Consumer Products Division (CPD)

looks for packaging suppliers who share common sustainability goals. Some suppliers run programmes with local municipalities for collecting household waste and then turn it into corrugated board. CPD is using this material to build and ship promotional displays.

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PRODUCTION

Hundreds of our suppliers

attend special supplier days hosted by L'Oréal to share good practices.

Dialogue with suppliers

L'Oréal holds special events for hundreds of suppliers around the world, providing the opportunity for discussion, information and support.

Business vendors meeting, India

In India, 100 delegates attended our business vendor event, which gave suppliers an overview of L'Oréal growth potential and its business vision. L'Oréal's policies in key areas were explored, and there was a special emphasis on supplier assessment and the Social Responsibility audit programme. The event was also an opportunity to acknowledge and reward long-term relationships with our suppliers.

"Improve Together", Indonesia

In Indonesia, L'Oréal hosted an "Improve Together" workshop, which included 22 suppliers. There were presentations from L'Oréal on logistics, quality, packaging, supply chain and purchasing. This included an overview of the L'Oréal Buy & Care programme and what L'Oréal expects from its suppliers in terms of global sourcing. Suppliers were able to discuss L'Oréal's audit programme and understand how the company assesses performance.

Supplier conference and awards, China

In China, 111 suppliers were invited to a conference at which L'Oréal recognised and celebrated successful partnerships and achievements by presenting awards to eight suppliers for outstanding performance. The conference also explored L'Oréal's purchasing principles and ethical approach, and the importance placed on these by the company.



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Pune, India

At our Pune plant in eastern India L'Oréal invited business partners (in all purchasing categories) to meet with the company and learn more about its vision for the future and the factory's evolution. L'Oréal began its business in India in 1991. Long-term relationships are vital to the company's sustainable growth and engaging regularly with our suppliers contributes to this.

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PRODUCTION

Long-term relationships

are the basis of L'Oréal's approach

Supplier diversity

We support diversity among our suppliers and continuously develop relationships with minority and women-owned businesses.

Minority and women-owned businesses

L'Oréal USA provides ongoing support for NMSDC (National Minority Supplier Development Council) and sponsors of its annual event which recognises companies who support minority-owned companies.

In 2009 L'Oréal USA sponsored a minority business supplier, Valentine Manufacturing, to become a member of the NMSDC. Valentine Manufacturing is a major supplier of L'Oréal and Maybelline Promotional Displays. Several other minority suppliers have also joined our portfolio, including Rosemont, Machine Star and Hanover.

Since 2006, L'Oréal has had a business relationship with Le Relais (Esperance), a French subcontractor that specialises in co-packaging and conditioning. This company was formed in 1996 to help to reintroduce disadvantaged people back into work and the community. It was awarded a "Social Entrepreneurship" award in 2009 by the Boston Consulting Group and the Schwab Foundation.



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Responsible purchasing

With 18 leading French companies L'Oréal signed "10 commitments for responsible purchasing" in the presence of Mrs Christine Lagarde, Minister for the Economy, Industry and Employment. The charter is a basis for negotiation and mediation between large companies and SMEs.



Supporting Minority Business Enterprises

L'Oréal USA has sponsored the nomination of Valentine Manufacturing – one of L'Oréal's important promotional display suppliers – to become a certified MBE (Minority Business Enterprise) supplier into the US National Minority Supplier Development Council. This will help Valentine to continue to grow, employ more people in the USA, and service the needs of other companies in all industry groups. *Photo (left to right): Ed Bullock & Laurie Houlihan (L'Oréal), Hank Lombardi & Tony Valentine (Valentine), Fred Theile (L'Oréal).*

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PRODUCTION

81% of L'Oréal's suppliers in the Carbon Disclosure Project

state they have a greenhouse gas emissions accounting methodology.

Global and local

We encourage suppliers to adopt sustainability goals by working in partnership with us.

Carbon Disclosure Project (CDP)

We consider that supplier carbon emissions are part of our wider corporate footprint and that joint efforts are needed to make progress. A member of the CDP since 2003, L'Oréal joined the CDP Supply Chain Leadership Collaboration Project in 2007, to encourage suppliers to measure and manage their carbon emissions.

In 2009 we invited 26 companies from among 40 of our major suppliers to participate for mutual benefit as we believe that carbon management is essential to long-term success. We have involved 30% of our supply base (by revenue) in the CDP.

Working with our suppliers through the CDP also enables the exchange of good practice. Following participation with L'Oréal in the CDP Supply Chain group, packaging supplier Rexam requested a visit to our co-generation plant in Libramont, Belgium to understand more about L'Oréal's carbon reduction programme in our factories.

On 29 January 2010, L'Oréal attended the CDP Supply Chain's Members Roundtable. This meeting was held via videoconference simultaneously in three locations. It brought together procurement and environmental leaders from the world's leading companies, and focused on carbon management and its effect on procurement.

Project "In HOUSE"

In 2009, with the help of a packaging supplier, we produced plastic bottles of several brands of shampoos and after-shampoos on-site at L'Oréal. This achieved savings in:

- *Transport:* 75,000km a year (1,275 t CO₂)
- *Electricity:* 1.5 Million kWh (23% reduction)
- *Plastic:* 5% lighter (170 tonnes PE a year)
- *Cardboard:* 200 tonnes.



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"Green" office supplies

Office Dépôt has been selected to supply all our sites in France. Half of the office supplies available to L'Oréal are "green" products, including a FSC-certified 75g copy paper, which enables a 6% annual saving in material, energy and transport.



"Very few of our clients go as far as L'Oréal in promoting the environment. Most companies' procurement departments don't show leadership on this, but at L'Oréal the opposite is true. L'Oréal's purchasing team have initiated the move to greener office products like recycled cartridges and FSC paper. They are not content to talk about sustainable development but are actively promoting it in their purchasing processes."
 Nathalie Jardin, Account Director, Office Dépôt

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PRODUCTION

2,000+ labour standards audits

conducted since 2002.

Social Responsibility audits

Audits of environment, health, safety and labour practices are carried out in all of L'Oréal's own plants and distribution centres. As well as this, we evaluate supplier operations worldwide through on-site audits, independently conducted on L'Oréal's behalf and paid for by L'Oréal.

In 2009 the L'Oréal Social Responsibility audit programme was extended, and more than 2,000 labour standard audits have now been conducted.

These independent audits are designed to ensure that our suppliers' operations comply with human rights and labour standards. L'Oréal will not work with any supplier who employs anyone under the age of 16.

To date, L'Oréal has audited 2,148 supplier sites. In 2009, 436 Social Responsibility audits of suppliers' sites were carried out worldwide:

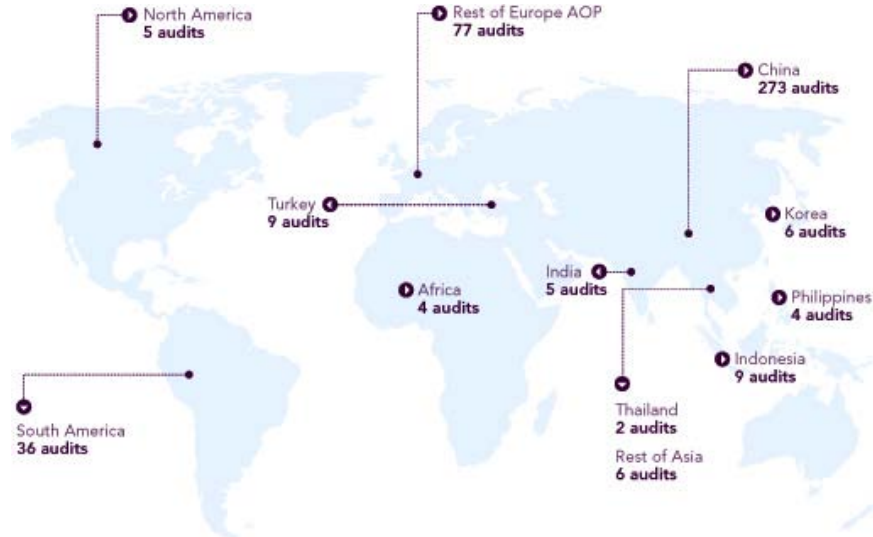
- Asia: 305
(China: 273; Indonesia: 9; Korea: 6; Philippines: 4; Thailand: 2; India: 5; Rest of Asia: 6)
- Europe: 86
(Turkey: 9; Rest of Europe: 77)
- South America: 36
- North America: 5
- Africa: 4

Our objective is to carry out 400 Social Responsibility audits with suppliers in 2010.

Experience gained from the 1,731 audits carried out since 2002 lead us to continue our work to ask for root causes analysis of non-compliance and for improvements.

The main non-conformities relate to hours of work, compensation and benefits, and health and safety.

Geographical distribution of Social Responsibility audits



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PRODUCTION

Two-thirds of L'Oréal's European purchasing managers

have followed supplier diversity training.

Purchasing organisation

L'Oréal recognises that to improve together and meet sustainability goals, we need to work efficiently through our supply chain.

Streamlined processes and tools

L'Oréal has a supply chain integration programme designed to simplify processes, provide common KPIs and allow for unified governance.

Our pre-referencing process aims to develop the best environment for new suppliers who do not know L'Oréal. It also ensures that L'Oréal works with the right suppliers and simplifies the supplier's daily interactions with L'Oréal. The process includes a Welcome on Board Kit and an Internal Sponsor available to work with the new supplier.

Our "PLUG & START" programme is for identifying and selecting new suppliers in line with business needs, and enabling them to integrate more rapidly.



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Training

More than 70% of purchasing managers attended one-week training in Purchasing Strategy & Practices, which includes training and guidance on L'Oréal's purchasing principles and Code of Conduct.



HÂPY

L'Oréal has a global team tasked with developing best-in-class exchange platforms for purchasing, focusing on Harmonise, Accelerate and Purchasing efficiency.

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PRODUCTION

Our goal for 2010

To carry out 400 Social Responsibility audits of supplier sites.

Outlook and objectives

Effective supplier relations are essential for sustainable development and L'Oréal has set itself key objectives in this area.

We will:

- Continue to increase, develop and formalise our business exchanges with suppliers:
 - Increase coverage of business reviews to all categories and regions,
 - Measure progress against specific environmental and SD KPIs,
 - Conduct a supplier satisfaction survey to identify critical issues and areas of improvement,
 - Ensure ongoing feedback to suppliers following Invitations to Tender.
- Continue promoting internal awareness of sustainable development issues among purchasing teams:
 - Organise specific workshops on SD across the categories and regions,
 - Continue training buyers on good purchasing practices (Purchasing Strategy & Practices training) to achieve a rate of 90%.
- Carbon Disclosure Project (CDP) Supply Chain:
 - Monitor progress of the 26 first suppliers of L'Oréal that are participating in the CDP Supply Leadership Project,
 - Integrate new suppliers into the CDP Supply Leadership Project, from Latin America and Asia.
- Encourage suppliers to achieve FSC certification and reduce their packaging and energy consumption,
- Continue the social audits programme with the objective of 400 audits in 2010,
- Pursue the deployment and further development of the "L'Oréal Buy & Care" programme,
- Increase the visibility of supplier innovations and facilitate access to L'Oréal decision-makers in Research & Innovation and marketing.

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Jean-Paul Agon,
Chief Executive
Officer



PRODUCTION

“ Forests represent an authentic natural capital for humanity today and for the future. ”

Packaging

Packaging plays a major role in the sustainable growth of L'Oréal's brands, serving many important needs in product distribution and storage, brand recognition and consumer use. L'Oréal has made significant progress in reducing the environmental footprint of its packaging in recent years.

The role of packaging

Packaging is a necessity. It is integral to the product and has many uses: protecting the product from factory to consumer, preserving it from external conditions, enabling it to be dispensed, informing the consumer about use and ingredients, and forming part of the brand identity.

Garnier's recent work (opposite) reflects the importance we place on understanding consumer behaviour and developing ways to promote recycling in the home, so meeting societal responsibilities as well as environmental ones.

Sustainable packaging

Packaging innovation at L'Oréal is focused on eco-design, weight and volume reductions, new materials and technologies, recycled content, and lifecycle evaluation. Our approach is based on "Respect, Reduce, Replace":

- **Respect** – for nature and biodiversity
- **Reduce** – packaging weight and volume
- **Replace** – renewable resources and materials.

Materials selection

L'Oréal designs its packaging to be proportionate with the product, maximising performance and taking use and recycling into account. We limit the types of material we use so that packaging can be recycled using existing facilities.

To develop more eco-friendly packaging, L'Oréal focuses on renewable sources that do not compete with human or animal food sources and in this way L'Oréal integrates sustainability principles into packaging design right at the start of the lifecycle.

L'Oréal does not rely on the notion of "biodegradability". This is not compatible when applied to packaging, and packaging material commonly described as "biodegradable" currently falls short of the required performance and quality standards.

Our roadmap

1980-2007	2007	2008-09	2010	2011 onwards
Source reduction	Packaging & Environment	Lifecycle analysis	Eco-design procedures	Standardised eco-design process



Sector leader

The Forest Footprint Disclosure project named L'Oréal as the leader among Personal and Household Goods companies for our sourcing of sustainable wood fibre, paper and cardboard.




Garnier and Eco-Emballages: leading by example

Garnier recognises that its efforts in packaging eco-design can only be fully realised if consumers are engaged. Research by Garnier and Eco-Emballages showed that 84% of French consumers recycle in the kitchen but only 55% do so in the

Recycled cardboard	policy	Sustainable Packaging training	PIQET tool for environmental assessments	Tools implementation
Materials selection	Position papers FSC certifications	Funding for bioplastics research	Recycled glass Marketing guide Reporting of indicators	Goal-setting

L'Oréal helped to set up Eco-Emballages, which specialises in processing domestic packaging waste, and Ecofolio, dedicated to paper management.

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bathroom, and only 21% sort and recycle cosmetics packaging correctly. In 2009 Garnier launched a practical and original solution: the first-ever recycling bin for the bathroom, designed to make it as easy as possible for consumers to recycle.






Ahead in innovation

As part of an award-winning initiative called "Cherrypack", L'Oréal "cherry-picked" five of the most innovative packaging suppliers for an exclusive preview of their latest concepts to our CIO and brand strategists. This enabled L'Oréal to select the most interesting ideas before they appeared at the Cosmopro, the major packaging trade exhibition.

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600 L'Oréal products
have FSC-certified packaging.

PRODUCTION

Respect

Packaging innovations at L'Oréal are based on respect for consumers, the environment and biodiversity.

Sustainable wood fibre

All the wood fibre for L'Oréal's cardboard must come from a forest that is certified as sustainable. 90% of our sources are certified by the Forest Stewardship Council (FSC) and the remainder have the PEFC certification (in those few cases where FSC material is not yet available).


With FSC certification we make sure the whole Chain Of Custody is certified, from the forest to the printer. In France the certificates are delivered by Bureau Veritas. For our EU operations, our wood fibre is sourced mainly from Scandinavian and Polish forests that are certified sustainable.

Trulor cardboard

L'Oréal introduced Trulor several years ago, which was developed with a European paper-maker. This cardboard meets high standards in use and in manufacture. It weighs less than comparable products and is TCF (Totally Chlorine Free production process). Trulor is FSC-certified, which provides the assurance that, like all the other packaging cardboard used by L'Oréal, it comes from sustainable sources.

Substances called into question

Going beyond existing regulations on heavy metals, L'Oréal does not use materials and substances that might present the slightest risk to consumers and the environment. Working with our suppliers, we have a large-scale programme to replace PVC and a certain number of other materials in our packaging.

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Replacing PVC

L'Oréal has set up a programme to eliminate PVC from its packaging by 2010.

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Packaging training

Product development teams took part in L'Oréal's new two-day course on eco-design in 2009.

Reduce

L'Oréal's packaging programme has achieved significant reductions in weight and volume, contributing to lower material use, lower energy consumption and reduced carbon emissions throughout the lifecycle.

Weight reduction


Since the beginning of the 1990s and as new packaging technologies have become available, L'Oréal has developed lighter and lighter packaging. Today, L'Oréal's plastic bottles are among the lightest on the market.

In 2008, efforts by L'Oréal brands worldwide have enabled us to save around 800 tonnes of plastic in our bottles. In 2009, 720 additional tonnes of packaging material was saved.

Our weight reduction programme goes further than just the packaging of our finished products. We are looking at the whole supply chain, even including the packaging of packaging.

Volume reduction

Limiting the environmental impacts associated with packaging means reducing volume as well as weight. A procedure introduced in 2008 is enabling L'Oréal to measure packaging volume and help marketing teams to ensure the right balance between the volume of the package and the volume of product it contains.

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Garnier's pledge

Over the last decade Garnier has been a pioneer in packaging reduction. Garnier has made a further commitment: to reduce the weight of its plastic packaging by 15% by 2012.



Innovation by Redken

Redken's 1 litre shampoo bottle in the USA (made of 50% recycled PE) is 8g lighter and the cap 2g lighter, and 40% more bottles can

now be transported per pallet.

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PRODUCTION

85 patents

registered for packaging innovations in 2009.

Replace

Reducing the weight and volume of packaging is not without limits so L'Oréal is actively exploring other ways to save natural resources.


Recycled materials

L'Oréal explores recycled materials for its packaging where these have proven environmental benefits. Many L'Oréal brands now incorporate recycled content in their packaging. Kiehl's, The Body Shop, Sanoflore and L'Oréal Professionnel use up to 100% recycled PET, while Lancôme, Matrix and Sanoflore use recycled PE in tubes and bottles – for example, Lancôme Aroma blue tube has 50% recycled PE. Garnier and Vichy are working on incorporating 40% recycled glass in their glass jars.

Renewable resources

For several years, L'Oréal has been investigating the potential of bioplastics but our extensive testing shows that these materials do not yet have the necessary composition to protect and conserve the product over time.

L'Oréal only considers this type of material if it comes from renewable resources and if the environmental impact is clearly less than a traditional type of plastic of equivalent performance. L'Oréal rejects any material that is in direct competition with food sources.

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Bioplastics research

In order to make advances in packaging innovation, L'Oréal is providing five-year funding for the Chair in Bioplastics at the Ecole des Mines in Paris, along with four other companies.

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14% of L'Oréal's carbon footprint

is estimated to come from the packaging lifecycle.

Lifecycle analysis

Accurate measurement of the lifecycle is helping L'Oréal to build sustainability principles into packaging design.

Measuring environmental performance

At L'Oréal eco-design is part of packaging innovation. To maximise the opportunities, we are studying the environmental aspects of packaging at different stages in the lifecycle and aim to apply this knowledge in our eco-design processes, with the aim of limiting our environmental footprint even further.

Our research shows that the manufacture of the packaging material is the most significant in terms of impacts, which is why L'Oréal dedicates effort and resources to reduce the quantity of material used and replace finite materials with more sustainable sources.

Next steps

Over the next two years, we aim to develop a systematic approach to eco-design. For this reason, we have adopted the PIQET tool, a method of evaluating environmental impacts in order to achieve the most effective packaging design while still respecting the environment.

L'Oréal is currently developing a set of indicators to enable environmental trends related to our packaging to be widely understood and communicated, and these will provide the basis for sustainable packaging targets to be set in future years.

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Informing consumers

A deeper understanding of where the impacts lie is also being shared with consumers. Garnier's labelling on its shampoo bottle explains the carbon savings resulting from a lighter bottle and asks the consumer to recycle.

MORE...

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- ▶ Respect
 - ▶ Reduce
 - ▶ Replace
 - ▶ Point of Sale materials

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- ▶ HEALTH AND SAFETY
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- ▶ WASTE AND RECYCLING
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 - > REPLACE
 - > LIFECYCLE ANALYSIS
 - > POINT OF SALE MATERIALS
- ▶ SUSTAINABLE BUILDINGS
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PRODUCTION

L'Oréal is working to conserve natural resources

in all the materials it uses

Point of Sale materials

L'Oréal's respect, reduce, replace programme also applies to our Point of Sale (PoS) and promotional materials. We have communicated our approach widely to our suppliers and will be introducing an audit programme to check compliance.

Printing, cases and colour charts

- We insist on use of paper certified FSC or PEFC
- We use vegetable based inks
- We work with suppliers certified to the green printing standard Imprim'vert
- We only use lamination where strictly necessary

Point of sale, accessories and promotional items

- We do not use PVC, expanded polystyrene and thermosetting resins
- We do not use SVHC (Substances of Very High Concern)
- We re-use display furniture where possible, especially for annual campaigns
- In the Consumer Products Division, we have set up a carbon footprint analysis for L'Oréal Paris PoS.

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Savings all round

In the Professional Products Division, Shu Uemura Art of Hair has reduced the weight of its Point of Sale furniture by 20% and similar savings have been made by our Consumer Products Division, where Garnier has renewed 60% of its furniture, with the result that less steel is used and less carbon is generated in the manufacture and transportation of the items.

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PRODUCTION

"Green" building design and construction

is a key factor in operating efficiently and limiting environmental impacts.

Sustainable buildings

L'Oréal's Sustainable Buildings policy was implemented in 2008 and applies to all owned or operated L'Oréal facilities worldwide.

Our policy is that all new major construction and significant renovation projects will be required to meet Leadership in Energy and Environmental Design (LEED) standards or equivalent local certifications (for example, HQE in France).

Where these certifications do not exist, construction and renovation projects must meet our internal equivalent standards (we have published an extensive guide), which cover site selection, energy reduction, use of green or renewable energy, conservation of water, use of renewable building materials, quality and comfort of interior spaces and innovation.

As well as our award winning HQE-certified research facility in Chevilly-la Rue (France), several other LEED projects are underway or completed. These include new offices in Berkeley Heights (New Jersey), the extension of our Franklin factory (also New Jersey), a Research Centre in Shanghai-Pudong (China; see opposite), and our distribution centre in Mexico City (see opposite).

In relation to existing sites, a reinforced audit programme was launched in 2009 with two major targets: to improve energy efficiency in existing buildings (through loss reduction, energy recycling and systems improvement), and to assure the air quality of their indoor work environments.

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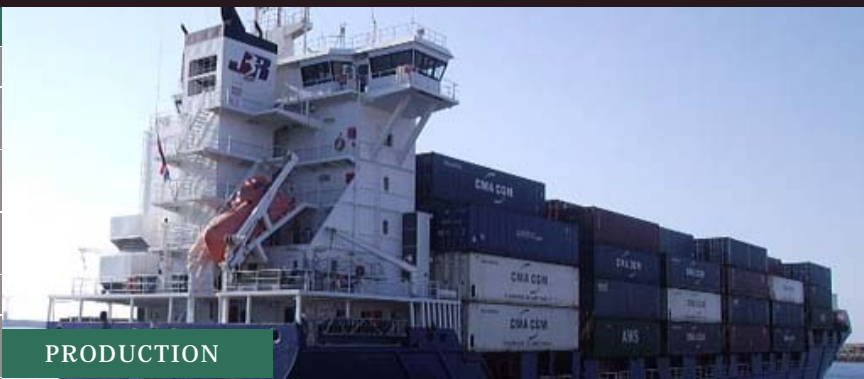
L'Oréal China

In Pudong, China, L'Oréal has achieved Gold LEED certification – the leading international benchmark for sustainable buildings – for its energy efficiency, water conservation and recycling initiatives. These include solar panels, use of natural lighting and geothermal heating systems; and the collection and re-use of rainwater. The Pudong research centre is 50% more energy efficient in comparison with similar facilities elsewhere.

L'Oréal Mexico

Our new distribution centre in Mexico City is believed to be one of the largest in Latin America and worldwide. The centre offers several benefits including operational efficiency, water consumption, energy efficiency and a high-quality work environment. Its state-of-the-art design has led to the award of the Gold LEED certification – the first such industrial certification in the country – which is only given to buildings with the highest "green" standards.

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PRODUCTION

More than 4 billion products

transported a year

Transport

Throughout the world, L'Oréal optimises production by region, locating operations teams as close as possible to the markets they serve. This enables the group's production sites to be more responsive and also provides the potential for greater efficiency in logistics and transport.

L'Oréal's worldwide logistics

Although relatively speaking the cosmetics industry is not a significant emitter of greenhouse gas emissions (GHGs), transport contributes to L'Oréal's overall carbon footprint.

More than 4 billion product units a year move through L'Oréal's logistics network, transported from factory to distribution centre and on to our customers in every region of the world. To do this, we rely on a variety of transport types and vehicles, with varying levels of GHG emissions.

Measuring transport GHGs

Precise measurement of transport-related GHGs is a challenge for industry in general. L'Oréal has been actively pursuing this through a programme targeted to deliver reliable GHG emissions data by 2012.

As part of a two-year research programme with ADEME (the French agency for energy and the environment), L'Oréal has developed a tool that is currently being refined and trialled in our logistics operations in Asia. When fully implemented across the group, this tool will allow accurate measurement of kilometres travelled, enabling L'Oréal to determine more precisely the volume of CO₂ emitted from our transport operations and so adding to our accurate understanding of the footprint of finished products sold.

Such precise analysis is likely to result in higher mileage figures than previously estimated but this knowledge will enable not only performance improvements in carbon emissions but also provide the detailed metrics necessary for operational and cost efficiencies to be fully optimised.

For 2009, L'Oréal reports an estimated 2.1 million Ktonnes (Ktonnes = one thousand tonnes travelling one kilometre), an increase of 3.8% compared to the previous year. The aim is to report more accurately on 2010 performance using the new measurement tool.

The transport mix

58% of L'Oréal's transport use is road. Where feasible our logistics operations use "greener" forms of transport that still enable us to meet required lead times and costs. For example, in 2009, a road-rail combination (between our centres in Burgos, Spain and Mitry Mory, France), and road-sea (between Barcelona and Manchester) enabled us to save 226 tonnes of CO₂e when compared to road-only routes.



From road to rail

L'Oréal Luxury Products Division has been able to switch from road to rail to transport products on a 540km route between its distribution centre in Kaarst, Germany and Basle, Switzerland, making savings in fuel and GHGs but without affecting lead times.

Modernising the network

In Latin America, the logistics team is continuing to modernise its physical distribution network, while introducing more stringent safety and sustainable development requirements, as shown at the Mexican distribution centre, which runs partly on solar energy.



DATABANK

> Tonnes transported per kilometre

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CONSUMPTION

INTRODUCTION

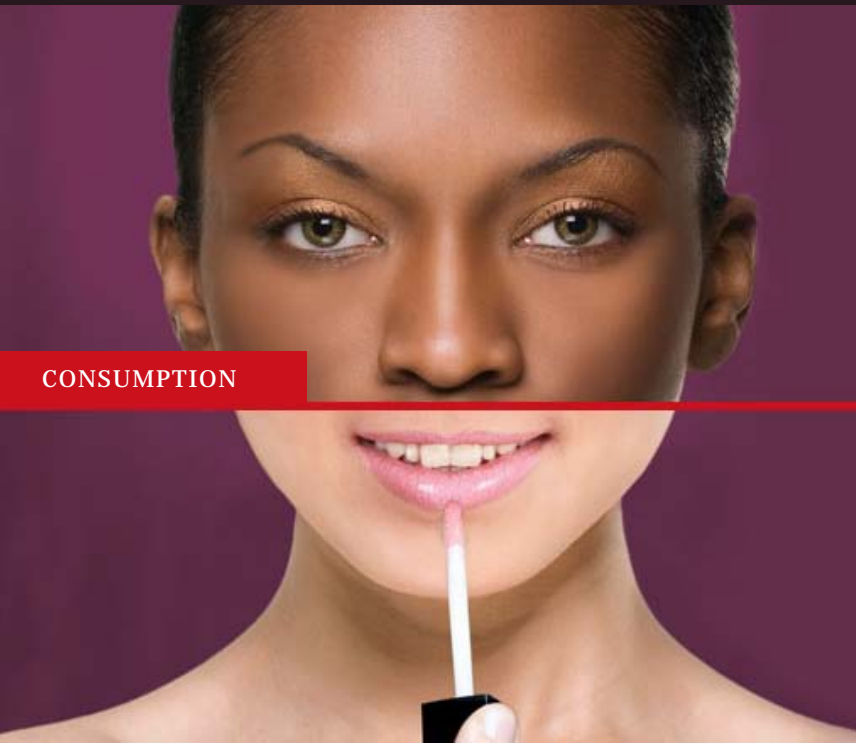
CORPORATE CONSUMER RESPONSIBILITY

RESPONSIBLE COMMUNICATIONS

PRODUCT ACCESSIBILITY

SAFETY IN PRODUCT USE

CONSUMPTION



We deliver what we promise.

The sustainability story doesn't end with L'Oréal; it's together with our customers that we can make a more beautiful world. Millions of consumers trust L'Oréal for the highest possible quality and standards today, and that's where a conversation about tomorrow really begins.

READ MORE >

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Arjoon Bose,
Project Manager,
Marketing, Asia



CONSUMPTION

“ I work in the Asia zone for Garnier and am guided by our precept "Take Care" – of yourself, of others and of the planet. ”

Introduction

Every second of the day, 150 of our products are bought by our customers. It goes without saying therefore that we pay careful attention to the challenge of sustainable consumption which is of concern for everyone in society and is essential to L'Oréal's ability to grow responsibly.

Meeting the challenge

L'Oréal's growth ambition is to double our consumer base and make our products available to 1 billion new consumers by 2020 in markets around the world.

Our focus is on sustainable, organic growth, balancing our brands across sectors and countries and extending our international presence through selective acquisitions. For our growth to be sustainable it must be responsible and not at the expense of our environmental and social commitments.

At L'Oréal we are building sustainability principles into every activity, as described elsewhere in this website – including research and innovation, sourcing and production. However, companies alone cannot meet the challenge of sustainable consumption. Consumers have a major role to play along with the rest of society, to ensure that what is consumed today does not exceed what the world can provide tomorrow.

Corporate Consumer Responsibility (CCR)

L'Oréal's comprehensive CCR vision formalises our "contract" with consumers, puts them at the heart of everything we do and sets out seven key commitments that reinforce trust in our brands. This trust is essential to engaging with our consumers, meeting their beauty needs through sustainable products and encouraging positive behaviours.



Certified organic products

L'Oréal brands have more than 70 certified organic products. In 2009 *The Body Shop* affirmed its commitment to organic products with its Nutriganics™ range of certified, anti-ageing facial skincare products.

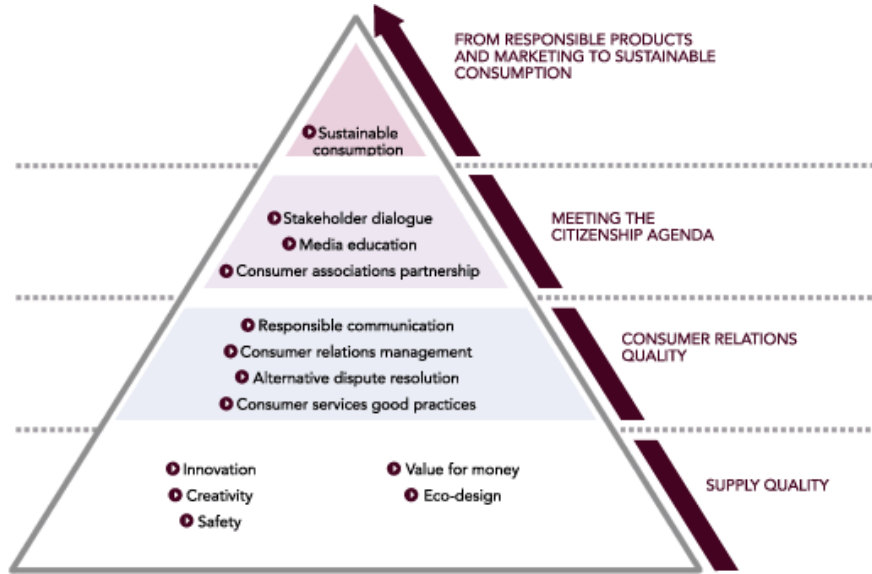


RSPCA Good Business awards

L'Oréal has been named a "High Street Hero" by the RSPCA for its commitment to finding and advancing alternatives to animal testing.

Vigilant to products in use

L'Oréal was the first cosmetics company to set up a worldwide Post-Marketing Surveillance network in the 1970s, to detect adverse effects that consumers might experience with use of a product. This network, based on the same methods used in the



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pharmaceutical industry, employs an online, real-time database, enabling L'Oréal to detect even the slightest signs of intolerance and take rapid action if necessary.

Contact with our consumers

L'Oréal handled nearly 1.5 million post-sale contacts in 2009. 67% of the consumer contacts were general enquiries or requests for advice, and 20% related to a complaint. A very small percentage of the enquiries we receive relate to sustainability issues.

MORE...

In this report...

- ▶ Corporate Consumer Responsibility

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CONSUMPTION

Pureology professional hair care

Formula 100% Vegan and packaging up to 25% post-consumer recycled plastics

Corporate Consumer Responsibility

L'Oréal's seven Corporate Consumer Responsibility commitments are the basis for maintaining trust and engaging with our consumers.

Innovative products and continuous improvements in product efficacy

Dynamic, sustainable innovation is at the heart of L'Oréal's approach. *Example:* The innovative Renewal Lash Serum by L'Oréal Paris delivers results and is both clinically and ophthalmologically tested.

Product safety

The irreproachable safety of our products is paramount. We test our products rigorously and continually explore new techniques that exploit scientific breakthroughs. *Example:* In 2009 we announced an innovative way of evaluating ingredients based on predictive research methods.

Sustainable marketing

L'Oréal aims to build sustainability into product DNA. *Example:* Kiehl's launched the first certified "cradle to cradle" product in 2008, a guarantee that a product's whole lifecycle respects the environment.

Responsible advertising

We ensure that our advertising and promotional material is based on proven performance and scientific data, and that the information we provide is readily understandable by consumers. A rigorous and ethical scientific approach enables L'Oréal to understand and meet beauty needs in different regions of the world. *Example:* We consulted 45,000 consumers before developing an innovative shampoo exactly tailored to the culture and hair characteristics of Chinese people.

Transparency and care

We aim to provide the best advice, support and education to our consumers. *Example:* L'Oréal has 366 specialist Consumer Advisers in 47 countries where we have a subsidiary.

Availability of our products

L'Oréal aims to make its products as widely available as possible. *Example:* Garnier has launched very accessibly priced products including the Garnier Essentials range.

Sharing best practice with industry and stakeholders

We participate in industry groups and engage with consumer organisations, listening to concerns and taking action when needed. *Example:* We adopted, and are committed to implementing worldwide, the French Union of Advertisers' (UDA) Charter on Responsible Communication in 2007.



The Body Shop's Love Etc...™

is the first internationally available fragrance to include fairly traded Community Trade alcohol. The raw ingredient is sugar cane, bought from farmers in a remote region of Ecuador, one of the poorest countries in Latin America, enabling them to access a global market which might otherwise be out of reach. Community Trade ingredients go into other L'Oréal products such as sugar from Paraguay for the Ushuaia range.

Even more committed to dermatologists

In 2009, La Roche-Posay entered into a commitment with dermatologists' associations in 22 countries to carry out national campaigns to promote education, awareness-raising and screening for skin melanomas and cancers. More than 68,000 screenings took place, and 3,900 skin cancers were identified, preserving the lives of a large number of people.


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> UDA (French Union of Advertisers') Commitments

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 Responsible communications

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Arnaud Darde,
Regional Sales
Director



“ It seems to me that if L'Oréal is so successful then there must be a reason for it somewhere...”

CONSUMPTION

Responsible communications

L'Oréal's Code of Business Ethics commits us to responsible advertising. This includes ensuring that advertising and promotional material is based on proven performance and scientific data, and that the information we provide is readily understandable by consumers. We also uphold the principles in a number of other codes on a global basis in all our advertising.

UDA Charter on Responsible Communication

The UDA (French Union of Advertisers) Charter on Responsible Communication covers responsible communications and marketing, consumer privacy and social and environmental impacts.

Since 2007 L'Oréal has been a signatory to the Charter's five commitments and every year we report our progress against these.

International Code of Advertising Practice

We recognise the International Chamber of Commerce's International Code of Advertising Practice as the principal global guidance on responsible advertising, and fully support its principles and implementation.

Charter for Voluntary Engagement on Body Image

L'Oréal also fully supports the French Government's Charter for Voluntary Engagement on Body Image (Charte d'engagement volontaire sur l'image du corps).

Product performance and advertising

When making claims for product performance, we use a rigorous scientific approach and sophisticated measurement techniques. As protocols can vary between countries, L'Oréal must constantly ensure that local requirements are fully considered.

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Upholding the standards

All the marketing directors in two of our divisions – and nearly three-quarters of their agencies – have received training in responsible advertising principles. These are set out in our Code of Business Ethics, the UDA Charter and other international codes.

Garnier: supporting hearing-impaired consumers

In collaboration with GuideCaro, which operates the "Sourdline®" service for hearing-impaired people, Garnier in France has dedicated a special online space to consumers with hearing difficulties, enabling them to communicate about Garnier products with an adviser – via webcam using French Sign Language, or any other method they might prefer. From 2010, Garnier will be the first brand in Europe to carry the "Sourdline®" logo on its products.

MORE...

At L'Oréal.com...

▶ Code of Business Ethics (PDF)

External links...

▶ International Chamber of Commerce

▶ UDA (French Union of Advertisers)

▶ International Chamber of Commerce

▶ Charter for Voluntary

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CONSUMPTION

"At the right price"

L'Oréal brands are innovating with new product ranges for new markets.

Product accessibility

L'Oréal's sustainable growth is based on our capacity to bring our beauty promise to more women and men around the world – through new product categories attuned to needs, cultures and aspirations; by making our brands available at the right price through international distribution channels; and by demonstrating our corporate responsibility.

Accessible innovation

L'Oréal's strategy is to reach new consumers in growth markets by making our brands as widely accessible as possible. This involves paying careful attention to positioning products at the right price, which is not a synonym for "at a low price".

Nor are L'Oréal's growth plans "at any price". Accessible innovation is responsible innovation focused on core values of performance, safety, and respect for people and the environment.

Limiting environmental impacts

Packaging is an important indicator of our approach. An integral part of the product and its identity, the bottle, tube or jar also preserves efficacy and performance in different local conditions of storage, distribution and use. By selling products in tubes instead of bottles, for example, or by using smaller-format bottles or sachets (as marketed in India, for example), L'Oréal is able to offer consumers in all markets innovation at the right price.

Before doing so, we carefully evaluate any environmental impacts such as the potential increase in packaging material per volume of product. This is part of L'Oréal's sustained commitment to packaging reduction and eco-design, and an important element in our approach to product accessibility.

More accessible ranges

In 2009, L'Oréal brands continued to develop even more accessible ranges, for example:

- Garnier had immediate success in India with its first-ever men's skincare range, Garnier Men.
- Matrix, the accessible professional brand, continued to expand outside the United States.
- Vichy launched a new entry-level range, Essentielles, a hypoallergenic paraben-free range of products.
- In Europe, the Sanoflore brand grew faster than the pharmacy market, thanks to a new generation of organic cosmetics products which respect sensitive skin.
- The Body Shop launched the "originals collection", which includes 11 of its iconic products sold in 100%-recycled plastic bottles at attractive prices.



Bringing our products to one billion new consumers

L'Oréal's target is to secure the loyalty of one billion new consumers within the next 10 years, so doubling the number of people who use our brands.

Inspired by India

To ensure accessibility of products in a very wide price range to suit all budgets, Garnier sells skincare and haircare products in individual 7.5 ml sachets at 0.4 euros, which are available to consumers through traditional Indian outlets. Garnier has been adapting its range to meet the specific needs of Indian women for 15 years. In 2009 Garnier extended its offer to Indian men, choosing India as the first country to market its new skincare range, Garnier Men, which became the second best-selling men's skincare line in just a few months. L'Oréal registered a record performance in the Indian market in 2009 with like-

for-like sales up by +31.5%, driven by Garnier's growth on the subcontinent.



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CONSUMPTION

More than 12,000 formulas

and 2,000 raw materials evaluated using reconstructed tissues since 2006

Safety in product use

L'Oréal's position as the world's number one cosmetics group is founded on innovation and the quality, efficacy and safety of our products.

Read more about:

- How L'Oréal is harnessing scientific advances in reconstructed skin to evaluate safety,
- Safety assessment and animal testing,
- The work of our Research & Innovation teams in safety assessment of raw materials and formulas,
- L'Oréal's new integrated strategy for assessing product safety, announced in 2009,
- Our approach towards substances including preservatives and parabens,
- Our approach to scientific developments including nanotechnology and stem cells.

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▶ RECRUITMENT AND RETENTION

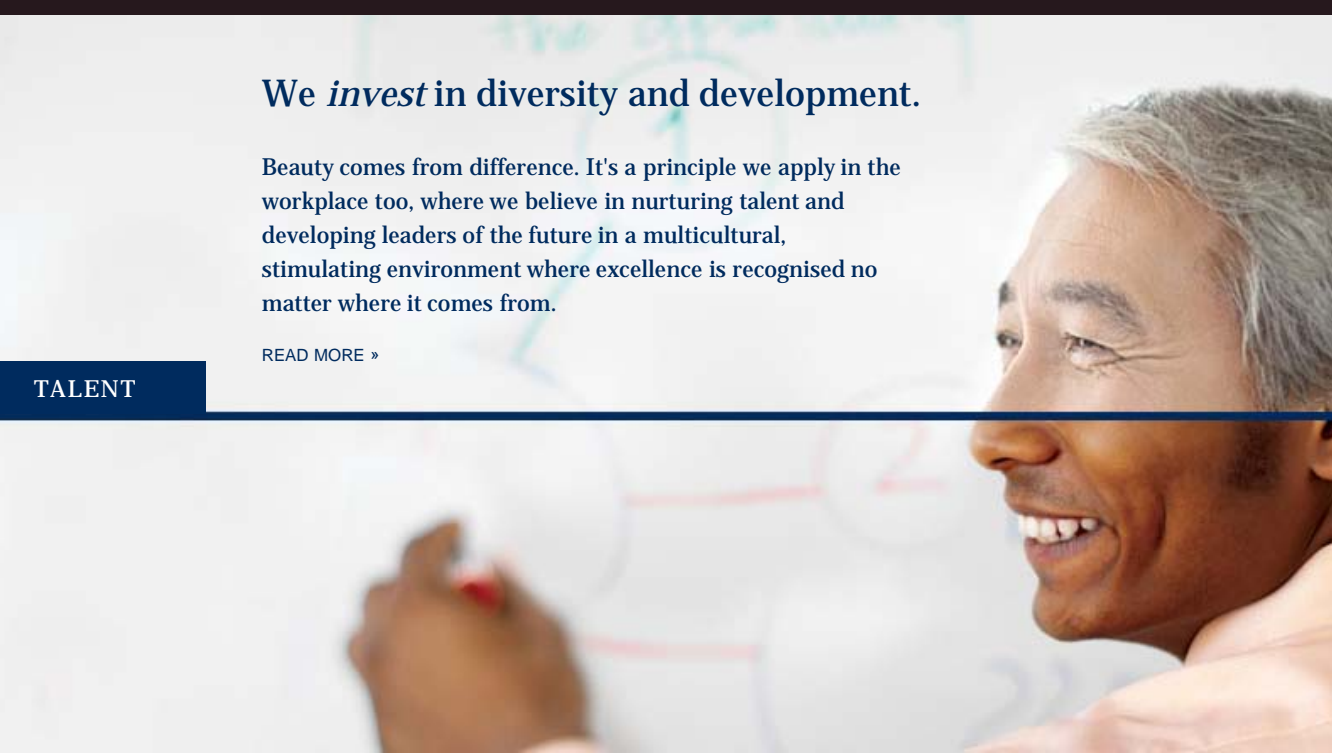
▶ REWARD AND RECOGNITION

TALENT

We *invest* in diversity and development.

Beauty comes from difference. It's a principle we apply in the workplace too, where we believe in nurturing talent and developing leaders of the future in a multicultural, stimulating environment where excellence is recognised no matter where it comes from.

[READ MORE »](#)



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George-Axelle Broussillon,
Corporate Diversity
Manager



TALENT

“ Diversity for L'Oréal is a requirement that goes way beyond being 'politically correct'.”

Introduction

As a group, L'Oréal wants to foster the self-fulfilment of employees within a multicultural, stimulating community. Our culture is rich in diversity and talent, and one to which everyone is encouraged to contribute with creativity and enthusiasm.

Our approach

L'Oréal's Human Resources policy encompasses a shared belief in the beauty industry, the legitimacy of our innovation-based strategy and a common passion for our products and brands.

We believe that employee fulfilment is fundamental to economic performance. Opportunities generated by our long-term solidity and growth allow L'Oréal to support the development of employees everywhere, to effectively manage changes in our organisation, and to attract and retain the best talent to ensure our ongoing success.

To achieve our objectives, we:

- ensure regular personal and professional development is adapted to individual needs,
- actively recruit the best people through university partnerships and innovative business games,
- use diversity to drive business success,
- motivate our people through our global development system, as well as our remuneration policy and profit-sharing programmes,
- promote active and productive dialogue with employees and their representatives, and implement continuous improvement informed by their feedback.



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- > Number of employees
- > Composition of workforce by region
- > Nationalities in management
- > Percentage of women in workforce
- > Percentage of managers who are women
- > Percentage of Management Committee members who are women
- > Other diversity indicators

✓ Data reviewed by PricewaterhouseCoopers.

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5

national Diversity Charters have been signed by L'Oréal (France, Germany, Spain, Italy, Belgium)

87%

of L'Oréal managers in France have received our full two-day training programme in diversity

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▶ Code of Business Ethics

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- ▶ REWARD AND RECOGNITION



TALENT

110 different nationalities

in our management teams

Managing our people

A positive, long-term relationship with employees is a key factor in sustainable growth and economic performance.

Our approach

L'Oréal's sustainable growth is the best guarantee for its employees.

During the difficult business environment of 2009, it was essential for L'Oréal to act to control costs and improve business efficiency. However, in April 2010 we were able to announce an end to the hiring freeze that was necessary in L'Oréal operations in Western Europe and North America during 2009.

Despite challenging economic conditions, we maintained our focus on developing a talented, multicultural and mobile workforce and confirmed our long-term commitment to the group's future security by:

- maintaining our management trainee scheme,
- continuing our international mobility policy to support our geographic expansion,
- stepping up the roll-out of "L'Oréal & Me", a programme launched in 2008 to make our full range of Human Resources policies and practices more accessible to everyone.

In order to achieve sustainable growth, L'Oréal must continually adapt to its environment, and this can give rise to restructuring that is managed in a responsible way.

We continue to adapt our organisational structure, making readjustments in the best interests of our employees. For instance, with the integration of YSL Beauté in France, we redeployed staff throughout the group, which helped us to prevent redundancies.

✔ Data reviewed by PricewaterhouseCoopers.

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"L'Oréal & Me"

is the new programme that makes our full range of Human Resources policies and practices more integrated and accessible to everyone. It provides greater clarity on processes, strengthens dialogue and supports employees in career development decisions. "L'Oréal & Me" has been rolled out across 75% of the group worldwide, to be completed by the end of 2010.

MORE...

In this report...

- ▶ Responsible restructuring policy (PDF)

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TALENT

European commitments

L'Oréal signed the Spanish charter⁽¹⁾ and co-created the Italian charter in 2009.

Diversity

L'Oréal believes that beauty comes from difference. That is why we are so committed to promoting and increasing the diversity of our workforce. In 2009, L'Oréal reinforced its commitment externally and internally and added a number of initiatives aimed at promoting employment opportunities for disabled people and increasing awareness among staff.

Diversity is beauty

Diversity is a fundamental value and a key to success at L'Oréal. We are committed to understanding the characteristics and behaviour of different skin and hair types, so that we can offer products tailored to the preferences and requirements of people around the world.

We are as committed to promoting diversity within our own workplace. We believe variety and individuality at every level of our organisation leads to greater creativity and innovation, drives performance and gives us a better understanding of consumer expectations.

Strengthening our commitment

L'Oréal is a company where difference is respected and individuality is valued. Our aim is for our workforce to reflect the diversity of our consumers and our markets, in terms of nationality, ethnicity, disability, gender, age and social background.

There are 110 different nationalities in our management teams and 76% are nationalities other than French.

57% of our managers and 38% of our Management Committee members are women.

Our Human Resources policies encourage respect for difference and recognise the value of diversity, and are designed to help us be a good corporate citizen and a preferred employer. Our policies are underpinned by the Global Diversity Management team, who promote diversity throughout L'Oréal and adapt our approach to suit local contexts.

By the end of 2009, 78% of our managers across Europe had undergone L'Oréal's full two-day diversity training, and many others have attended seminars on intercultural awareness and diversity issues.

Formal agreements and charters

L'Oréal has promoted gender equality and work/life balance for many years. At the end of 2008, we formalised our commitment through two separate corporate agreements with the French trade unions. These agreements define our gender equality and work/life balance principles and provide a framework for the measures and commitments we have in place.

In December 2009, we also signed a mature-age employment agreement with the French trade

57%

of our managers are women

38%

of our Management Committee members are women



Diversity framework

L'Oréal's **diversity framework** (above) comprises 6 focus areas (nationality, ethnic/cultural origin, social background, gender, disability and age). [More...](#)

"First chance" for disabled students

In France, our Consumer Products Division launched the "Handicap Première Chance" in partnership with the hypermarket group Casino. L'Oréal will give disabled students a "first chance" by financing their studies for the Baccalauréat professional diploma in Business and Beauty while Casino will provide them with their first experience of retail work.

unions. This ensures we remain committed to those in the later stages of their careers by offering regular career assessments, mentoring support, telecommuting solutions and flexible hours.

Also in 2009, the group co-created the Italian Diversity Charter and was one of its first signatories. Through this initiative, L'Oréal reinforced its commitment in Europe, where it has already signed similar charters in Germany, Belgium, Spain and France.



DATABANK

- > Nationalities in management
- > Percentage of women in workforce
- > Percentage of managers who are women
- > Percentage of Management Committee members who are women
- > Other diversity indicators

(1) Photo: (left to right) Didier Guillot (HR Director, L'Oréal Spain), Ignacio Sola Barleycorn (Spanish Government representative) and José Manuel Morán (Diversity Foundation Secretary).

✔ Data reviewed by PricewaterhouseCoopers.

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The Diversity Laboratory

The Diversity Laboratory, co-directed by L'Oréal, CSR Europe and IMS-Entreprendre pour la Cité, brings multinationals and associations together to address issues such as diversity training, work/life balance, recruitment and internal mobility at a European level. [Download brochure.](#)

MORE...

In this report...

- ▶ "Diversity at L'Oréal: Policy, Milestones, Key Figures" (French, PDF)

External links...

- ▶ [What others say about L'Oréal's diversity initiatives](#)
- ▶ [CSR Europe](#)

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TALENT

50%

of L'Oréal's international brands are headed by women.

Diversity framework

L'Oréal's approach to promoting diversity is reflected at every level of the company.

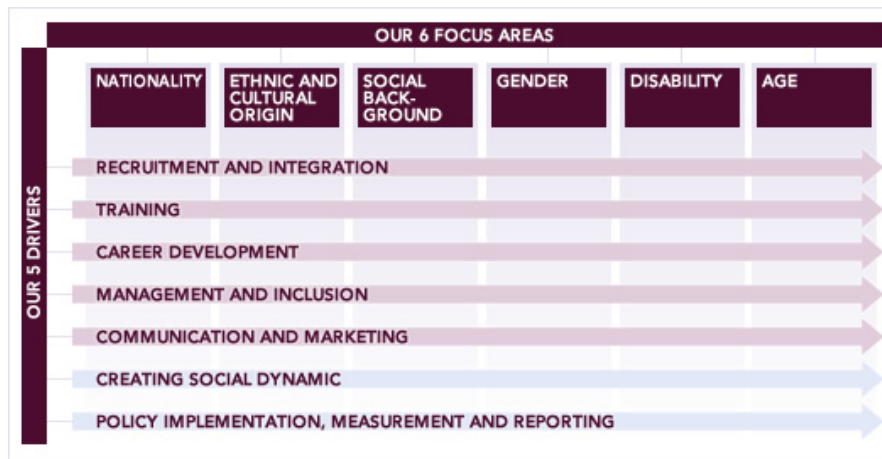
Our ambition

- To reflect the diversity of our clients in our teams in terms of nationalities, ethnicities, cultural and/or social origins and promote multiculturalism,
- Support women's access to positions of responsibility, encourage gender equality in all departmental functions, and assure equality of pay between men and women,
- Promote access to work opportunities for disabled people,
- Support the employment of older people and recognise the experience and value that they bring,
- Develop an inclusive management approach with respect for everyone.

Our principles for action

- Respect the need for excellence in competencies and individual performance,
- Attract people from different backgrounds who will bring new perspectives to the company,
- Create a social dynamic and promote diversity externally, through working with our partners (suppliers, clients) and other stakeholders,
- Implement, measure and report on progress.

Our framework



B'A'ba language programme

90 staff at different L'Oréal sites in France are helping housekeeping and cleaning staff with French language skills. B'A'ba received the "Prix de l'Audace" 2009.

Opportunity and inclusion

In 2009, we co-launched a project to promote the integration of disabled students into the workplace. The project, developed by the Luxury Products Division in partnership with LB Développement, also offers training contracts covering office and administrative skills.



French National Diversity Charter

L'Oréal was one of the first signatories of the French Diversity Charter in 2004. [Download the Charter.](#)

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TALENT

Innovation, performance and sustainability.

Driven by L'Oréal's commitment to diversity.

Diversity timeline

Download [Diversity Timeline](#) as a PDF.

Year	Milestones	Commitments made by L'Oréal	Structures created within L'Oréal or to which L'Oréal belongs	Awards and accreditations
1970	Schueller Month (France)			
1983	End-of-leave service (France)			
1993			Co-ordination Integration Disabled (France)	
2000		Ethics Charter (1st edition, France)		
2001	CEP Partnership Political Sciences (France)			
2002	Operation SOS Racism – "ça va être possible" ("it will be possible") (France) Creation of company creches (36 places in Canada)		Vice-Presidency Diversity USA	
2003	Disabled audit (France)	Global Compact		
2004	Africagora Forums, Career in Africa (France, Belgium, UK)	Diversity Charter (France)		Global Diversity Award (USA)
2005	Formalisation of the Diversity Policy INED survey (France)	Apprenticeship Charter (France)	Global Diversity Management	International Leadership Award Anti-Defamation League (USA)
2006	Launch of Diversity Training in Europe (aimed at 8,000 managers) Employment & Diversity Forum (1st edition, 22 recruits, France) 1st edition of "Respect Hors Série" (4,000 copies, France) Disabled training (France) POOL recruitment site made anonymous (place of residence)	Education Charter (France)	Observatoires of Diversity (24 in France)	Diversity Innovation Award (Prague)

	<p>Intergenerational training (Canada)</p> <p>SOS Racism proceedings (1st instance, acquittal)</p>			
2007	<p>Partnership Agreement – L'Oréal & Ville de Clichy (France)</p> <p>New Manager-assessment criterion (Manage with generosity)</p> <p>Suppliers' Convention "Together for Diversity"</p> <p>Employment & Diversity Forum (2nd edition, 25 recruitments: European Commission seal of approval)</p> <p>"A Minute for Diversity" (RMC, France)</p> <p>Henri IV Convention (France)</p> <p>"L'Oréal: Actions for Diversity"</p> <p>2nd edition of "Respect Hors Série" magazine (10,000 copies, France)</p> <p>Seniors IF Audit (France)</p> <p>Appraisal, PULSE internal image, 6 questions on Diversity</p> <p>B'A BA: teaching French to cleaning staff (France)</p> <p>SOS Racism proceedings (2nd instance, conviction)</p>	<p>Diversity Charter (Belgium)</p> <p>Ethics Charter (2nd edition)</p>	<p>Creation of the Diversity Committee</p> <p>Creation of the Country Observatories of Diversity (2 in Spain, 2 in Belgium)</p> <p>Global Diversity Network (30 correspondent subsidiaries)</p> <p>1st European Diversity Laboratory (CSR Europe)</p>	
2008	<p>1st national meeting of the Observatories of Diversity (France)</p> <p>Diversity training: 5000 managers trained by the end of December (worldwide)</p> <p>1st Seniors' Employment & Diversity Forum (France)</p> <p>Diversity Trophy awarded to L'Oréal for the Seniors' Employment & Diversity Forum (France)</p> <p>1st Forum Employment & Diversity (Italy)</p> <p>SNCF Train for Employment Forum (France), in partnership with The Body Shop</p> <p>Participation in the second 'Employment and Disability Careers Fair' (Spain)</p> <p>Chaire Essec Diversity & Performance (18 students, France)</p> <p>POOL, L'Oréal recruitment site made anonymous (age, sex, nationality)</p> <p>Management Hopes (France)</p> <p>Intranet, Diversity USA</p> <p>Disability: Partnership with LB Development (France)</p> <p>Sponsorship of the French team at the Paralympic Games – Beijing</p> <p>L'Oréal Belgium: Major sponsor of the new national recruitment site for the disabled</p> <p>Creation of company creches (18 places in Germany)</p> <p>CITITV Partnership – SOS</p>	<p>Parenting Charter (France)</p> <p>Diversity Charter (Germany)</p> <p>National Commitment 'Espoir Banlieues' [Hope for inner cities] (France)</p> <p>Agreement: Men/Women Equality (France)</p> <p>Agreement : Reconciling professional/private life (France)</p>	<p>AFMD – Founding & vice-presidency (French Association of Managers of Diversity)</p> <p>Parenting Observatory (France)</p> <p>Disability: ARPEJEH Foundation (France)</p>	<p>L'Oréal company – No. 1 in cosmetics sector for diversity (South Africa)</p>

	<p>Racism (France)</p> <p>Creation of a reference of diversity indicators for suppliers (France)</p> <p>Participation in the 'Employment Equity Forum' (South Africa)</p> <p>1st Local Event – CSR Diversity Laboratory (Belgium)</p> <p>Masters in Diversity at IEP [university] Lille (France)</p>			
2009	<p>Seniors' Audit with Vigeo and the Ministry of Employment (France)</p> <p>Comedd [Commission to measure and evaluate diversity and discrimination], France)</p> <p>Increasing general-management awareness of Diversity</p> <p>1st digital edition of 'Hors série Respect' Magazine (France)</p> <p>Diversity training set up in 16 countries. 6,200 managers trained</p> <p>1st Diversity appraisal (France)</p> <p>Health Project RMC/BFM association (France)</p> <p>Research Group – Diversity and Performance IMS (France)</p> <p>L'Oréal Foundation – Political Sciences – implementation of the 1st project for the disabled in a "grande école" [one of the prestigious colleges] (France)</p> <p>Audencia PACS Programme (PACS = Partnership for Action for Skills and Society, France)</p> <p>Brio Audencia Programme to provide information on and facilitate access to the "grandes écoles" (prestigious colleges) for sixth-formers from modest backgrounds (CAI, France)</p> <p>L'Oréal Centenary: 1 generosity project set up in each of 56 countries</p> <p>Reconciling private / professional life: expansion of flexible working hours (Germany)</p> <p>Professional Equality Diagnostic (Spain)</p> <p>"Juntos, Podemos", ["Together, we can do it"] integration programme for 15 disabled students (Spain)</p> <p>'L'Oréal Impulsa': six-month training programme in hairdressing for underprivileged young people (Spain)</p> <p>Proceedings SOS Racism / Appeal: Definitive conviction for Garnier</p>	<p>Diversity Charter (Spain, Italy)</p> <p>Diversity Label (France)</p> <p>Seniors' agreement (France)</p>	<p>Diverseurope club: creation of networks among subsidiaries of companies located in Europe</p> <p>BCG Diversity Club – Women's forum</p>	<p>Alpha Group trophy (Diversity in CSR) (France)</p> <p>Diversity Trophy 'International Deployment and Communication' (France)</p> <p>Audace award for the BA-Ba programme</p>
2010	<p>Citizen's Day (France)</p> <p>Research associations' Forum (France)</p> <p>Internal Disabled Trophies, 2nd edition / 28 European countries</p> <p>Cooperation with the Arab World Institute (France)</p>	<p>Global Diversity Charter (draft)</p> <p>Diversity Charter (Sweden)</p> <p>Diversity Charter (Brazil, draft)</p> <p>Disabled agreement/Convention (France)</p> <p>Equality agreement (France, Spain)</p>	<p>European Fund for Professional Equality – Arborus</p> <p>Expansion of the Diversity Observatories (Italy / Germany)</p>	<p>L'Oréal Canada ranked "Best Diversity Employer"</p> <p>L'Oréal South Africa Broad Based Black Employment Equity scorecard level 5</p>

	<p>Expansion of the Diversity project – Brazil/ Japan</p> <p>Extension of Diversity training programme to all non-managers in Europe</p> <p>FILAPI Operation (France)</p> <p>L'Oréal member of EPWN and WIN, European women's forums (draft)</p> <p>Evolution and enhancement of the Diversity criteria AIDS-health / Sexual orientation in France</p> <p>Experimenting with anonymous CV (France)</p> <p>Garnier face-care packs in braille and handiaccueillant [disabled-friendly] service (caro guide – [guide for the deaf and hearing-impaired])</p> <p>Carla Sarkozy/Lancôme Foundation (France)</p>	<p>Equality World Label (Gender Equality Project / Davos)</p>		
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TALENT

More than 30,000 employees in 26 countries

are covered by the L'Oréal IEDS/EWC (European Works Council)

Dialogue

Relations with employees are based on open dialogue and engagement between employees, their representatives and L'Oréal.

Fostering labour relations

In France, there are 90 bodies in place with 596 employee representatives. They cover 1060 mandates, including those of works councils and committees, workers' representatives, union representatives, occupational health and safety committees, the group committee (France, including The Body Shop) and informal forums for social dialogue (known as RIEDS in France). In France, L'Oréal has signed 29 internal agreements.⁽¹⁾

In the rest of the world the group has 336 employee representatives in 30 subsidiaries, and L'Oréal has signed 44 internal agreements.

Compensation and working conditions were the main topics discussed.

(1) If the same agreement is signed by several different sites or legal entities in a given country, it is considered as a single agreement.

European social dialogue/European Works Council (IEDS/EWC)

Through L'Oréal's agreement with the French and European trade unions FECCIA and EMCEF, we established our European Works Council: Instance européenne de dialogue social (IEDS/EWC). The agreement, which has been regularly updated since it was first signed in 1996, informs discussions and informal meetings about our current situation and future prospects with IEDS representatives.

The L'Oréal IEDS/EWC has 30 members from various European countries, who receive regular training on economic and labour-related issues.

The agreement signed in 1996 to establish L'Oréal's European Works Council (IEDS/EWC) was revised in 2009 and a new consultation procedure introduced, which applies to transnational projects involving local consultation procedures in at least two countries. This procedure allows for the possibility of an opinion from the EWC and is being implemented, according to the geographical and strategic dimension of the project, with the Liaison Secretariat - extended to include members of the countries concerned or with the entire EWC.

This revision represents an important advance which aims to reinforce social dialogue at L'Oréal while remaining a step ahead of legislation.

The new agreement was signed by the French and European unions, each accompanied by a member of the EWC.

Data reviewed by PricewaterhouseCoopers.

PULSE survey

L'Oréal has carried out a global employee survey since 2003. The last survey covered 28,000 employees in 28 countries. 150 taskforces are turning the ideas generated into action around the business. These included time-management guidance, a car-share scheme at Saint-Ouen and individual "Training Passports" in Asia. The survey will be repeated in 2011 across the group.

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- Ethics highlights
- UN Global Compact

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TALENT

71% of managers and 59% of employees

received training in 2009

Training and development

Our priority is to develop individuals and teams that contribute to building L'Oréal's competitive edge and ongoing success through effective training programmes and career development.

Learning for development

Our priority is to develop people who contribute to L'Oréal's competitive edge. We ensure regular personal and professional development through a training system adapted to different individual needs, different geographical regions and specific and international career paths.

Management and personal development

L'Oréal is committed to offering all employees professional training opportunities, appropriate to their personal circumstances, throughout their careers. In 2009, despite prudent programme reduction measures in light of the global economic crisis, 59% of all employees and 71% of managers received training, keeping almost the same level as 2008, representing 1.7% of our salary costs.

Our international Learning For Development department supports all staff, from the day they begin working at L'Oréal and through their career with the company. In particular:

- our 'Transition To...' programme continued to support managers taking on new managerial responsibilities,
- our global Talent Development tool helped us to appraise and develop managerial staff,
- our Senior Executive Programme, consisting of leadership training, coaching and seminars, responded to the needs of the group's 200 top managers around the world.

Laying the foundations

L'Oréal has been active in the education and professional training of young people, and particularly those from disadvantaged backgrounds, for many years. Our activities include:

- partnerships with schools and universities around the globe,
- establishing a Master's degree in Equal Opportunity and Diversity Policies at the Institut d'études politiques in Lille, France,
- our 16-year commitment to apprenticeships that has seen more than 3,000 young people enrolled in L'Oréal-sponsored work-study or "sandwich" training programmes since 1993.

In addition, we have set up partnerships with other organisations to reach candidates who feel discriminated against or excluded from applying for jobs with major corporations, and attend job fairs dedicated to minority groups, such as the annual Conference and Career Expo held by the National Society of Hispanic MBAs (NSHMBA) in the United States.

✔ Data reviewed by PricewaterhouseCoopers.

190

The average number of apprentices joining L'Oréal France every year since 1993.

Innovation and creativity

The Osmose training programme has been designed to heighten the scientific awareness of marketing teams and the market focus of Research & Innovation teams.

China


In a country where group sales have doubled in four years and where L'Oréal already employs 2,500 people, attracting the best talents is crucial. A key factor is the training available to L'Oréal employees. Our Shanghai management development centre offers training for all managers in the Asia zone. All L'Oréal China employees underwent a training programme in 2009.



"My Learning"


is a multilingual, custom-built learning programme available around the clock. It will be launched

in 48 countries in 2010.

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TALENT

Business games

provide opportunities for students and opportunities for L'Oréal to recruit the right talent.

Recruitment and retention

We have an active recruitment and retention policy aimed at expanding the diversity and skills of our workforce. This is developed through partnerships with universities and innovative business games.

Growing from within

L'Oréal's strategy is to identify, attract and develop the best employees for the success of the group. We are widely known for our ability to produce and develop managers from within our organisation, offering recent graduates positions of considerable responsibility early in their careers. In the Universum survey of "Most Attractive Employers", L'Oréal was ranked as number one in Europe and third among FMCG companies worldwide.

Investing in the future

Graduate recruitment is one of the most important strategic priorities for L'Oréal. We maintain strong ties with more than 200 leading universities around the world, where we continue to offer students the opportunity to participate in business games and case studies. These not only showcase our group but also help us to identify young creative talent, particularly in emerging and growing markets.

Our approach of recruiting management trainees and interns to drive future business growth involves programmes such as "EurOpportunity", through which 50 students from partner universities undertake internships in our European subsidiaries. These take place outside the students' home country and can be the first step in an international career.

Local and international opportunities

Encouraging and supporting the mobility of our workforce is an essential part of recruiting and retaining the best talents.

Those who have lived overseas already often have a natural affinity with L'Oréal, with its international array of talents, backgrounds and interests. Our International Mobility policy is designed to facilitate the development of international careers for young managers, while COOL (Careers and Opportunities On Line) promotes internal mobility among non-managerial staff in France and the United States. This internal database allows employees to find out about job opportunities in their own countries.

Mobility is also a key component of our commitment to diversity. At the end of 2009, 668 employees from 49 countries held long-term expatriate positions in 57 countries. 30% of them were women and 10% aged under 30.

"Ideal employers" survey

In the 2009 Universum survey of "Ideal employers", business students rated L'Oréal among the

International standards

L'Oréal will not employ anyone who is less than 16 years old – an age higher than that set by the International Labour Organisation (ILO).

China

In China, group sales have doubled in four years. Since its creation, L'Oréal China has pursued an active recruitment policy.

It recruited a record number of management trainees in 2009, and received the "Internship Base for Youth" award in recognition of its efforts to employ young people. Reflecting L'Oréal's policy to promote local managers in all countries, 24 of the 14 international brands present in China are led by Asian managers.



L'Oréal 'Ingenius'

'Ingenius' is our international competition for students of engineering and logistics. The 2009 winner was a team from Canada.

top five employers in Europe.

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"L'Oréal Innovation Lab"

The "L'Oréal Innovation Lab" business game gives young scientists the chance to experience life as a L'Oréal researcher. The business game was created in France in 2007, then extended to other European countries in 2008, and launched in China and the US in 2009.

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TALENT

€193 million

of profit shared with employees in 2009.

Reward and recognition

At L'Oréal, our approach to remuneration and other benefits reflects our employees' contributions to the company's success. It is also linked with the attraction and retention of talented individuals.

Compensation

Our remuneration policy is broadly applied to all group employees, and all business units have a policy based on a standard global assessment system that recognises individual performance. We also conduct an annual compensation survey.

The career advancement and salary of each employee is managed on an individual basis, and compensation is determined by their position, performance and potential.

A share in our success

L'Oréal believes that all our employees should share in the success they have helped to achieve. A collective annual bonus is in place in each country to reward local performance, strengthen employees' sense of belonging and increase motivation.

An employee profit-sharing plan has been in place in France since 1988, while a Worldwide Profit Sharing (WPS) programme for the rest of the world began in 2001. Employee profit-sharing totalled €193 million in 2009.

Employee benefits

The employee benefits we provide to protect employees and their families, as defined by local practices and regulations, represent a significant investment for the long-term security of our people. They aim to supplement local social security programmes where necessary, and to provide support against the financial risks related to retirement, death, disability and medical treatment.

Under the guidance of L'Oréal's International Benefits Steering Committee, we continued to review our pension arrangements around the world with a new programme implemented in Belgium. In 2009, the total cost of pension programmes was €422 million, compared with €395 million in 2008. 73% of L'Oréal group companies now have pension programmes in excess of basic social security requirements.

Company pensions have not been implemented in countries where reasonable benefits are provided by the local social security system or in those countries that lack the required regulatory framework or adequate long-term investment systems. We continue to monitor local developments to implement supplemental retirement arrangements when the environment becomes suitable. In 2009, we conducted a benchmarking study of company practices in Eastern European countries which will help to identify priorities once the economic environment improves.

Fair remuneration

In most countries, L'Oréal's minimum salary levels are significantly higher than the legal minimum wage – for example:

72%

higher in Portugal

41%

higher in Colombia

19%

higher in Taiwan

18%

higher in India

✔ Data reviewed by PricewaterhouseCoopers.

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COMMUNITIES

We act where we see we can help.

L'Oréal's community involvement reflects the values we have held for a century. We aim to be an exemplary corporate citizen, implementing programmes internationally that can take root in the local environment.

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Elena Codara,
Deputy Director of
Philanthropy



“ For over ten years, together with UNESCO, we have been deeply committed to recognising exceptional women scientists. ”

COMMUNITIES

Introduction

L'Oréal's commitment to philanthropy is a fundamental aspect of how we operate. Through our work in the communities in which we operate, our objectives are to promote science, help vulnerable individuals and increase access to education.

L'Oréal-UNESCO "For Women in Science"

Through the "[For Women in Science](#)" programme, L'Oréal and UNESCO have been actively supporting the cause of women scientists over the last twelve years. In that time, 57 women from 27 countries have received the L'Oréal-UNESCO "For Women in Science" laureate award.

Serving the community

In 2007, the company created the L'Oréal Foundation to strengthen and maintain our commitment to social responsibility. The Foundation reflects the values of scientific research, the transmission of knowledge, diversity and respect for others, which we have upheld for a century.

The L'Oréal Foundation is the second largest in France, with a multi-annual fund of €40 million (2007-11). In 2009, L'Oréal group allocated a total of €28 million to philanthropy projects (including the Corporate Foundation), focusing on effective, international programmes that can take root in the local environment and that reflect three key areas of engagement.

This sum includes the activities of the L'Oréal Foundation and several hundred initiatives sponsored by the group's subsidiaries around the world. One of these is the "[Hairdressers Against AIDS](#)" programme, launched in partnership with UNESCO in 2005 and sponsored by our Professional Products Division.

In France, as well as the L'Oréal-UNESCO "For Women in Science Programme" and the "Hairdressers Against AIDS programme", initiatives include:

- the Nicolas Hulot Foundation for Nature and Mankind, which raises awareness and knowledge of environmental issues,
- a mentoring programme at the Cité des Sciences et l'Industrie to help children from disadvantaged backgrounds succeed in school,
- an accessibility programme to help disabled people study at the prestigious Sciences Po in Paris.



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€40 million

multi-annual L'Oréal Foundation budget for social projects.

€28 million

allocated by L'Oréal to projects around the world in 2009.



100 citizenship projects

To celebrate our centenary, L'Oréal launched 100 citizenship projects sponsored by our subsidiaries around the world. Investment is focused on initiatives that serve the community and that reflect the values we have held for a century. www.citizenprojects.loreal.com

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COMMUNITIES

Science, solidarity, education

International projects for a more beautiful world.

The L'Oréal Foundation

The L'Oréal Corporate Foundation, created in October 2007, is the second largest in France with a multiannual budget of €40 million.

Objectives and purpose

The Foundation's objective is to lend greater strength and continuity to the group's corporate citizenship. It is committed to three main goals:

- promoting scientific research and the role of women in science,
- helping people made vulnerable because of a change in their appearance to regain their self-esteem and self-confidence,
- facilitating access to education.

Philanthropy with purpose

Since its inception, the Foundation has engaged in projects that reflect L'Oréal's values, working with partners around the world. It has developed some of the company's major social programmes, such as L'Oréal-UNESCO "For Women in Science" and education initiatives such as Hairdressers Against AIDS.

Adding to knowledge: the history and culture of human beauty

In 2009, the Foundation supported the publication of *100,000 Years of Beauty*, a five-volume reference work that represents wide-ranging research in human sciences on the meaning of beauty and appearance.



100,000 Years of Beauty

100,000 Years of Beauty, supported by the L'Oréal Foundation and published in October 2009, comprehensively explores the meaning of human beauty. Its 1,300 pages represent the work of 300 experts in history, anthropology, philosophy and sociology from 35 countries.

MORE...

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- ▶ 2009 Report of the L'Oréal Foundation (PDF)

Other links...

- ▶ Watch a video about the Foundation's work

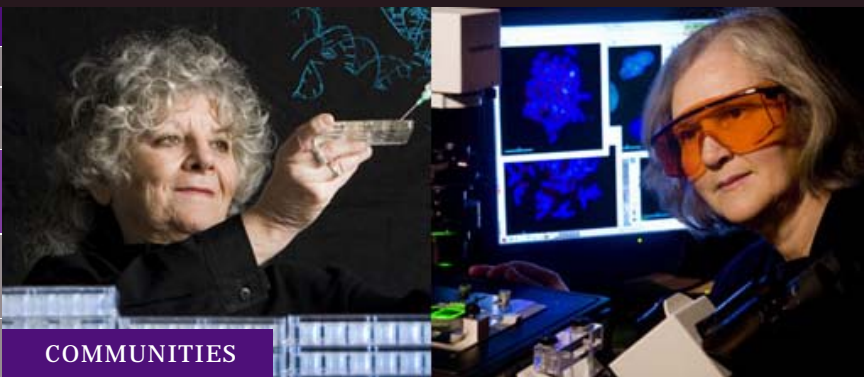


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COMMUNITIES

Professor Ada Yonath (far left) and Professor Elizabeth Blackburn, recipients of the L'Oréal-UNESCO "For Women in Science" laureate awards in 2008, received Nobel Prizes for Chemistry and for Medicine respectively in 2009.

L'Oréal-UNESCO "For Women in Science"

We believe that there are too few women in scientific research, and that society would benefit from greater participation by women in this field. We promote science and support the cause of women through the L'Oréal-UNESCO "For Women in Science" programme.

Beauty values knowledge

Worldwide, only 29% of scientific researchers are women (UNESCO Institute of Statistics, November 2009) and of the 540 Nobel Prize Winners in science, only 16 – just under 3% – are women.

Through "For Women in Science", L'Oréal and UNESCO have been actively supporting female scientists over the last 12 years, which has contributed to the development of a dynamic and multicultural community.

Every year since 1998, five L'Oréal-UNESCO Awards are made to eminent women researchers (one per continent) in recognition of their scientific excellence. The Laureates are selected by an independent International Jury presided by three Nobel Laureates.

Every year since 2000, through the International Fellowships programme, 15 young women researchers whose projects have been accepted by recognised research institutions outside their home country receive fellowships.

The National "For Women in Science" Fellowships programme, launched in 2000, has now reached 48 countries. Each year, hundreds of these fellowships encourage promising young women to pursue their scientific studies. In 2009 Regional Fellowship programmes were launched for sub-Saharan Africa and the Arab Countries (United Arab Emirates, Egypt, Tunisia, Kuwait and Saudi Arabia). Ten Regional Fellowships will be awarded annually in each region.

To date more than 900 women have benefited from the programme:

- 57 laureates in 27 countries
- 849 fellowships in 93 countries.

Science as a career choice

Since 2007, the L'Oréal Foundation has also partnered with the Women's Forum for the Economy and Society, based in Deauville, France, which promotes the role of women in society through events like Sci Tech Girls Day.



The Charter of Commitment

Award Laureates of the L'Oréal-UNESCO "For Women in Science" programme make 10 commitments:

1. Act as a role model to inspire future generations.
2. Transmit passion for scientific research.
3. Encourage women scientists to act as agents of change.
4. Strengthen and support scientific research on all continents.
5. Foster creativity and innovation.
6. Advocate for gender equity and diversity.
7. Build sustainable networks for women scientists.
8. Participate as women scientists in public policy decision making.
9. Shape attitudes to change the face of science.
10. Promote science as a source of progress.

MORE...

External links...

- ▶ Agora For Women in Science Community
- ▶ For Women In Science Twitter



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- ▶ THE L'ORÉAL FOUNDATION
- ▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"
- ▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"
- ▶ ACCESS TO EDUCATION
- ▶ HELPING VULNERABLE PEOPLE



COMMUNITIES

The L'Oréal hairdressing network

1.2 million hairdressers and 190 training centres

L'Oréal-UNESCO "Hairdressers Against AIDS"

Every year more than 2 million people die from the HIV virus and although treatments exist, more than 70% of the people affected in developing countries have no access to them. In partnership with UNESCO, "Hairdressers Against AIDS" is a programme of preventative education promoted through L'Oréal's extensive network of instructors and training centres worldwide.

"Communication and education is vital – and so is conversation. I am proud of the fact that the "Hairdressers Against AIDS" programme has reached 1.2 million hairdressers. In exchanging a few important words with their clients, every hairdresser can help to prevent the spread of this disease."

Nicolas Hieronimus, Worldwide President, L'Oréal Professional Products Division

A unique approach

A hairdresser is often a confidant as well as providing a professional service to the client, and in the salon clients have the time to talk and also have a listening ear. Once a relationship of trust is formed between hairdresser and client, it can play a role in information and education on issues affecting society.

Recognising this, and reflecting the paramount value that L'Oréal has always placed on hygiene, health and wellbeing related to its products, UNESCO and L'Oréal joined forces in 2005 to raise awareness of AIDS prevention among the vast population of hairdressers worldwide.

The aim is give the hairdressing profession the practical understanding, the confidence and the means of alerting the public to the risks of the disease and how to protect against it.

Targeted learning

Learning modules and an interactive quiz with HIV and AIDS-specific content have been developed and integrated into the curriculum at L'Oréal hairdressing training centres around the world. This also includes guidance for hairdressers on maintaining the highest standards of hygiene in their work methods and tools, for the reassurance, comfort and safety of their clients and themselves.

A specially commissioned film helps delegates to understand different aspects of the disease and how to prevent its spread in society.

"Hairdressers Against AIDS" has already been rolled out in 24 countries on every continent and will be progressively extended as part of an ongoing commitment to AIDS prevention.



L'ORÉAL

AIDS awareness training for 400,000 hairdressers every year

3,000

L'Oréal trainers

190

training centres

26

countries

Confronting AIDS country by country

Already operating in South Africa and a number of Sub-Saharan African nations, "Hairdressers Against AIDS" is a rolling programme being extended country by country, with a particular focus on regions where the disease is most prevalent. The learning modules are already available in English, Chinese, French, Italian, Portuguese and Spanish and other language versions will be added.

MORE...

External links...

▶ hairdressersagainstaids.com

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COMMUNITIES

INTRODUCTION

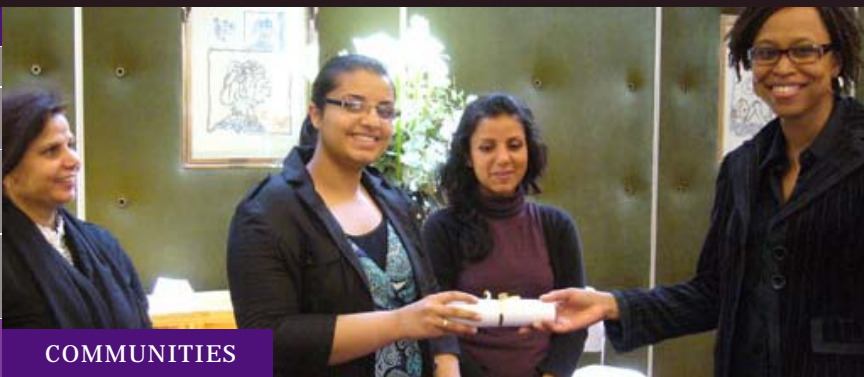
THE L'ORÉAL FOUNDATION

L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

ACCESS TO EDUCATION

HELPING VULNERABLE PEOPLE



COMMUNITIES

20 disabled third-year students

at prestigious university Sciences Po Paris received international mobility grants from the L'Oréal Foundation in 2009.

Access to education

L'Oréal seeks to promote socio-economic and cultural diversity through its support for education projects throughout the world.

Promoting access to education

The L'Oréal Foundation supports a range of educational activities designed to support students from low-income backgrounds, international students studying in French universities and *Grandes Ecoles*, and secondary school students in disadvantaged neighbourhoods. We also provide assistance to disabled students studying at the world-famous Sciences Po.

Public awareness of environmental issues

L'Oréal is a founding partner of the Nicolas Hulot Foundation for Nature and Mankind. This is a non-profit organisation dedicated to educating the public about global environmental issues and was launched by the Nicolas Hulot Foundation and ADEME, the French environment agency.

To build awareness of environmental and climate change issues among its 11,000 employees in France, L'Oréal joined the "Défi pour la Terre" ("Challenge for the Earth") programme. In 2009, a "Carbon Day" was organised within the L'Oréal group, focusing on environmental challenges connected to agriculture and biodiversity.

Mentoring for secondary school students

The multimedia library at the Cité des Sciences et de l'Industrie runs a mentorship programme, with support from the L'Oréal Foundation and the Conférence des Grandes Ecoles. The programme helps secondary school students from disadvantaged backgrounds by providing the support required to pursue science subjects.

Seven volunteer mentors were trained to meet the students' specific needs, using the multimedia library's resources and services to provide educational support during weekends and short school holidays. The programme resulted in 860 student-mentor partnerships for the 2008/09 academic year (up 6% compared to the previous year).

Support for disabled students

The prestigious French university, Sciences Po, and L'Oréal share the belief that diversity is an asset. We also believe that both educational institutions and businesses should recruit from a broad base to promote equal opportunity and identify talented future employees.

The "Sciences Po Accessible" programme, created in partnership with ARPEJEH (Accompagner la Réalisation des Projets d'Etudes de Jeunes Elèves et Etudiants Handicapés), offers disabled people the tools to succeed in their studies. From the moment they receive an application, Sciences Po can adapt conditions to suit the student's individual needs, and a personalised support service follows the individual for the length of their degree programme, ensuring they



2010 EHS award winner

Our factory in Pune, India has a long-term "Care" initiative that is extending knowledge and practical support to its neighbours. Quarterly events are organised in nearby villages, from classes on nutrition, safety and first aid, to tree planting and waste removal. The factory has also donated furniture and computers and provided free medical check-ups.

Environmental education

Chimex's educational and philanthropic work in schools near its site in Le Thillay, France, resulted in it winning the "Business and Environment" award from the Chamber of Commerce for the Val d'Oise and les Yvelines.

MORE...

External links...

- ▶ Nicolas Hulot Foundation
- ▶ Sciences Po Accessible
- ▶ ARPEJEH

have the space, access and equipment they need to study to their full potential. Funding from the Foundation supported 20 disabled students at Sciences Po in 2009, enabling them to travel abroad as part of their study programme.



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- ▶ HELPING VULNERABLE PEOPLE



COMMUNITIES

Opération Sourire: restorative facial surgery for children

In 2009, the L'Oréal Foundation funded more than 500 operations in 7 countries.

Helping vulnerable people

Caring for people's appearance is at the heart of L'Oréal's activity. Beauty is connected to self-esteem and a positive self-image and we support programmes that help vulnerable and disadvantaged people, and those affected by illness.

Beauty nurtures self-esteem

Because beauty and self-confidence are closely linked, the L'Oréal Foundation has just created the "Beauty from the Heart" programme to help people made vulnerable by illness or negative life experiences. By using cosmetics, many women and young people gradually regain confidence and control of their self-image.

The Foundation also supports innovative treatment programmes for young people with self-image problems, a refuge that offers a safe home for women suffering from exclusion and violence, and free skincare and make-up workshops for women with cancer, as detailed below.

Supporting people affected by illness

The cosmetic professional association founded "La Vie, de Plus Belle" in 2001 with the support of most of the cosmetic companies present in France. This organisation, sponsored in France by the anti-cancer group Ligue contre le cancer, is a member of the international "Look Good... Feel Better" network, which is active in 21 countries. Known in France as "La Vie, de Plus Belle", the programme offers free skincare and make-up workshops in hospitals to help female cancer patients to cope with the side-effects of treatment and restore their self-esteem. In France, the programme is active in 20 hospitals in Paris, Marseilles, Lille, Nice, Nantes and Rennes and in 2009 organised 195 workshops for 1,560 women.

Our philanthropic activity includes support for "Opération Sourire" ("Operation Smile"), a restorative surgery programme carried out by Médecins du Monde ("Doctors of the World"). Surgeons volunteer their expertise and time to help people who have been disfigured by disease, malnutrition or war. L'Oréal currently targets children through missions in 12 African and Asian countries. In 2009, the Foundation supported 24 missions in 7 countries - Benin, Cambodia, Madagascar, Mali, Mongolia, Niger and Chad - and carried out 515 surgical procedures. The programme also includes training of local surgeons and follow-up medical care to children after their surgery.

Supporting disadvantaged people

In 2007, the Foundation provided funding to the Samusocial of Paris, a municipal emergency service which provides care and medical aid to homeless people, to help establish "La Maison des Femmes". This home, a safe haven for women who have been living on the streets for an extended period, houses 14 residents with the objective of helping them to reintegrate into society. The women can participate in weekly self-esteem and image workshops. In 2009, 46 workshops

Supporting people returning to work

The "Prendre soin de soi" ("Take Care of Yourself") self-esteem and image workshop, developed and funded by the L'Oréal Foundation, is now part of the job search process at several municipal employment agencies in the Clichy district of Paris. In 2009, 11 half-day sessions were held, attended by 56 job seekers.

EuroGiki: gifts in kind

The L'Oréal Foundation is providing funding for three years to EuroGiki, the agency for "Gifts in Kind", which donates non-perishable products to needy people. In 2009, around 90,000 products from several L'Oréal brands were allocated towards charities including SOS Children's Villages and The Salvation Army.

MORE...

External links...

- ▶ Take Care of Yourself
- ▶ "Look Good...Feel Better"
- ▶ La Maison des adolescents
- ▶ Médecins du Monde
- ▶ La Maison des Femmes
- ▶ EuroGiki

were organised.



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Facts and figures on sustainability performance at L'Oréal:

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- » Innovation
- » Production
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About this report

L'Oréal publishes a Sustainable Development Report annually.

In preparing this report, L'Oréal examined current practices and studied the recommendations of international institutions and specialist organisations such as the UN, OECD, European Commission and WBCSD. The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines have also helped guide this review of our sustainability performance.

Scope, boundary and basis of reporting

This report covers all of L'Oréal's operations for the year January-December 2009.

- [Scope of environment, health and safety data](#)
- [Scope of social affairs data](#)

There have been no significant business changes that would significantly affect comparability of data from this reporting period to the previous one, or between organisations.

Previous report

L'Oréal's previous Sustainable Development report was published in July 2008.

Verification

Data relating to the [environment, health and safety \(EHS\)](#) was verified by Environmental Resources Management (ERM) – see [assurance statement](#).

[Social data](#) were reviewed by Pricewaterhouse Coopers Audit – see [assurance statement](#).

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DATABANK

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HOMEPAGE IMAGE SOURCES

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Main images: Getty Images

BUSINESS IMAGE SOURCES

Landing page

Main images: Getty Images

Chairman and CEO Message

Main image: Stéphane de Bourgies

Right images: Stéphane de Bourgies

About L'Oréal

Main image: Cyrille Coussat/Eyedeia Illustration

L'Oréal group brands

Main image: Cyrille Coussat/Eyedeia Illustration

Economic affairs

Main image: Jeremy Sutton-Hibbert/Eyedeia Illustration

Sustainable Growth

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Right image: Stéphane de Bourgies

Shareholder relations

Main image: Frédéric Reglain

Sustainability Strategy

Video: Richard Kalvar

Sustainability Topics

Main image: Alain Buu

Active Engagement

Main image: David Arraez

In close up: Make-up

Main Image: Alain Buu

INNOVATION IMAGE SOURCES

Our Commitments

Main image (montage): David Stanton, Abaca presse, Chou Chiang, Kenes Israel, Carlos Foyo, Vincent Nghai, Emiliano Grassi, Kellie Gould, KIM Ki-Hoon/HWANG Sang, Mi, Eric T. Michelson, Drew Gardner

UN Global Compact

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Ethics Programme

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Ethics Timeline

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Human rights

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Corporate Governance

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Board of Directors

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Board Committees

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Business Databank

Images: Alain Buu, David Arraez

Landing page

Main images: Getty Images (straight hair), Matteo / L'Oréal Recherche (curly hair)

Introduction

Video: Richard Kalvar

Our Approach

Main image: Micheline Pelletier

In close-up: Alternative methods

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Eco-design

Main image: Matteo/L'Oréal Recherche
Right image: Walter / L'Oréal Recherche

Raw Materials

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Ecotoxicology

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Biodiversity

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Green Chemistry

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Formulation processes

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Natural Ingredients

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Supply Chain

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Fair trade

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PRODUCTION IMAGE SOURCES

Landing page

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Introduction

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Right image : Alain Buu

Health and Safety

Main image: L'Oréal Employee (pas de nom)
Right image: L'Oréal Employee (pas de nom)
Right image: L'Oréal Employee (pas de nom)

Environmental management

Main image: Alain Buu
Right image: Richard Kalvar
Right image : Catherine Fraissenon/EDF

Audit Programme

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Carbon Emissions

Right image: Alain Buu

Water

Main image: Alain Buu

Waste and recycling

Ethical and Safe Products

Main image: Micheline Pelletier

Safety Assessment

Main image: I. Walter / L'Oréal Recherche
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Predictive Methods

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Other Predictive Methods

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Global and Local Approaches

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Supplier training

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Anticipating toxicological challenges

Main image: Matteo / L'Oréal Recherche

Endocrine disruptors

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Aquatic ecosystems

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Efficacy and diversity

Main image: David Stanton
Right image: Vichy / DR

New Routes to Innovation

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Right image: Lancôme / DR and L'Oréal Professional / DR

The Contribution of Cosmetics

Main image: I. Walter / L'Oréal Recherche

Innovation Databank

Main image: Matteo / L'Oréal Recherche

Supplier relations

Main image: Cyrille Coussat/Eyedeas Illustration

Global and Local

Main image: Alain Buu

Social responsibility audits

Main image: The Body Shop

Outlook and objectives

Main image: Alain Buu

Packaging

Video: Richard Kalvar
Right image: Alain Buu

Reduce

Main image: Benoit Pailley / Eyedeas Illustration
Right image : Pas une image Opérations

Replace

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Lifecycle analysis

Main image: Dinesh Saparia
Right image: Garnier / DR

Point of sale materials

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Right image: L'Oréal Employee (pas de nom)

Sourcing

Main image: Getty Images
Right image: Matteo

A world of ingredients

Main image: Kiehl's/DR

What makes a natural ingredient sustainable?

Main image: Jacques-Yves Guacia
Right image: Kiehl's / DR

Main image: Hany Ramzy Ata / Eyedea Illustration
Right image: Whoo Hae Cho / Eyedea Illustration

Sustainable buildings

Main image: Alain Buu

Databank image

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CONSUMPTION IMAGE SOURCES

Landing page

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Introduction

Video: Richard Kalvar

Responsible Communications

Video: Richard Kalvar

Product Accessibility

Main image: Dinesh Saparia

Safety in product use

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Consumption Databank

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TALENT IMAGE SOURCES

Landing page

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Introduction

Video: Richard Kalvar

Managing our people

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Diversity

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Diversity Framework

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Diversity Timeline

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Dialogue

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Training and development

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Recruitment and retention

Main image: Agence TMP Neo
Right image: Amid Fadavi / Blue Up

Reward and recognition

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Talent Databank

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COMMUNITIES IMAGE SOURCES

Landing page

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Introduction

Video: Richard Kalvar
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The L'Oréal Foundation

Main image (montage): Ira Block / National Geographic Akg Luisa
Ricciriani / Leemage Rue des Archives / RDA Katya Legendre
Right image: JSJ

L'Oréal-UNESCO "For Women in Science"

Main image: Micheline Pelletier (for both)

L'Oréal-UNESCO "Hairdressers against AIDS"

Main image: David Stanton

Access to education

Main image: L'Oréal

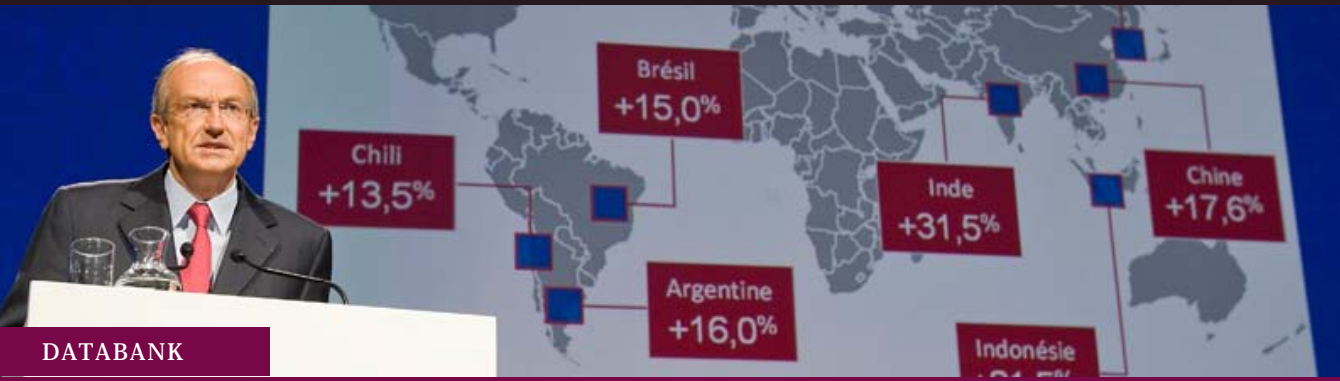
Helping Vulnerable People

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Communities Databank

Main image: Mai Duong

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Business

This section provides information on L'Oréal's progress and performance in 2009, relating to:

- [Ethics](#)
- [Economic affairs](#)

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- ▶ Ethics training, by subject type
- ▶ Origin of ethical concerns submitted to the group Director of Ethics
- ▶ Nature of ethical concerns submitted to the group Director of Ethics
- ▶ Follow up of ethical concerns submitted to the group Director of Ethics

The following is a progress report on our Ethics programme.

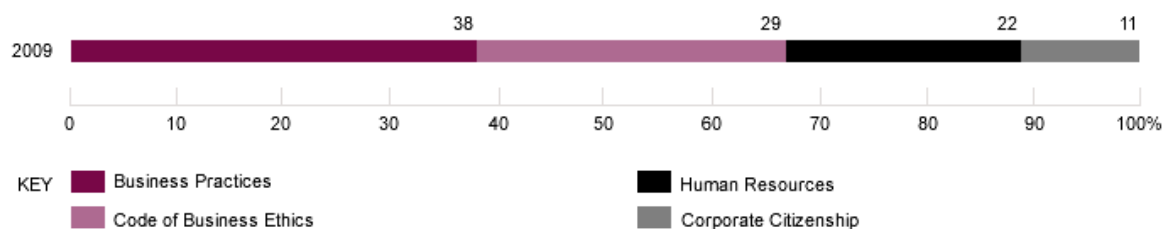
Building blocks	Objectives	Achievements to date	2009 achievements	2009 indicators	2010 projects
Policy and Guidance	Support employees to enable them to make ethics part of their everyday activity, by means of advice, tools and policies on various subjects.	Ethical Risk Evaluation and Analysis Tool Practical tool enabling Countries to evaluate and analyse their possible ethical risks and formulate a corrective action plan if necessary.	Ethical competences in appraisal system The two ethical competences, "Act/Lead with human sensitivity" and "Obtain results with integrity" are now included in the annual appraisal system for all staff. Ethics Correspondents 18 Ethics Correspondents were nominated in the group's major countries to support Country Managers in deploying L'Oréal's Ethics Programme.	21% of Countries have carried out an evaluation of their ethical risks. 75% of Countries have integrated the two ethical competences into their annual appraisal systems (+5% from 2008).	Extending the Ethics Correspondents network to all Countries employing 300 staff or more. Publication of a Human Rights policy.
Leadership and Communication	Promote ethics to L'Oréal employees and stakeholders.	ETHICS DAY Every year, all employees worldwide are invited to take part in a day dedicated to ethics. Ethics intranet	ETHICS DAY CEO Webchat The central event for Ethics Day 2009 was a live webchat with L'Oréal's CEO on the Code of Business Ethics. "L'ORÉAL FOR ETHICS"	95% of Countries have communicated to employees on at least one ethics-related subject (+10% from 2008).	Further develop dialogue on ethics within Country Management Committees. ETHICS DAY

		<p>Dedicated website, accessible to all employees, including the visually impaired.</p> <p>Ethics portal on corporate website Users can download the Code in 43 languages and find out more about L'Oréal's ethics initiatives.</p>	<p>Excellence Bursary This Bursary, unique in Europe, supports students who wish to study business ethics.</p>	<p>56% of Countries have communicated on five ethics-related subjects or more (+19% from 2008).</p> <p>See chart: Ethics communications by theme.</p>	2010.
Training	<p>All Employees to master the four ethical competences:</p> <ul style="list-style-type: none"> - "Understand why Ethics is important" - "Demonstrate a high level of personal integrity" - "Develop ethical reasoning" - "Implement the Code of Business Ethics in one's daily activity". <p>The L'Oréal Ethics training model is based on integrating ethics into our corporate management training, professional expertise training and local training sessions.</p>	<p>Ethics training included in the main corporate management courses and in the managers' induction programme</p> <p>Ethics has been built into the seven main corporate training courses and also into four courses (Purchasing, Operations, HR, Sales). An ethics module has also been included in the "DISCOVERY" induction programme for all managers joining L'Oréal.</p>	<p>External recognition of L'Oréal's Ethics training model</p> <p>The L'Oréal Ethics Training Model has been identified as a "best practice" in the Conference Board's Research Report "Working at the Intersection of Human Resources, Ethics and Compliance – the Need for Collaboration".</p>	<p>92% of Countries* have integrated ethics into their DISCOVERY programme (+6% from 2008).</p> <p>89% of Countries* have organised local training on at least one ethics-related subject (+4% from 2008).</p> <p>56% of Countries* have organised local training on 5 ethics-related subjects or more (+12% from 2008).</p> <p>See chart: Ethics communications by theme</p> <p>*Excluding The Body Shop.</p>	<p>Consolidation of existing training and integration of ethics into other professional expertise courses.</p>
Open Talk process	<p>Encourage employees to air their views, defend their opinions and signal unacceptable behaviours or demands.</p>	<p>L'Oréal Ethics Open Talk website</p> <p>Employees are able to contact the group Director of Ethics via the L'Oréal Ethics Open Talk website. This site provides a secure mechanism for raising a concern. It is currently available in French, English, Spanish, German, Russian, Mandarin, Japanese, Portuguese, Italian, Polish and Korean.</p>	<p>Open Talk theme for Ethics Day 2009</p> <p>Open Talk was the official theme for L'Oréal 2009 Ethics Day. The live webchat with L'Oréal's CEO on the Code of Business Ethics and local webchats and "town hall meetings" at Country level gave employees an opportunity to discuss ethics openly.</p>	<p>See charts:</p> <ul style="list-style-type: none"> • Nature of concerns • Follow-up of concerns 	<p>Ensure continued awareness of Open Talk policy.</p> <p>Make L'Oréal Ethics Open Talk website available in 5 additional languages.</p>
Monitoring	Regularly	Our annual reporting	Country Feedback and	Country	Launch of the

	<p>assess the group's performance.</p> <p>Audits, carried out by external auditors – at our suppliers' sites and within our own plants and distribution centres – to check that the Fundamental Conventions of the International Labour Organization and Human Rights are being respected.</p>	<p>system, Country Reporting Ethics, has been in existence since 2005.</p>	<p>Benchmarking Reports</p> <p>Because reporting should never be a one-sided exercise, the Office of the group Director of Ethics now provides each Country with an analysis and benchmark of the Country's progress based on the data provided by the Countries in the annual reporting system. This, in conjunction with the Ethical Risk Evaluation and Analysis Tool helps Countries in building their ethics action plan.</p>	<p>Reporting Ethics response rate: 100%</p>	<p>second social responsibility audit programme within the group's plants and distribution centres.</p>
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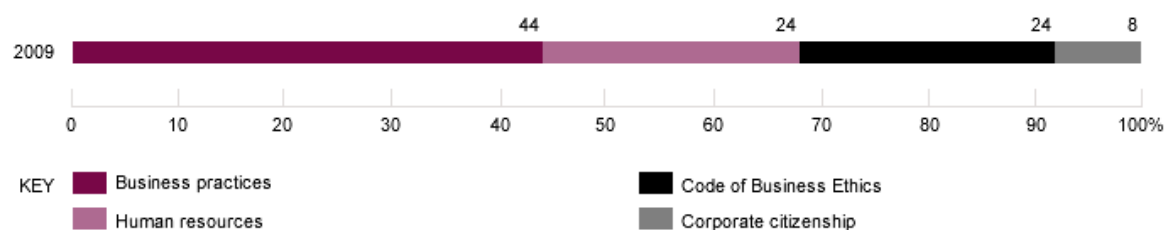
Ethics communications to employees, by theme



	2009
Business Practices	38%
Code of Business Ethics	29%
Human Resources	22%
Corporate Citizenship	11%

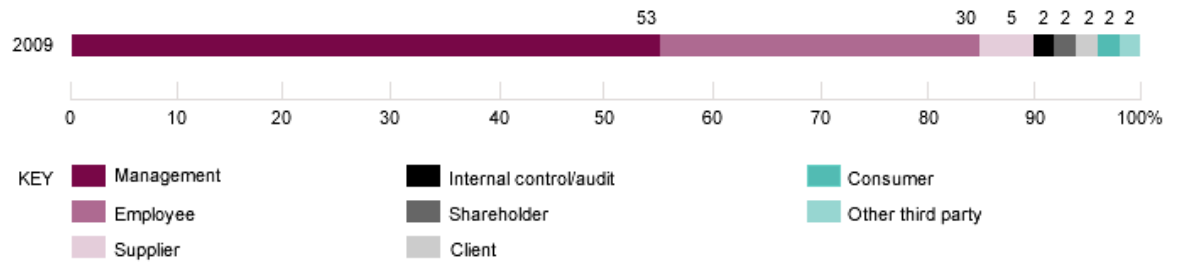
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Ethics training, by subject type



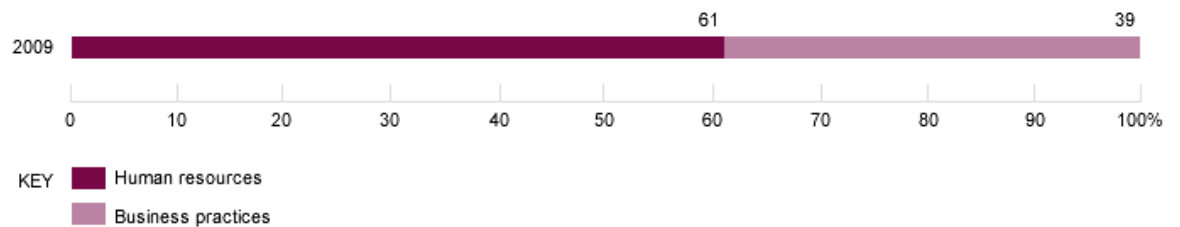
	2009
Business practices	44%
Human resources	24%
Code of Business Ethics	24%
Corporate citizenship	8%

Origin of ethical concerns submitted to the group Director of Ethics



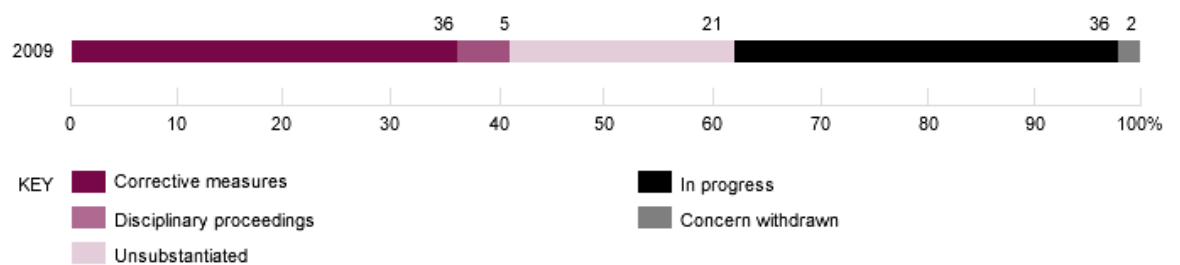
	2009
Management	53%
Employee	30%
Supplier	5%
Internal control/audit	2%
Shareholder	2%
Client	2%
Consumer	2%
Other third party	2%

Nature of ethical questions to the group Director of Ethics



	2009
Human resources	61%
Business practices	39%

Follow up of ethical concerns submitted to the group Director of Ethics



	2009
Corrective measures	36%
Disciplinary proceedings	5%
Unsubstantiated	21%
In progress	36%
Concern withdrawn	2%

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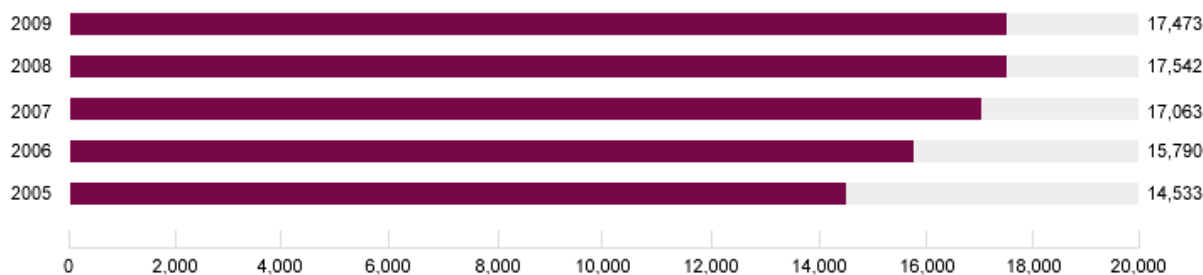


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Economic affairs

- ▶ Consolidated sales
- ▶ Net profit excluding non-recurrent items
- ▶ Consolidated sales by branch
- ▶ Operating profit by branch
- ▶ Consolidated sales, by Division
- ▶ Consolidated sales, by business segment
- ▶ Consolidated sales, by geographic zone
- ▶ Localised production
- ▶ Investments
- ▶ Investment in L'Oréal shares
- ▶ Dividend per share
- ▶ Breakdown of shareholding structure

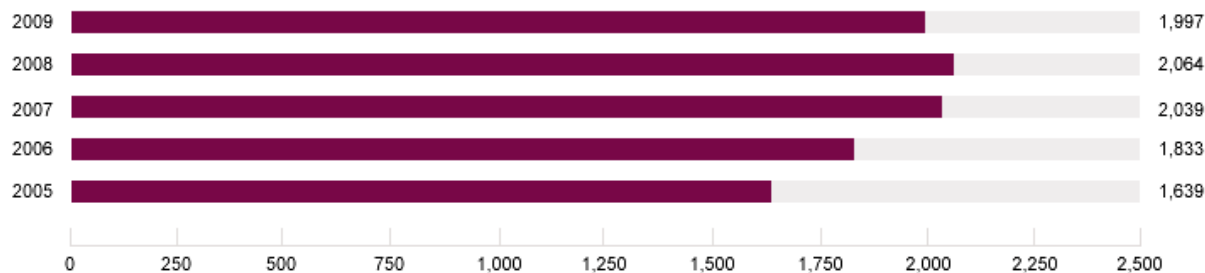
Consolidated sales (€ millions)



2005	2006	2007	2008	2009
14,533	15,790	17,063	17,542	17,473

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Net profit excluding non-recurrent items after minority interests⁽¹⁾ (€ millions)



2005	2006	2007	2008	2009
1,639	1,833	2,039	2,064	1,997

Notes:

(1) Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets and restructuring costs. See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Reference Document (pages 27 to 29).

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Consolidated sales by branch⁽²⁾ (2009)

	€ millions	Growth	
		Like-for-like	Published figures
Cosmetics	16,257	-1.5%	-0.6%
The Body Shop	726	+0.7%	-3.9%
Dermatology ⁽³⁾	489	+10.8%	+14.6%

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Operating profit by branch⁽²⁾ (2009)

	€ millions	Weight	Growth based on published sales	% of sales
Cosmetics	2,439	94.6%	-6.5%	15.0%
The Body Shop	54	2.1%	+48.4%	7.4%
Dermatology ⁽³⁾	85	3.3%	+6.3%	17.4%

Notes:

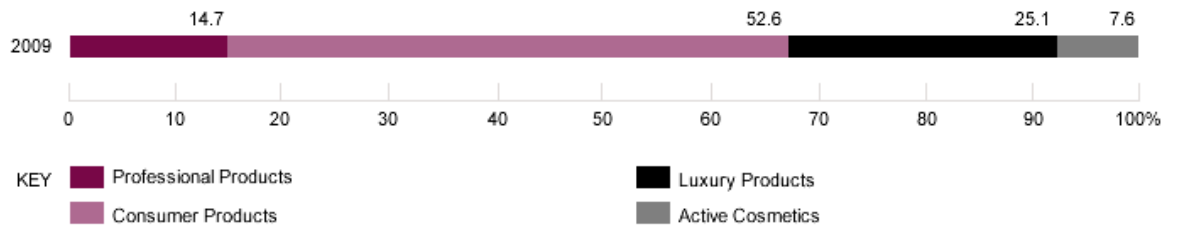
(2) The group's business is composed of the cosmetics and the dermatology branches and of The Body Shop.

(3) Group share, i.e. 50%.

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Consolidated sales of the Cosmetics branch

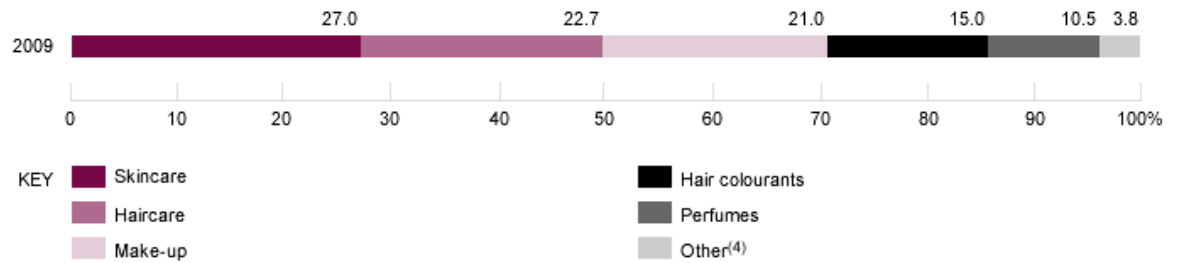
Consolidated sales, by Division



2009	
Professional Products	14.7%
Consumer Products	52.6%
Luxury Products	25.1%
Active Cosmetics	7.6%

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Consolidated sales, by business segment



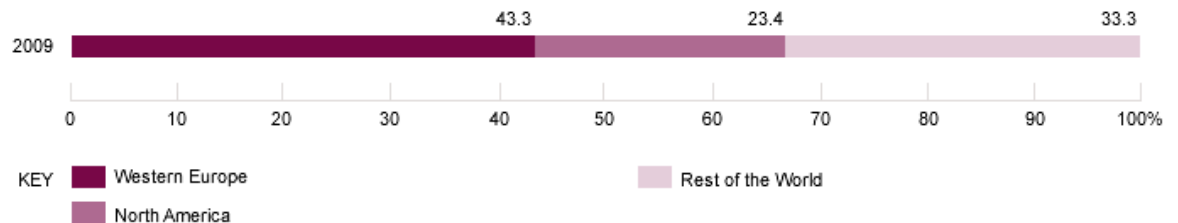
2009	
Skincare	27.0%
Haircare	22.7%
Make-up	21.0%
Hair colourants	15.0%
Perfumes	10.5%
Other ⁽⁴⁾	3.8%

Notes:

(4) "Other" includes in particular sales made by American distributors with brands outside of the group.

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Consolidated sales, by geographic zone



	2009
Western Europe	43.3%
North America	23.4%
Rest of the World	33.3%

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Localised production

	Cosmetics output	Cosmetics sales
Western Europe	47.7%	43.3%
North America	23.6%	23.4%
Rest of the World	28.7%	33.3%
Total	100%	100%

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Investments

	2007	2008	2009
(€ millions)			
Cosmetics investments (production and physical distribution commitments)	248	243	188
Index (base 100: year N-1) Comparable product purchasing price index	97.5	99	96.3

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Investment in L'Oréal shares

Over 3 years	Over 10 years	Over 20 years
Initial capital multiplied by 1.10 in 3 years Total shareholder return: 2.84%	Initial capital multiplied by 1.19 in 10 years. Total shareholder return: 1.08%	Initial capital multiplied by 14.93 in 20 years. Total shareholder return: 13.94%
During the same period, the CAC 40 decreased by -7.4% per year. ⁽⁵⁾	During the same period, the CAC 40 decreased by -1.2% per year. ⁽⁵⁾	During the same period, the CAC 40 increased by +6.5% per year. ⁽⁵⁾
Purchase of 198 shares at €78.90 ⁽⁶⁾ on December 31st 2006: €15,028.20	Purchase of 19 shares at €796.50 ⁽⁶⁾ on December 31st 1999: €15,133.50	Purchase of 20 shares at €756.91 ⁽⁶⁾ on December 31st 1989: €15,138.20
Valuation at December 31st 2009, including reinvestment of dividends (221 shares at €78): €16,458.	Valuation at December 31st 2009, including reinvestment of dividends (231 shares at €78): €18,018.	Valuation at December 31st 2009, including reinvestment of dividends (2,898 shares at €78): €226,044.

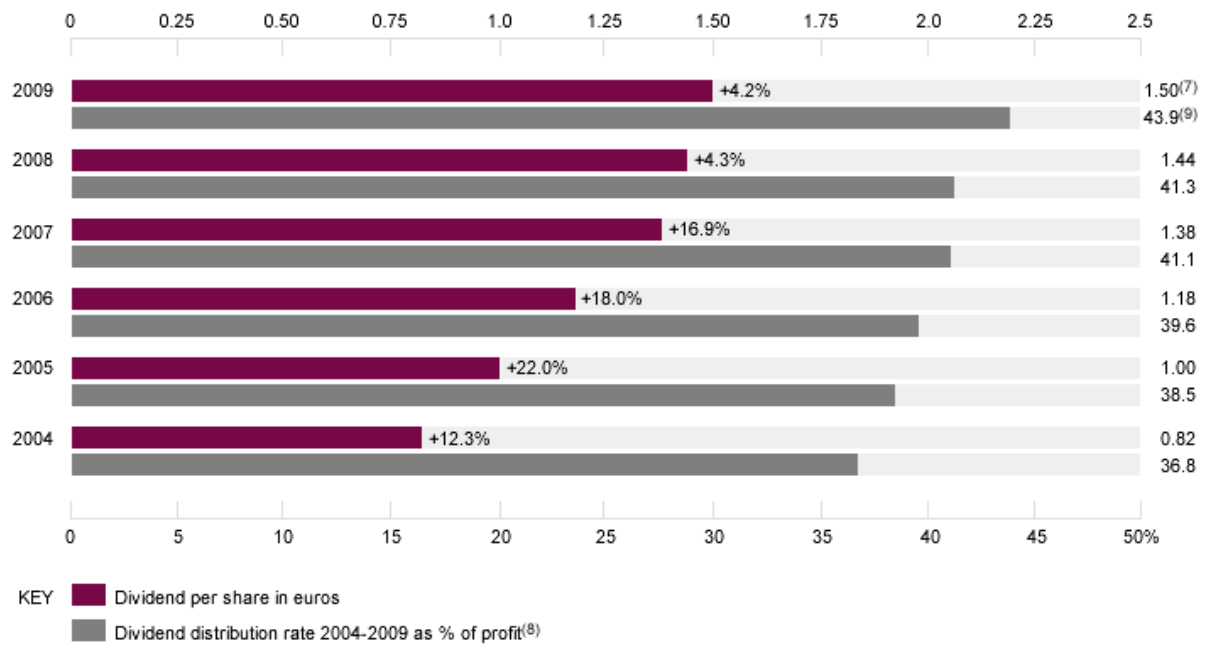
Notes:

(5) Reinvested dividends; source: Datastream.

(6) Non-adjusted share price.

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Dividend per share (euros)



	2004	2005	2006	2007	2008	2009
Dividend per share in euros	0.82 (+12.3%)	1.00 (+22.0%)	1.18 (+18.0%)	1.38 (+16.9%)	1.44 (+4.3%)	1.50 ⁽⁷⁾ (+4.2%)
Dividend distribution rate 2004-2009 as % of profit ⁽⁸⁾	36.8%	38.5%	39.6%	41.1%	41.3%	43.9 ⁽⁹⁾

Notes:

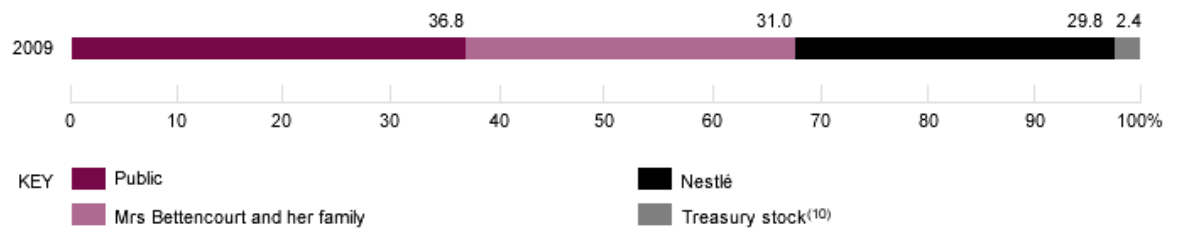
(7) Dividend approved by the Annual General Meeting of April 27th, 2010.

(8) Dividend distribution rate based on diluted net profit excluding non-recurrent items per share. Taking into account Sanofi-Synthelabo at the dividend level for 2004.

(9) Based on the dividend approved by the Annual General Meeting of April 27th, 2010.

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Breakdown of shareholding structure at December 31st, 2009



	2009
Public	36.8%
Mrs Bettencourt and her family	31.0%
Nestlé	29.8%
Treasury stock ⁽¹⁰⁾	2.4%

Notes:

(10) In accordance with the law, treasury stock carries no voting rights

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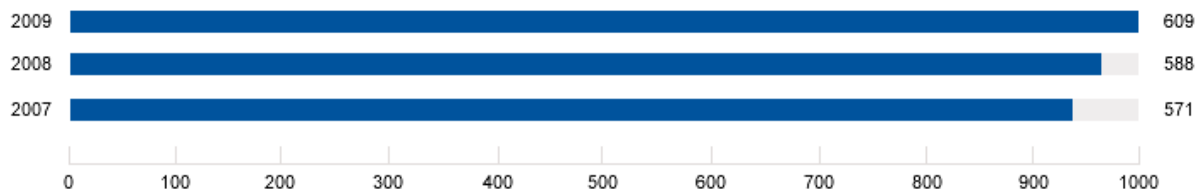


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Innovation

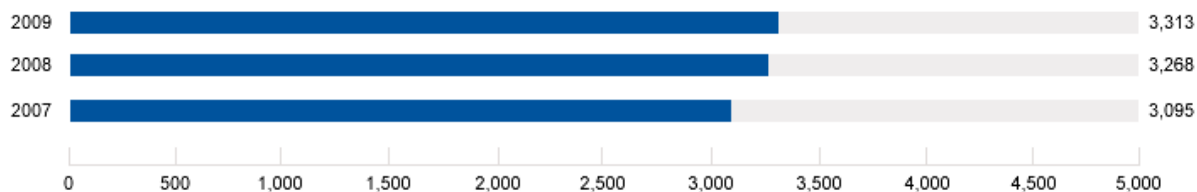
- ▶ Research and innovation budget
- ▶ Research employees
- ▶ Number of patents

Research and innovation budget (€ millions)



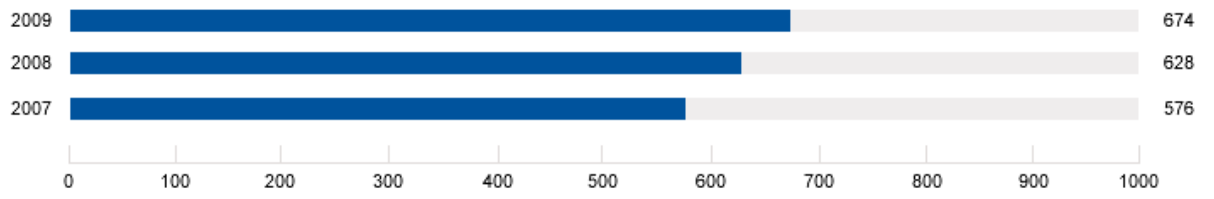
	2007	2008	2009
Research and innovation budget (€ millions)	571	588	609

Research employees



	2007	2008	2009
Research employees	3,095	3,268	3,313

Number of patents (cosmetics and dermatological research)



2007	2008	2009
576	628	674

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Production

This section provides information on L'Oréal's progress and performance in 2009 in environment, health and safety (EHS):

- [Overview of EHS](#)
- [Health and safety](#)
- [Greenhouse gas emissions](#)
- [Energy](#)
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- [Water](#)
- [Waste and recycling](#)
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Overview of EHS

Summary

Except in energy consumption, the group achieved absolute reductions in water consumption, transportable wastes generation, greenhouse gas emissions, sulphur dioxide, volatile organic compounds, and in our index of wastewater quality. We are also pleased to have achieved our safety target. While we made substantial progress, we regret missing our targets for energy use per finished product and waste per finished products.

For the first time we are able to provide an analysis of our carbon footprint and additional information on our greenhouse gas emissions. We also report for the first time on energy, water and waste (per tonne of product manufactured), to enable better comparison to our peers. Finally, we have provided wider coverage of data in our administrative sites.

Scope of our reporting

The EHS data presented in this section is for the period January-December 2009 and covers performance at our 38 factories and 81 warehouses around the world. This includes Galderma, our joint venture with Nestlé and our recent acquisition of YSL Beauté, our Canan factory in Turkey, our distribution acquisitions in the United States (Beauty Alliance, Maly's West and Columbia Beauty Supply) and The Body Shop's main sites (Watersmead, Wakeforest and Soapworks). Further details of The Body Shop's performance can be found in its Values Report at www.thebodyshop.co.uk.

We continue our integration of the largest administrative sites and Research & Innovation centres into our EHS reporting system. We presently have 59 sites reporting – up from 37 last year. This now represents the majority of our largest sites worldwide and we will continue to integrate others into our reporting in the future.

Data collection

EHS Key Performance Indicators (KPI s) are collected monthly by all manufacturing, distribution sites and our largest administrative centres and research sites. For manufacturing and distribution, approximately 100 measures are collected monthly and reported. The advantage of our extensive data collection and reporting system is that every senior manager knows their exact progress monthly as well as their benchmark against the other reporting groups.

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Health and safety

Industrial sites

Summary

We improved our accident rate by nearly 19%, beating our 2009 target of < 3.2 per million hours worked. This is based on the *enlarged frequency rate used since 2004 (lost time accidents and injury related restricted work cases for permanent and temporary employees).

- Lost time injury rate reduced by 4.8% (32.3% improvement over five years)
- Reduction of 18.9% compared to 2008 (based on *enlarged frequency rate)
- 65% of factories and 78% of warehouses had zero lost time accidents
- Severity rate down by 28.5% since 2005 and stable compared to 2008
- There were no life threatening injuries, loss of limbs or fatalities (including work related automobile accidents)
- Data includes all permanent and temporary employees and contractors on any of L'Oréal's owned or operated sites.

* Enlarged frequency rate of 3.0, equivalent to lost time accidents for L'Oréal + lost time accidents for temporary workers + light duty work for L'Oréal employees, per million hours worked.

Factories and warehouses

In contrast to 2008, which did not show any major gains after several years of significant improvement, we made good progress in 2009. Lost time injuries improved by nearly 19% (based on *enlarged frequency rate) and there were no serious injuries or fatalities.

In 2009, 78 out of 120 sites worked without a single lost time incident (a continuously improving trend since 2005, when the figure was 61 out of 118 sites). Several of our factories and warehouses have worked for millions of hours without a single lost time incident.

Administrative sites

We have approximately 100 major administrative sites ranging in size from a few hundred to several thousand people. Our lost time injury rate for this population is 3.1 (per million hours worked) compared to 2008 (Tfc = 3.4). The severity rate was 0.07 compared to 0.06 in 2008. We are continuing to expand reporting of safety in our administrative sites and are implementing programmes to further improve our safety performance.

2010 targets

- Conventional frequency rate of 1.7 per million hours worked or less.
- MESUR frequency rate of 200 or more.**
- Safety Culture Index (SIOs) of 400 or more. ***

** MESUR (Managing Effective Safety Using Recognition & Realignment) is the first of two new leading indicators introduced in 2009. This focuses on line management discussing safety with employees on a systematic basis. At site level, KPIs that are tracked include good practices, at-risk practices, and at-risk situations. Review of these "low level signals" gives L'Oréal's management the opportunity to identify potential injury risk areas before an incident.

*** The second new indicator, known as Safety Culture Index, is a frequency rate based on the number of SIOs (Safety Improvement Opportunities) reported by each site. The closure of these SIOs is also tracked.

2015 target:

Achieve a 70% improvement in safety performance (base year 2005).

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Greenhouse gas emissions

- ▶ CO₂ emission scope 1 (on site)
- ▶ CO₂ emission scope 2 (off site)
- ▶ Total CO₂ emission scopes 1 & 2

Summary

Exceeded our goal of reducing our total CO₂ emissions by 2% compared to 2008, achieving a 8.9% reduction.

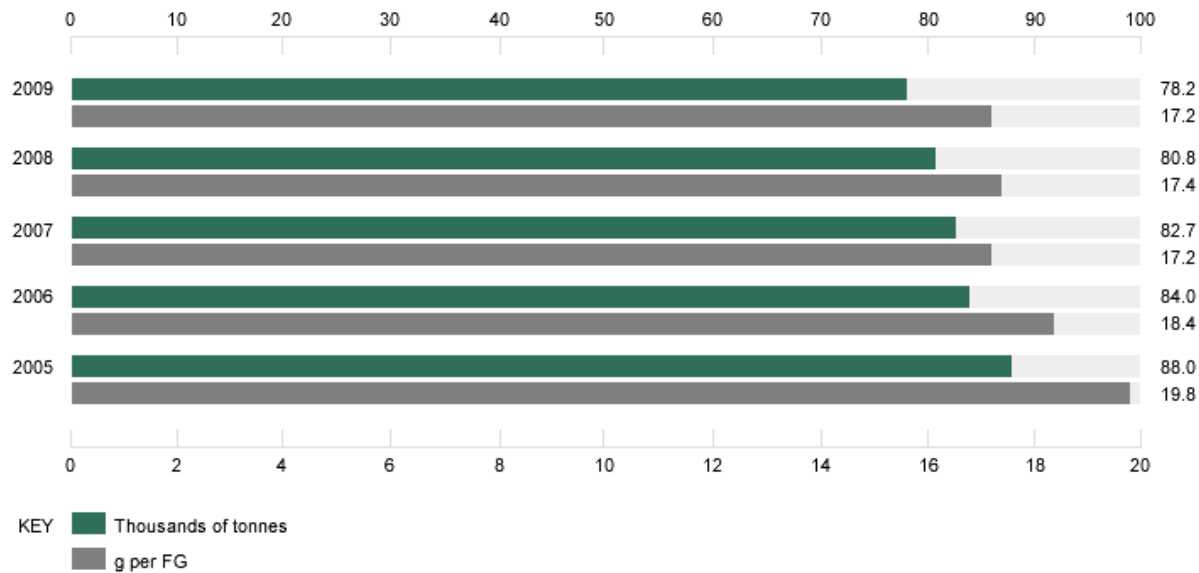
2010 targets for industrial sites:

- Reduce total CO₂ emissions by 10% in absolute terms, compared to 2009.

2015 targets:

- Reduce CO₂ by 50% (base year 2005).

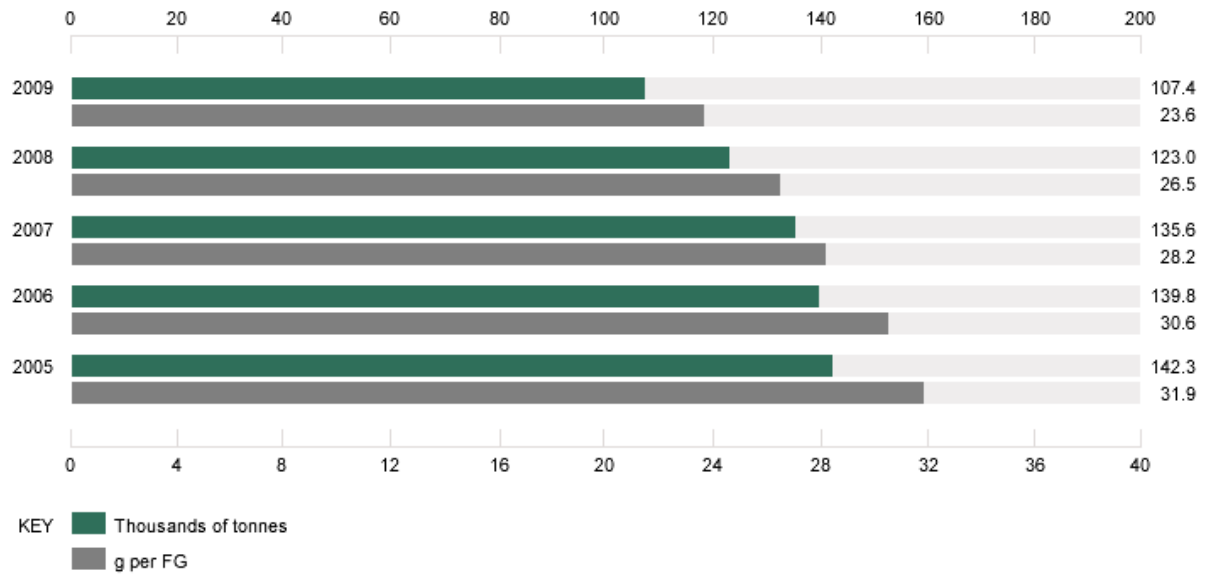
CO₂ emission scope 1 (on site)



	2005	2006	2007	2008	2009
Thousands of tonnes	88.0	84.0	82.7	80.8	78.2
g per FG	19.8	18.4	17.2	17.4	17.2

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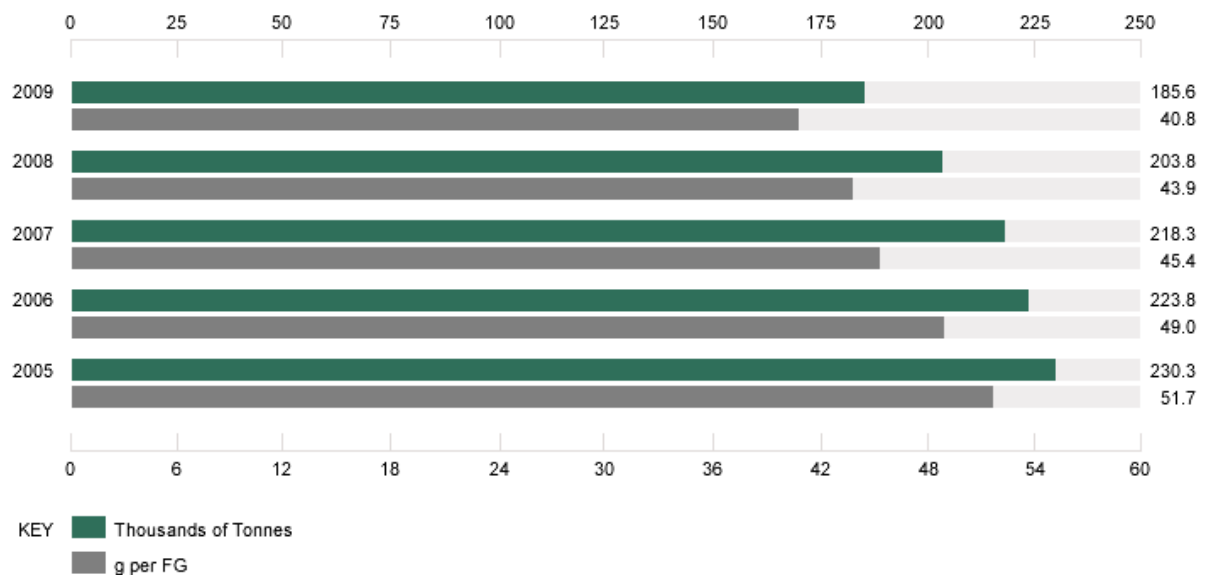
CO₂ emission scope 2 (off site)



	2005	2006	2007	2008	2009
Thousands of tonnes	142.3	139.8	135.6	123.0	107.4
g per FG	31.9	30.6	28.2	26.5	23.6

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Total CO₂ emission scopes 1 & 2



	2005	2006	2007	2008	2009
Thousands of tonnes	230.3	223.8	218.3	203.8	185.6
g per FG	51.7	49.0	45.4	43.9	40.8

	2005	2006	2007	2008	2009
Thousands of tonnes	230.3	223.8	218.3	203.8	185.6
g per FG	51.7	49.0	45.4	43.9	40.8

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Energy

- ▶ Total energy used
- ▶ Breakdown by energy source

Summary

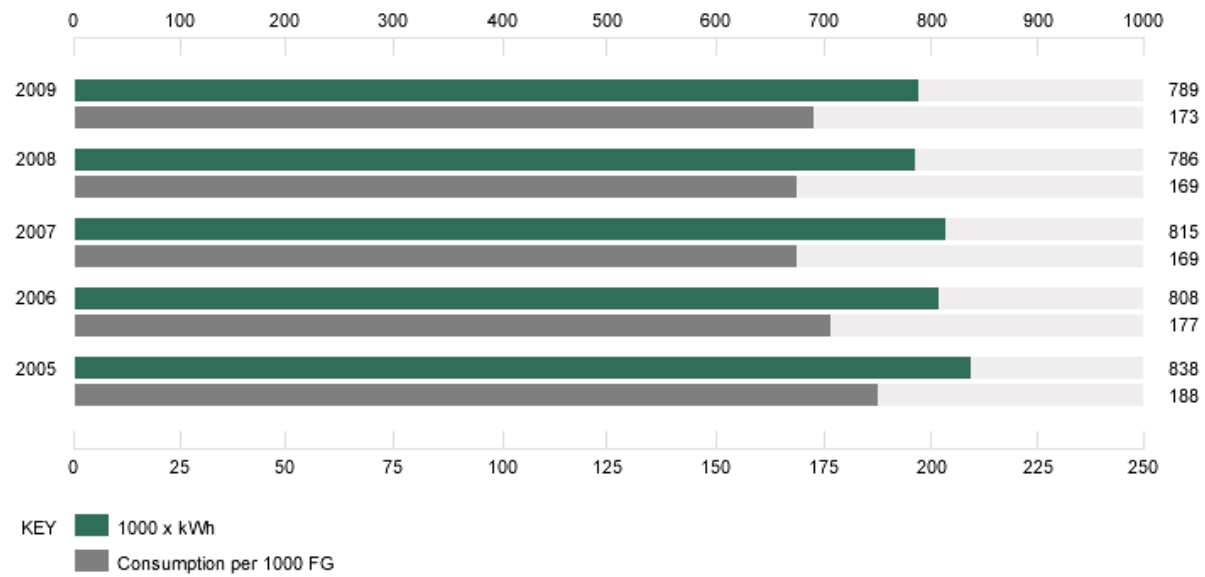
The total energy consumption per 1000 finished product increased to 2.4% compared to 2008. The objective of 5% reduction was not reached.

Our total energy use rose by 0.5% last year but over the last five years reduced by 5.8%. We have also increased our eco-efficiency by 8.0% since 2005 although we showed a high trend in 2009, thereby missing our target.

Targets for industrial sites:

We have two main targets for the future: to continue to reduce the energy required for operations on both a total and eco-efficiency basis and to reduce the subsequent GHG emissions from that energy. Our primary emphasis is on energy efficiency; however, we will also pursue the purchase of "green energy" to meet our targets.

Total energy used



	2005	2006	2007	2008	2009
1,000 x kWh	838	808	815	786	789
Consumption per 1,000 FG	188	177	169	169	173

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Breakdown by energy source

Sources	2005	2006	2007	2008	2009	
Electricity	379	374	378	362	370	47%
Gas	409	380	401	393	392	50%
Fuel	49	54	36	30	27	3%
Total	838	808	815	786	789	100%

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Other atmospheric emissions

- ▶ Volatile organic compounds (VOCs)
- ▶ CO₂ emissions in tonnes
- ▶ Sulphur dioxide (SO₂)

Our principal atmospheric emissions consist of carbon dioxide from fossil fuel use (CO₂), sulphur dioxide from light fuel oils, volatile organic compounds (VOCs) and particles (from producing powders).

Summary

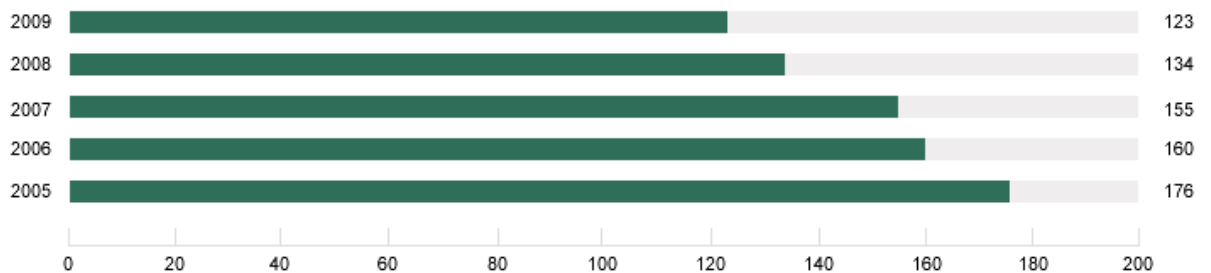
- Reduced our total sulphur dioxide in tonnes (SO₂) emissions by 6.2%.
- Reduced our total emissions of volatile organic compounds (VOCs) by 8.2%.

Volatile organic compounds (VOCs)

We have made great progress in 2009 in reducing our VOC emissions by 8.2%. VOCs are emitted when filling aerosol products, from raw materials, and evaporation from mixing products, from the wastewater treatment process, and from the inkjet inks used in the printing process. We have a number of active projects in place to control and reduce our emissions.

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CO₂ emissions in tonnes



2005	2006	2007	2008	2009
176	160	155	134	123

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Sulphur dioxide (SO₂)

SO₂ emissions are solely due to the use of fuel oil for heating. We try to obtain the lowest level sulphur content of fuel possible, where natural gas is not available. We have not set a specific goal for SO₂, but have reported important decreases for the last several years as a result of our efforts to reduce energy use. In 2009 we achieved both a total emission reduction of 6.2% and 4.5% per finished product. We continue to convert our sites from fuel oil to natural gas wherever possible.

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Water

- ▶ Water consumption (factories and distribution centres)
 - ▶ 2009 use of water
 - ▶ Water quality
 - ▶ COD after treatment

Summary

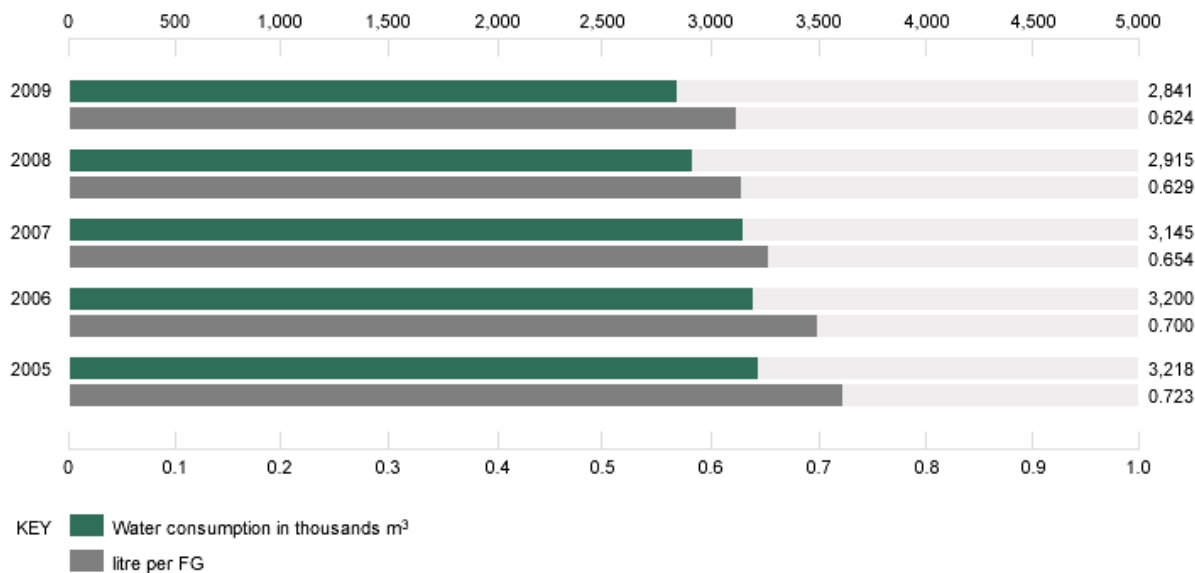
Reduced water consumed in factories by 1.5% per unit of finished product compared to 2008. However, we missed our target of 3% reduction per finished product.

Improved wastewater quality via a reduction in chemical oxygen demand (COD) for wastewater of 24%.

2010 targets for industrial sites:

- Reduce water consumption (litre per finished product) by 10% compared to 2009.

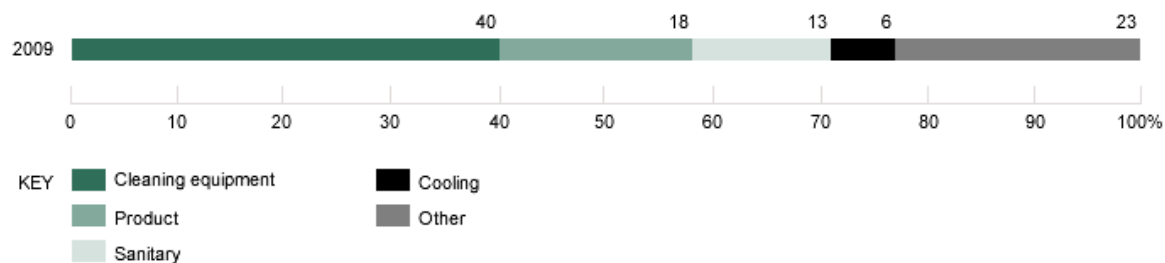
Water consumption (factories and distribution centres)



	2005	2006	2007	2008	2009
Water consumption in thousands m ³	3,218	3,200	3,145	2,915	2,841
litre per FG	0.723	0.700	0.654	0.629	0.624

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2009 use of water



	2009
Cleaning equipment	40%
Product	18%
Sanitary	13%
Cooling	6%
Other	13%

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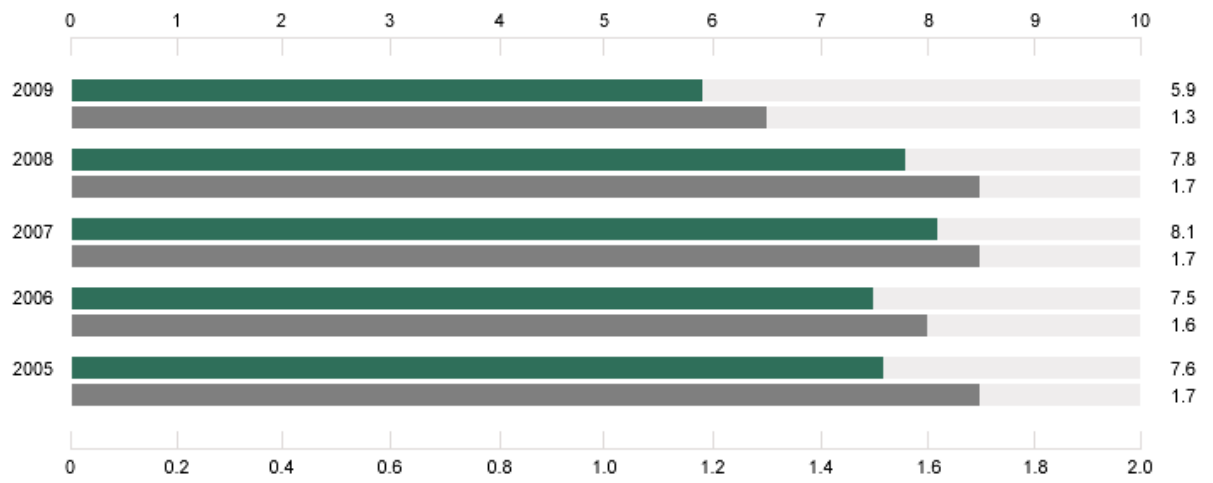
Water quality

L'Oréal carries out pre-treatment appropriate for the type of effluent before discharging it into local wastewater treatment plants operated by municipalities. We have on-site treatment at approximately 60% of our sites using state of the art treatment plants with biological as well as physical and chemical processes. In some locations, pre-treatment is not required. However, all wastewater is tested before being sent to municipal treatment plants or discharged. No significant wastewater is generated at our warehouses or offices other than normal sanitary wastes.

Chemical oxygen demand (COD) is the single most commonly used indicator for the need for wastewater treatment. Our overall generation of COD (in ktonnes) decreased by 24.5% in 2009. We continue our two research projects with universities to study the potential for improving our management of liquid wastes. The University of Karlsruhe study is focused on treatment alternatives while the EU research agreement with the University of Newcastle is devoted to energy efficiencies in wastewater treatment. The goal in both approaches is to minimise overall energy use and solid waste production while maximising residual treatment efficiency.

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COD after treatment



KEY ■ Thousands of tonnes of DCO
■ g DCO per FG

	2005	2006	2007	2008	2009
Thousands of tonnes of DCO	7.6	7.5	8.1	7.8	5.9
g DCO per FG	1.7	1.6	1.7	1.7	1.3

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Waste and recycling

- ▶ Transportable wastes (factories and distribution centres)
 - ▶ Transportable wastes (in thousands of tonnes)
 - ▶ 2009 waste treatment

Summary

Reduced waste generated per unit of finished product by 1.4%. However, we missed our target of a 5% reduction overall (excluding returnable packaging).

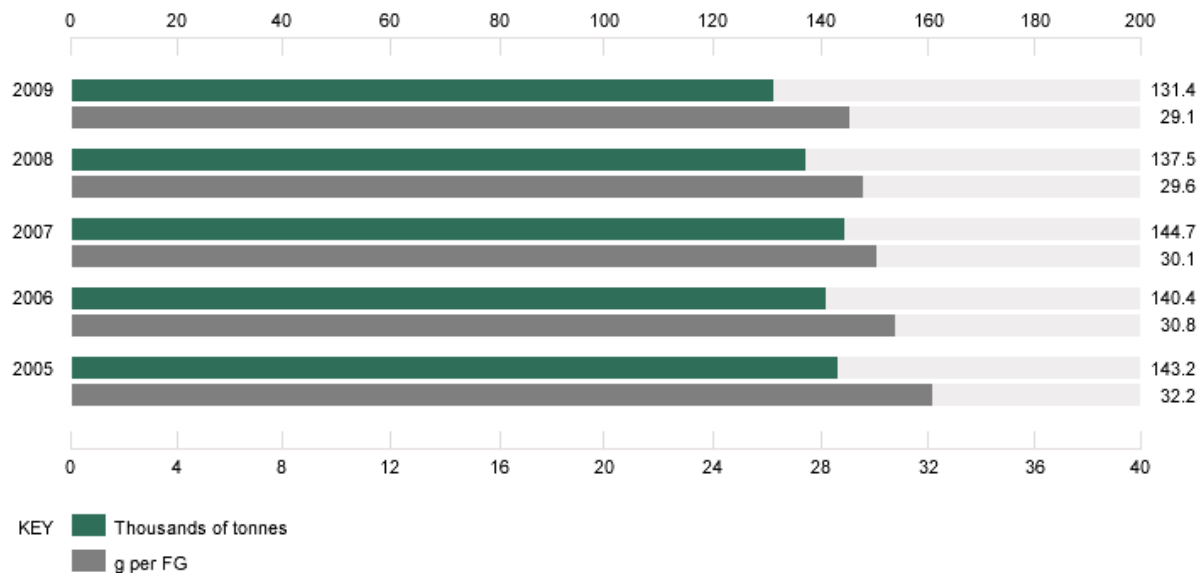
2010 targets for industrial sites:

Reduce waste by 10% (grammes per finished product; excluding returnable packaging) compared to 2009.

2015 targets:

Reduce waste by 50% per finished product produced (base year 2005).

Transportable wastes (factories and distribution centres)



	2005	2006	2007	2008	2009
Thousands of tonnes	143.2	140.4	144.7	137.5	131.4
g per FG	32.2	30.8	30.1	29.6	29.1

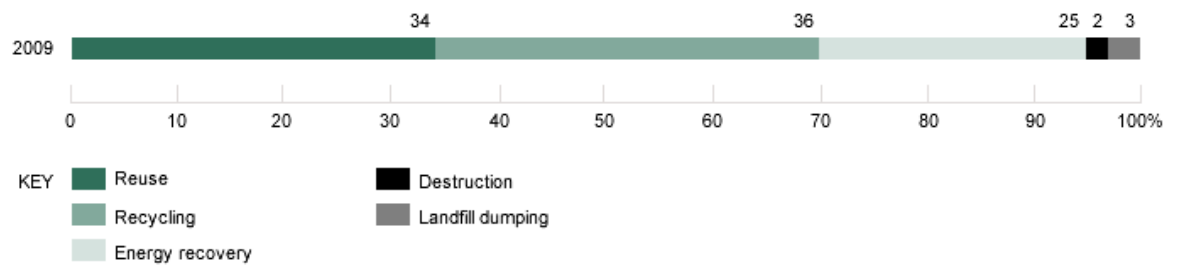
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Transportable wastes (in thousands of tonnes)

Type of wastes	2005	2006	2007	2008	2009	
Common solid wastes	55	53	51	49	47	36%
Returnable packaging	37	36	41	38	36	27%
Sludges	10	9	11	11	10	8%
Other special wastes	41	42	42	39	38	29%
Total	143	140	145	138	131	100%

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2009 waste treatment



	2009
Reuse	34%
Recycling	36%
Energy recovery	25%
Destruction	2%
Landfill dumping	3%

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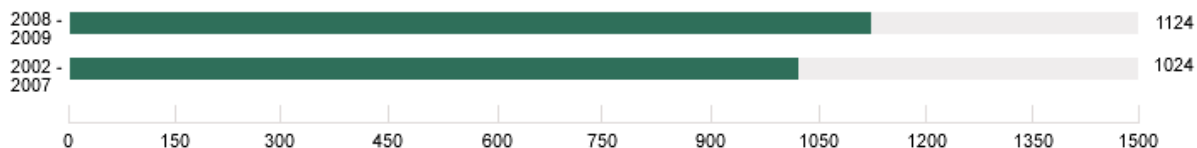


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Supplier audits

- ▶ Number of Social Responsibility audits (2002–09)
- ▶ Audit results (2009)
- ▶ Main non-conformities
- ▶ Audits by purchasing category

Number of Social Responsibility audits (2002–09)

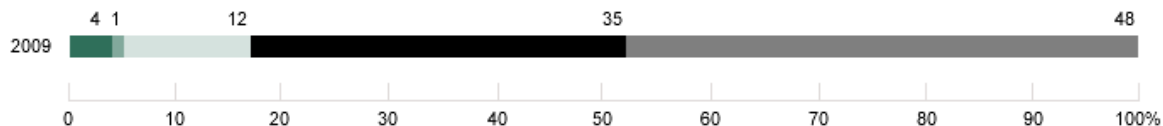


2002–2007	2008–2009
1,024	1,124

Auditing will continue in 2010 with the aim of carrying out 400 Social Responsibility supplier audits globally.

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Audit results (2009)



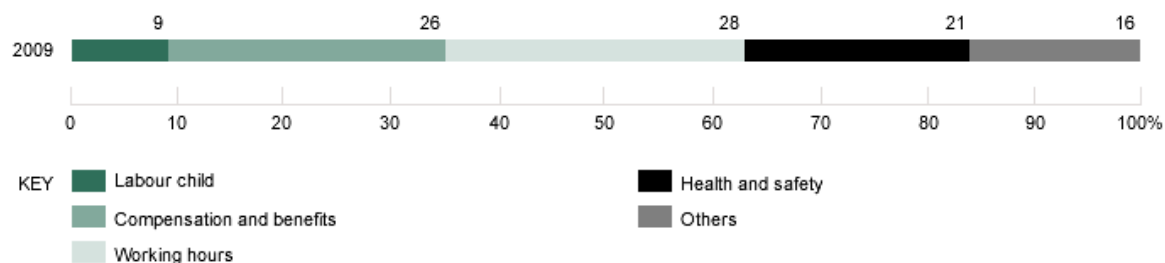
- KEY
- Access denied
 - Need improvement
 - Tolerance zero
 - Need major improvement
 - Satisfactory

2009

Access denied	4%
Tolerance zero	1%
Satisfactory	12%
Need improvement	35%
Need major improvement	48%

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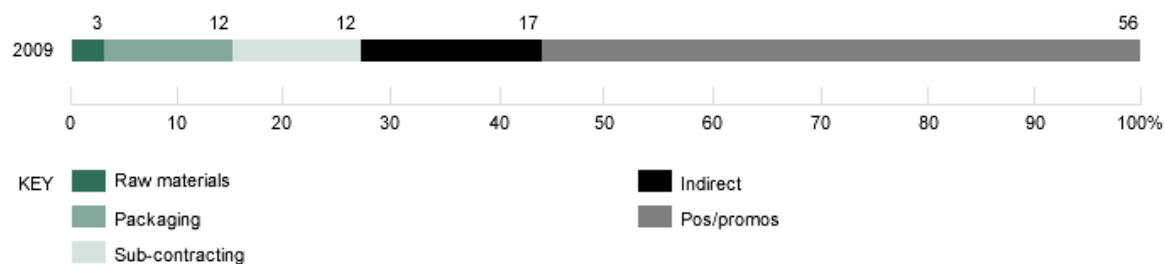
Main non-conformities



	2009
Labour child	9%
Compensation and benefits	26%
Working hours	28%
Health and safety	21%
Others	16%

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Audits by purchasing category



	2009
Raw materials	3%
Packaging	12%
Subcontracting	12%
Indirect	17%
Pos/promos	56%

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Packaging

Summary

In 2008, efforts by L'Oréal brands worldwide have enabled us to save around 800 tonnes of plastic in our bottles. In 2009, an additional 720 tonnes of packaging material was saved.

Garnier has committed to reducing the weight of its packaging by 15% by 2012.

We achieved our target to source all pulp used in our cardboard from sustainably managed forests.

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Transport

Summary

Compared to 2008, total Ktonnes rose by 3.8%, despite the global economic downturn – and helped by continued growth in Asia and Latin America.

Road use decreased slightly (59% in 2008) and sea transport increased (35% in 2008), linked to the growth of markets in Asia and Latin America, compared to Europe and North America.

We continued our efforts to reduce use of air transport, resulting in no change to this figure, despite growth in markets outside Europe and North America.

Tonnes transported per kilometre

Type	% of total	KTonnes
Road	58.1%	1,260,887 KTonnes
Sea	37%	806,700 KTonnes
Air	1.9%	41,357 KTonnes
Rail	3%	66,229 KTonnes
Total:	100%	2,183,452 KTonnes

Ktonne = one thousand tonnes travelling one kilometre.
 Estimated figures. Excluding The Body Shop.

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Employee travel

Average emissions for L'Oréal company cars (g/CO₂)

	2006	2007	2008	2009
	187	177	162	151

As a result of eco-conscious policies, we have achieved a continued reduction in the average emissions of our company cars over the last few years. For example, preference is given to high fuel efficiency vehicles, and our French headquarters provides an economic incentive for fleet cars producing less than 160g CO₂/km. The Body Shop now requires all its fleet cars to be hybrid vehicles, and many of our sites have preferential parking for hybrids and for car pool vehicles.

Other business travel

Our third party travel agents make arrangements for L'Oréal employees in 21 of the largest countries where we operate (representing an estimated 50% of all travel). Their 2009 data shows:

- a reduction of 8% in total miles flown
- an increase in rail mileage of 22% from 2008.

Using the GHG Protocol, this results in an overall reduction of 7% in CO₂ emissions for air and rail travel.

Total travel distance in 2009 by employees in these 21 countries was 148.8 million miles, with 15,646 Ktonnes of consequent carbon emissions.

In addition to travel restrictions, preference of rail over air travel and other initiatives to reduce our carbon footprint from travel, we are installing state-of-the-art videoconferencing in all our major operations, as well as encouraging various forms of local IT solutions for conferencing. The implementation of the new business travel policy that favoured videoconferencing over travel, led to a carbon emissions reduction of almost 30%, worldwide.



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Environmental incidents

Spills and remediation

We had no significant spills in 2009.

Complaints, notices and fines

In 2009, we had no fines at our sites worldwide for environmental breaches.

We had six complaints from neighbours and three administrative notices. The neighborhood complaints were primarily concerning noise and the administrative notices concerned fire protection, technical maintenance instruction on cooling systems and waste water.

All the above complaints and notices have been resolved.

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Consumption

This section provides information on L'Oréal's progress and performance in 2009, relating to: The UDA (French Union of Advertisers') Commitments on responsible marketing and communications with our consumers.

UDA (French Union of Advertisers') Commitments

- Commitment 1: Ensure all external communication complies with the code of responsible communication.
- Commitment 2: Promote responsible behaviour to consumers.
- Commitment 3: Personal data of consumers should be used with care.
- Commitment 4: Establish an internal process to validate external communications before distribution.
- Commitment 5: Incorporate environmental criteria in the selection of communication methods.

Commitment 1: Ensure all external communication complies with the code of responsible communication.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2010
1. Code of Business Ethics	Internal and stakeholder communication	An entire section of our <i>Code of Business Ethics</i> is dedicated to responsible advertising and marketing.	All the marketing directors of two divisions (Consumer Products Division and Professional Products Division) have been trained in these principles, as have 70% of their agencies.	
2. Consumer relations services	Freephone numbers, post, website	In the 50 countries where L'Oréal has a subsidiary, more than 1.5 million contacts with consumers were recorded. In France, through a recent outsourcing agreement, L'Oréal is now able to put specialist third-party expertise at the disposal of our consumers.		Continue action 2: Customer survey to establish a benchmark for our consumer relations services.
3. Certifications – external validation of brand communications and explanation of logos	Advertising, communication, point of sale, packaging, website	Following Ushuaïa Bio in 2008, all Bio brand communications are now approved by Ecocert. Through product packaging and other media, consumers are informed about the purpose of the Ecocert and Cosmébio logos. Public awareness is being raised online at www.ushuaia-bio.fr and		

		bio.fr		consumer relations services.
4. Ensure consumers and young children are aware of the dangers of overexposure to the sun through the Garnier brand	Press, print and films, website (www.garnier.com)	Continue the partnership with the European Association of the Leagues against Cancer (ECL). The '1.2.3' programme aims is to teach children aged 8–10 about responsible behaviour in the sun. 12,000 kits, designed in collaboration with the state education department, have been sent to teachers, reaching more than 360,000 pupils.		Continue action 4.

Commitment 2: Promote responsible behaviour to consumers.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2010
1. Ensure hairdressers and their clients are aware of two topics developed by the Professional Products division in France	Website, press campaign, events	Our "Hairdressers against AIDS" programme, in partnership with UNESCO, has reached 40,000 hairdressers in France. Participation in the "sustainable development and hairdressing salons" initiative with the support of Adème, launched by AG2R, is designed to make hairdressers aware of the actions needed to improve their salons in order to obtain the professional certificate "Sustainable development, my hairdresser is committed".		AIDS prevention: continuation of our programme of awareness-raising events held in salons At these events, products are sold "symbolically" and for every product sold, L'Oréal donates €1
2. Generate public awareness of the lack of women in science	Events, press, non-advertising films, consumers	This action is ongoing: 10 newsletters each year; a ceremony during the Festival of Science that brings together 120 high-school girls; 30 enquiries through the L'Oréal website: www.femmescience.fr		Continue action 2.
3. Generate consumer awareness of the need to sort waste packaging	Packaging, website	Continue the partnership between Garnier and the household packaging waste body Eco-Emballages. Extend the campaign to recycle the packaging of Ultra Doux shampoos via labeling on bottles. Promote recycling packaging in the bathroom and home through: www.garnier.fr		Continue action 3: - Developed a specially designed recycling bin to help consumers sort and recycle bathroom product packaging - Raise awareness of the need to sort waste packaging through labeling on

				shampoos.
4. Generate public awareness of the need to protect biodiversity through the Ushuaia/ONF partnership (since 2000) and the L'Oréal Paris/UNAF partnership.	Press, website, events	<p>In 2009 and 2010, Ushuaia worked with the French Forestry Bureau (ON F) to protect and raise awareness of the dunes at Maillouyère (Aquitaine) where a nature reserve dedicated to the protection of biodiversity is being created (www.ushuaia-bio.fr).</p> <p>L'Oréal Paris will have stands at the Apimondia bee-keepers conference in Montpellier, to raise public awareness about the need to protect biodiversity and, in particular, bees.</p> <p>Continue our partnership with the French Union of Bee-Keepers through the "Bees: environmental sentry" programme.</p>		Continue action 4.
5. Raise public awareness about disability	Printed communications, website, public relations	<p>L'Oréal Paris will sponsor young disabled sportsmen and women at the 2012 Paralympic Games in London, giving them the opportunity to change public perceptions about disability. Recruitment through the Handisport French Federation website.</p> <p>Through the "Handicap Première Chance" programme, L'Oréal will fund studies in business and beauty for 15 disabled students, and the Casino group will provide them with managerial work experience in a large distribution company.</p>		Continue action 5.

Commitment 3: Establish an internal process to validate external communications before distribution.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2010
1. Using the French National Commission for Information and Civil Liberties (CNIL) to oversee the collection, use and transfer of anonymous personal data.		The objective is to create a system for processing the personal data of consumers and business partners, to evaluate its compliance with legislation, and to make further recommendations. The audit has been finalised and we will improve our practices in 2010.		<p>Implement a best practice internal policy for managing, approving and handling personal data.</p> <p>Develop a charter for marketing and HR staff describing the main principles of data protection.</p> <p>Raise awareness among marketing staff regarding</p>

				the responsible use of personal data in marketing and information systems.
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Commitment 4: Incorporate environmental criteria in the selection of communication methods.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2010
1. Existence of an internal process for approving communications	Media and non-media	<p>A formal written process developed by the International Product Communication Evaluation Division (DIECP) and the legal department supports all communication across France (packaging, advertising, etc).</p> <p>Formalised international procedures are used to approve communications that refer to Ecocert certification.</p>	100% of marketing directors are aware of these procedures	<p>Continue action 1:</p> <ul style="list-style-type: none"> - Formalise and approve a written procedure at an international level, and set up a pilot phase - Make legal departments aware of sustainable development issues, with particular relevance to responsible communication.

Commitment 5: Integrate environmental impact in the criteria for the selection of communication methods

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2010
1. Membership of eco-organisations		L'Oréal founded two eco-organisations – Eco-Packing and Ecofolio – and sits on their board of directors; we are therefore directly involved in developing their strategies for taking the environmental impacts of products (packaging, printed paper, etc) into account and for developing the 'eco' concept.		Continue action 1.
2. Reduce the environmental impact of point-of-sale materials through actions by the Professional Products division	Point-of-sale material, events	<p>Continue to assess the carbon footprint of the L'Oréal Professional Nature Series product range, including display units and oak furniture, made from 100% recycled, FSC-certified wood, decorative stickers comply with FSC standards and bags are 100% biodegradable.</p> <p>Kérastase, Matrix, L'Oréal Professional brands: Replace plastic bags used by hairdressers by bags containing non-food potato starch.</p> <p>Pureology brand: Point-of-sale furniture made with a 'green' material ('alucobond')</p>	% of actions to reduce the environmental impact of point-of-sale materials through the L'Oréal Professional Nature Series range: +75%	<p>Continue action 2:</p> <ul style="list-style-type: none"> - Pureology: develop a range of point-of-sale materials (bowls, spoons, spatulas) made from acetate - L'Oréal Professional: develop paper bags and colour charts using FSC-certified materials.
3. Professional Products division in France to encourage environmental responsibility		The objective is to develop events that encourage people to be more responsible for environmental issues.		Introduce waste recycling during the events and use supporting communication (leaflets and bags) made from recycled

				paper and vegetable inks.
4. Reduce the environmental impact of printed material through actions by the Consumer Products division in France	Point-of-sale material, public relations	<p>100% of the press kits and sales leaflets for the Ushuaïa Bio range, and 100% of the press kits of the Mixed Bio range, are printed using vegetable inks on FSC-certified, 100% recycled chlorine-free paper, by Imprim' Vert.</p> <p>100% of our internal and external communication media and Garnier bags are printed using green electricity and vegetable inks, on paper with a minimum of 60% recycled content or FSC-certified paper, by Imprim' Vert.</p>	Actions to reduce the environmental impact of the all the printing by the Public Products division in France by 50% to 75%	<p>Continue action 4: For Garnier, L'Oréal Paris, Maybelline, Ushuaïa, Mixed:</p> <ul style="list-style-type: none"> - 100% of TV adverts will be created digitally, avoiding the production of approximately 2,000 video cassettes and the use of couriers - 100% of press kits and paper bags created will be made from recycled paper and point-of-sale materials will use FSC-certified paperboard.

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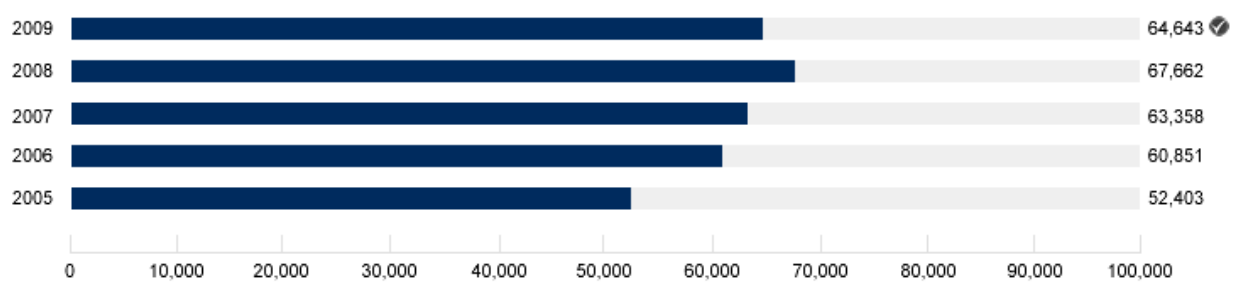


Talent

This section provides the following workforce and diversity statistics:

- ▶ Number of employees
- ▶ Composition of workforce by region
- ▶ Nationalities in management
- ▶ Percentage of women in workforce
- ▶ Percentage of managers who are women
- ▶ Percentage of Management Committee members who are women
- ▶ Other diversity indicators

Number of employees

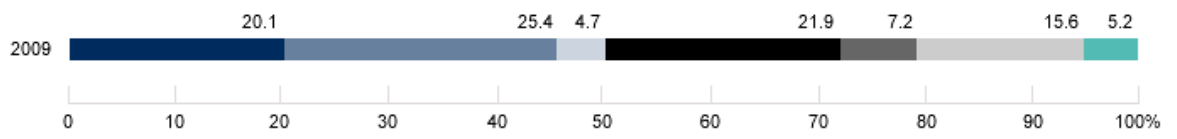


	2005	2006	2007	2008	2009
	52,403	60,851	63,358	67,662	64,643

Notes:
 In 2009, L'Oréal's workforce numbered 64,643 employees, including 1,570 employees of the Galderma joint venture, 8,484 employees of The Body Shop and 2,732 employees of recently acquired Yves Saint-Laurent Beauté.

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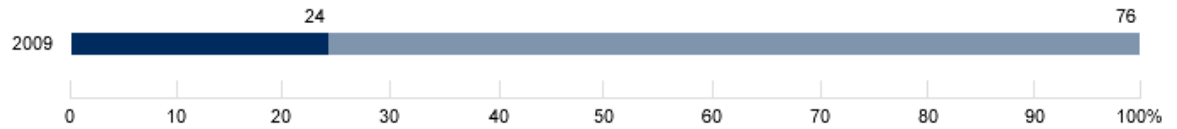
Composition of workforce by region



	2009
France	20.1%
West Europe	25.4%
East Europe	4.7%
North America	21.9%
Latin America	7.2%
Asia	15.6%
Other regions	5.2%

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Nationalities in management



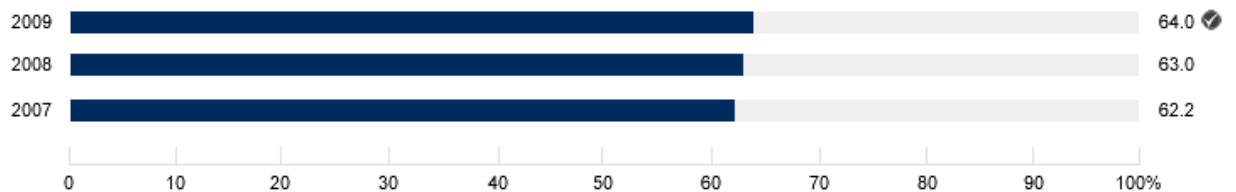
	2009
French nationality	24%
Other nationalities	76%

Notes:

110 nationalities are represented by L'Oréal's managers. ✓

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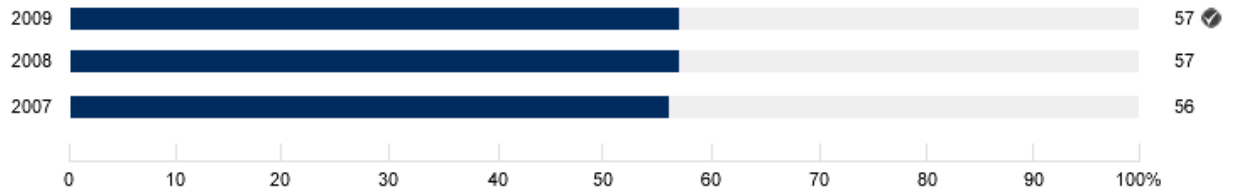
Percentage of women in workforce



2007	2008	2009
62.2%	63.0%	64.0%

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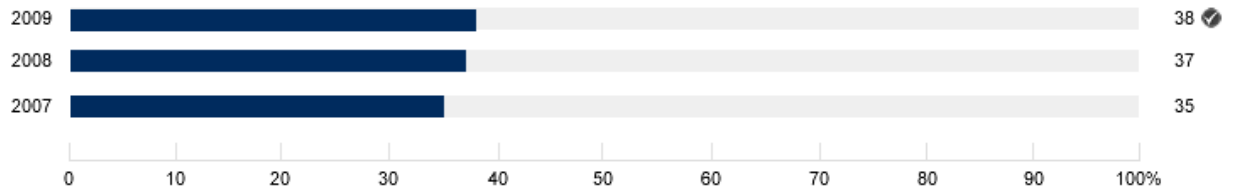
Percentage of managers who are women



2007	2008	2009
56%	57%	57%

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Percentage of Management Committee members who are women



2007	2008	2009
35%	37%	38%

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Other key diversity indicators

Female representation

L'Oréal group, end 2009:

- 20% of the Board of Directors are women (10.5% on average among CAC 40 companies)
- 15% of the Executive Committee are women (7.3% on average among CAC 40 companies)
- 20 women have been appointed General Managers in 2009
- 50% of L'Oréal group brands are headed by women
- 38% of the Management Committee members are women (5% increase since 2006)
- 57% of managers (29.4% on average among CAC 40 companies)
- 59% of new recruits
- 64% of the workforce
- 49% of Operations employees
- 30% of employees holding expatriate positions abroad
- 42% of new appointees to expatriate positions

From CapitalCom research, 2010 : Gender parity at management level is exceeded in only three Groups (LVMH, L'Oréal and Lagardère) and seven companies with respect to the workforce as a whole (LVMH, L'Oréal, Société Générale, Lagardère, BNP Paribas, Crédit Agricole and PPR).

Childcare

Places in inter-company creches, end 2009:

- 75 places in France
- 18 places in Germany
- 36 places in Canada

Age

L'Oréal France, end 2009:

- Average age: 42.5
- Percentage of employees over 50: 24.4%

Ethnic minorities representation

L'Oréal USA, end 2009:

- 22.9% of managers
- 31.8% of employees

L'Oréal South Africa, end 2009:

- Level 5 in the "Broad Based Black Employment Equity" (BBBEE) scorecard – an increase of 2% compared to 2008. Level 1 = highest score.

Public commitments

In 2009:

- 5 existing national Diversity Charters signed by L'Oréal (France, Germany, Spain, Italy, Belgium)
- 3 Corporate Agreements signed in France (Professional Equality, Work-Life Balance, Older Persons Employment)

Percentage of managers who have received diversity training

End 2009:

- 87% in France (3,500 individuals)
- 78% in Europe (6,200 individuals)

 Data reviewed by PricewaterhouseCoopers.

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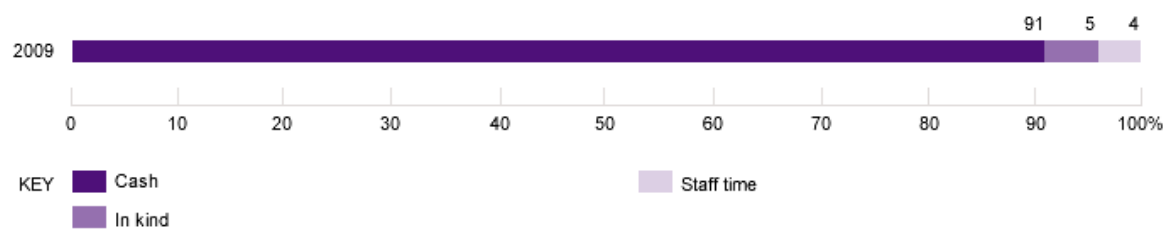
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Communities

€28 million of charitable donations and philanthropic activity in 2009.

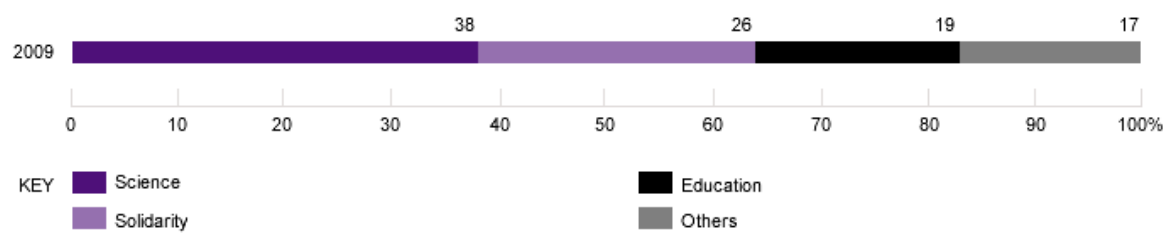
- ▶ Community investments by type
- ▶ Community investments by domain

Community investments by type (% of total)



	2009
Cash	91%
In kind	5%
Staff time	4%

Community investments by domain (% of total)



	2009
--	------

Science	38%
Solidarity	26%
Education	19%
Others	17%

For further details, please see [2009 Report of the L'Oréal Foundation \(PDF\)](#).

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DATABANK

Assurance statements

This section contains assurance statements relating to the following 2009 data:

- [Environment, health and safety](#)
- [Social affairs](#)

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DATABANK

Verification statement - 2009 EHS indicators

Scope and Methodology

Environmental Resources Management (ERM) was solicited by L'Oréal to verify the data relative to Environment, Health and Safety (EHS), which is to be published in this sustainable development report.

Since 2005, the EHS data have been recorded, communicated and consolidated monthly through an IT system accessible at all group manufacturing sites and distribution warehouses. The reliability and performance of this system has already been tested. Our mission this year was to verify the validity of the EHS data supplied by the sites. In order to do this, a statistically representative sample of five manufacturing sites and two distribution warehouses located in France, Brazil and in the USA has been audited.

The approach consisted in finding the sources of the information and interviewing the Heads of the Departments concerned on the audited sites.

Findings

Our review has shown that, for the sample examined, the data collection and processing have provided us with information which is generally precise and reliable.

Some minor inaccuracies or omissions were noted for each of the sites visited, with no significant impact on the scale of consolidated data for the group:

- Five of the seven sites visited presented minor differences on the counting of the hours worked, and the data taken into account for the calculation of the rates of severity and frequency,
- Limited traceability concerning exceptional waste (eg.: building site waste)

The indicators published are similar to previous versions of the report and their choice is relevant.

Opinion

We believe that the EHS data published in this report and presented in the text, the schedules and the graphics for 2009 generally give an honest, transparent and reasonable image of the L'Oréal EHS manufacturing sites and distribution warehouses performance.

The noted improvements in EHS performance appear to be representative of the actual progress made by the sites and show a great regularity in the level of reporting reliability of the L'Oréal group.

Paris, February 2010.

Vincent Sauvaire
General Manager
ERM-France



DATABANK

Social data scope, indicators, reporting method and systems

Review report by one of the statutory auditors on the procedures used to compile certain social data published in the Group sustainable development report.

General Direction
L'Oréal Group
14, rue Royale
75008 Paris

Further to your request and in our capacity as Statutory Auditor of the L'Oréal Group, we have performed a review designed to enable us to express moderate assurance on the procedures used to compile certain social data published in the L'Oréal Group sustainable development report and identified by the sign (✓).

These procedures, together with the data published in the Group sustainable development report, were prepared under the responsibility of the Human Resources Executive Management in accordance with the Group's internal reporting standards. These standards are available on the Group's website.

Our responsibility is to express a conclusion on the procedures for compiling the selected social data, based on our review.

Nature and scope of our work

We performed the work according to The Compagnie Nationale des Commissaires aux Comptes (CNCC) professional doctrine related to this review.

We performed the work described below in order to obtain moderate assurance as to whether procedures used to compile the selected social data are free of material misstatement. A higher level of assurance would have required more extensive procedures. Moreover, our review is not intended to express, and we do not express, a conclusion on the accuracy of the figures published.

We performed the following work:

- At headquarters level:
For each of the areas reviewed, we met with various representatives from the departments listed below responsible for organizing the reporting procedures as well as for the consolidation of social data at Group level: the Labor Relations Department, HR Information Systems Department, Corporate HR Support Services, Corporate Learning for Development Department.

Based on interviews with these representatives and reviews of documents (Group consolidation manuals and subsidiary reporting schedules), we obtained assurance as to the:

- existence of instructions concerning definitions of the data to be compiled and the related calculation methods;
- existence of reporting and consolidation procedures;
- consistency of the data published with the scope set for such data;
- due and proper inclusion of the social data obtained from the reporting systems in the consolidation packages, assessed on a test basis.

Our work was based on the following indicators: total cost of the retirement programmes, % of countries which complete local social security and mandatory programmes, number of employees per gender, data taken from the management database of

executives' profiles and careers (nationalities, number of executives by gender, number of women amongst the management committee for instance), number of employees and executive staff trained, amount allocated to the WPS program, number of employees' representatives, absenteeism rate.

- At subsidiary level:

Additional tests were carried out to ensure the understanding and correct application of Group reporting procedures by the subsidiaries. These tests were carried out at country consolidation level, on a selection of five countries (Denmark, Finland, Norway, Sweden, and Spain) and in respect of the aforementioned indicators, except for the two specific indicators related to retirement (total cost of the retirement programmes, % of countries which complete local social security and mandatory programmes) performed for all countries at headquarters level.

Our work was based on interviews with the individuals responsible for reporting at country level as well as with other people involved in the data collection and reporting procedures.

The tests involved assessing:

- the understanding and application of Group data definitions and data collection procedures at country and subsidiary level;
- the consolidation procedures at country level and exhaustiveness of the scope;
- the existence and appropriateness of internal control procedures at country level with a view to ensuring compliance with such procedures by the subsidiaries.

We were assisted in our work by Sylvain Lambert, Partner in charge of our Sustainable Development Practice.

Conclusion

Based on our work, no material misstatement came to our attention that would cause us to believe that the social data selected and published on the Group Sustainable Development report has not been prepared in accordance with the Group's reporting procedures.

Neuilly-sur-Seine, June 4, 2010

Statutory Auditor

PricewaterhouseCoopers Audit

Etienne Boris

Sylvain Lambert, Sustainable Development Practice

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GRI (Global Reporting Initiative)



This report has been prepared with reference to the GRI G3 Sustainability reporting guidelines and indicators, and an index is provided below. Following self-assessment, L'Oréal considers that the report meets GRI Application Level B.

Key: Fully reported Partially reported Not reported [Link to Annual Report Volume 1 \(pages\)](#)
[Link to Annual Report Volume 2](#)
 "Additional" indicators are shown with bold numbers; all other indicators are "core"

1. Strategy and Analysis

Element	Links/Notes	Status
1.1 Statement from the most senior decisionmaker of the organization (e.g., CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	<ul style="list-style-type: none"> • Message from our Chairman and Chief Executive Officer 	<input checked="" type="checkbox"/>
1.2 Description of key impacts, risks and opportunities.	<ul style="list-style-type: none"> • About L'Oréal • Sustainable growth • Sustainability topics • Ethical and safe products 	<input checked="" type="checkbox"/>

2. Organizational Profile

Element	Links/Notes	Status
2.1 Name of the organization.	<ul style="list-style-type: none"> • About L'Oréal 	<input checked="" type="checkbox"/>
2.2 Primary brands, products and/or services.	<ul style="list-style-type: none"> • About L'Oréal • L'Oréal group brands • AR2: 2009 Consolidated Financial Statements (pg 20, 22) 	<input checked="" type="checkbox"/>
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	<ul style="list-style-type: none"> • About L'Oréal • AR1: Operations (pg 87) • AR2: 2009 Consolidated Financial Statements (pg 20, 22) 	<input checked="" type="checkbox"/>
2.4 Location of organization's headquarters.	<ul style="list-style-type: none"> • Contact 	<input checked="" type="checkbox"/>
2.5 Number of countries where the organization operates, and names	<ul style="list-style-type: none"> • About L'Oréal 	<input checked="" type="checkbox"/>

	of countries either with major operations or that are specifically relevant to the sustainability issues covered in the report.	<ul style="list-style-type: none"> • AR1: Operations (pg 87) • AR2: 2009 Consolidated Financial Statements (pg 57-61) 	
2.6	Nature of ownership and legal form.	<ul style="list-style-type: none"> • Corporate governance • AR1: Corporate Governance (pg 22) 	■
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	<ul style="list-style-type: none"> • About L'Oréal • AR2: 2009 Consolidated Financial Statements (pg 20, 57-61) 	■
2.8	Scale of the reporting organization, including: number of employees; net sales (for private sector organizations) or net revenues (for public sector organizations); total capitalization broken down in terms of debt and equity (for private sector organizations); and quantity of products or services provided.	<ul style="list-style-type: none"> • Databank • AR1: L'Oréal Financial Highlights (pg 11-17) • AR2: 2009 Consolidated Financial Statements (pg 4-6, 37) 	■
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: the location of, or changes in operations, including facility openings, closings, and expansions; and changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organizations).	<ul style="list-style-type: none"> • AR2: 2009 Consolidated Financial Statements (pg 18) 	■
2.10	Awards received in the reporting period.	<ul style="list-style-type: none"> • Ratings and awards 	■

3. Report Parameters

Report Profile

Element	Links/Notes	Status
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	<ul style="list-style-type: none"> • About this report 	■
3.2 Date of most recent previous report (if any).	<ul style="list-style-type: none"> • About this report 	■
3.3 Reporting cycle (annual, biennial, etc.).	<ul style="list-style-type: none"> • About this report 	■
3.4 Contact point for questions regarding the report or its contents.	<ul style="list-style-type: none"> • Contact 	■

Report Scope and Boundary

Element	Links/Notes	Status
3.5 Process for defining report content, including: determining materiality; prioritizing topics within the report; and identifying stakeholders the organization expects to use the report.	<ul style="list-style-type: none"> • Sustainability strategy • Sustainability topics • Active engagement 	■
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	<ul style="list-style-type: none"> • About this report 	■
3.7 State any specific limitations on the scope or boundary of the report.	<ul style="list-style-type: none"> • About this report 	■
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	<ul style="list-style-type: none"> • About this report 	■
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	<ul style="list-style-type: none"> • <i>This information accompanies the data within the Databank sections</i> 	■
3.10 Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement (e.g., mergers/acquisitions, change of the base years/periods, nature of business, measurement methods).	<ul style="list-style-type: none"> • <i>There are no restatements of information provided in earlier reports</i> 	■
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	<ul style="list-style-type: none"> • <i>There were no significant changes during the reporting period</i> 	■

GRI Content Index

Element	Links/Notes	Status
3.12 Table identifying the location of the Standard Disclosures in the	<ul style="list-style-type: none"> • GRI Index 	■

Assurance

Element	Links/Notes	Status
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	<ul style="list-style-type: none"> • Assurance statements 	<input checked="" type="checkbox"/>

4. Governance, Commitments and Engagement

Governance

Element	Links/Notes	Status
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	<ul style="list-style-type: none"> • Board Committees • AR1: Board of Directors, Executive Committee (pg 9-11) 	<input checked="" type="checkbox"/>
4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	<ul style="list-style-type: none"> • Corporate Governance 	<input checked="" type="checkbox"/>
4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	<ul style="list-style-type: none"> • AR2: 2009 Report of the Chairman of the Board of Directors of L'Oréal (pg 107) 	<input checked="" type="checkbox"/>
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	<ul style="list-style-type: none"> • Economic Affairs • Dialogue • AR1: Stock market and shareholders (pg 97) 	<input checked="" type="checkbox"/>
4.5 Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	<ul style="list-style-type: none"> • Environmental management 	<input type="checkbox"/>
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	<ul style="list-style-type: none"> • AR2: 2009 Report of the Chairman of the Board of Directors of L'Oréal (pg 106-107, 119) 	<input checked="" type="checkbox"/>
4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		<input type="checkbox"/>
4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation. Explain the degree to which these: are applied across the organization in different regions and departments/units; and relate to internationally agreed standards.	<ul style="list-style-type: none"> • Sustainability strategy • AR1: Commitments (pg 20-21) 	<input checked="" type="checkbox"/>
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	<ul style="list-style-type: none"> • Corporate Governance • Ethics • AR2: Management report by the Board of Directors (pg 72-77) 	<input checked="" type="checkbox"/>
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	<ul style="list-style-type: none"> • Corporate Governance 	<input type="checkbox"/>

Commitments to External Initiatives

Element	Links/Notes	Status
4.11 Explanation of whether and how the precautionary approach or principles is addressed by the organization. Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organization's approach to risk management in operational planning or the development and introduction of new products.	<ul style="list-style-type: none"> • AR2: 2009 Management Report of the Board of Directors (pg 74) 	<input checked="" type="checkbox"/>

4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.	<ul style="list-style-type: none"> • Ethics • Active engagement • Global and local • Diversity 	<input checked="" type="checkbox"/>
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: has positions in governance bodies, participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic.	<ul style="list-style-type: none"> • Active engagement • Our commitments • Ratings and awards • Health and safety • Global and local • Responsible communications • Databank » Consumption • Communities 	<input checked="" type="checkbox"/>

Stakeholder Engagement

Element	Links/Notes	Status
4.14 List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: communities; civil society; customers; shareholders and providers of capital; suppliers; and employees, other workers and their trade unions.	<ul style="list-style-type: none"> • Active engagement 	<input checked="" type="checkbox"/>
4.15 Basis for identification and selection of stakeholders with whom to engage.	<ul style="list-style-type: none"> • Sustainability topics • Active engagement 	<input checked="" type="checkbox"/>
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	<ul style="list-style-type: none"> • Active engagement • Supplier relations • Consumption 	<input checked="" type="checkbox"/>
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	<ul style="list-style-type: none"> • Sustainability topics 	<input checked="" type="checkbox"/>

5. Management Approach and Performance Indicators

Economic

Economic Performance

Element	Links/Notes	Status
DMA Disclosure on Management Approach EC EC	<ul style="list-style-type: none"> • Economic affairs • Databank » Economic affairs • Annual Report Volume 1 • Annual Report Volume 2 	<input checked="" type="checkbox"/>
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	<ul style="list-style-type: none"> • Databank » Business • AR1: Consolidated financial statements (pg 4-61) 	<input checked="" type="checkbox"/>
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	<ul style="list-style-type: none"> • Environmental management • Carbon emissions • Global and local 	<input checked="" type="checkbox"/>
EC3 Coverage of the organization's defined benefit plan obligations.	<ul style="list-style-type: none"> • Reward and recognition • AR2: 2009 Consolidated financial statements (pg 16) 	<input checked="" type="checkbox"/>
EC4 Significant financial assistance received from government.		<input type="checkbox"/>

Market Presence

Element	Links/Notes	Status
EC5 Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation.	<ul style="list-style-type: none"> • Reward and recognition 	<input checked="" type="checkbox"/>
EC6 Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	<ul style="list-style-type: none"> • Supplier relations 	<input type="checkbox"/>
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	<ul style="list-style-type: none"> • Recruitment and retention 	<input type="checkbox"/>

Indirect Economic Impacts

Element	Links/Notes	Status
		<input checked="" type="checkbox"/>

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.

[Communities](#)

EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.

- [Economic affairs](#)
- [Supplier relations](#)
- [Product accessibility](#)

Environmental

Materials

Element	Links/Notes	Status
DMA Disclosure on Management Approach EN EC	<ul style="list-style-type: none"> • Production 	<input checked="" type="checkbox"/>
EN1 Materials used by weight or volume.	<ul style="list-style-type: none"> • Sourcing • Packaging • Raw materials 	<input type="checkbox"/>
EN2 Percentage of materials used that are recycled input materials.	<ul style="list-style-type: none"> • Packaging 	<input type="checkbox"/>

Energy

Element	Links/Notes	Status
EN3 Direct energy consumption by primary energy source.	<ul style="list-style-type: none"> • Databank » Energy 	<input checked="" type="checkbox"/>
EN4 Indirect energy consumption by primary source.	<ul style="list-style-type: none"> • Databank » Energy 	<input checked="" type="checkbox"/>
EN5 Energy saved due to conservation and efficiency improvements.	<ul style="list-style-type: none"> • Carbon emissions • Sustainable buildings 	<input type="checkbox"/>
EN6 Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	<ul style="list-style-type: none"> • Carbon emissions • Packaging • Product accessibility • Databank » Packaging • Databank » Consumption 	<input type="checkbox"/>
EN7 Initiatives to reduce indirect energy consumption and reductions achieved.	<ul style="list-style-type: none"> • Transport • Sustainable buildings 	<input type="checkbox"/>

Water

Element	Links/Notes	Status
EN8 Total water withdrawal by source.	<ul style="list-style-type: none"> • Databank » Water 	<input checked="" type="checkbox"/>
EN9 Water sources significantly affected by withdrawal of water.	<ul style="list-style-type: none"> • No water sources are significantly affected by withdrawal of water 	<input checked="" type="checkbox"/>
EN10 Percentage and total volume of water recycled and reused.	<ul style="list-style-type: none"> • Waste and recycling 	<input type="checkbox"/>

Biodiversity

Element	Links/Notes	Status
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	<ul style="list-style-type: none"> • We do not own, lease or manage land in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 	<input checked="" type="checkbox"/>
EN12 Descriptions of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		<input checked="" type="checkbox"/>
EN13 Habitats protected or restored.	<ul style="list-style-type: none"> • Biodiversity • Natural ingredients 	<input checked="" type="checkbox"/>
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.	<ul style="list-style-type: none"> • Sustainability topics • Biodiversity • Natural ingredients • Fair trade • Supply chain • Aquatic ecosystems • Sourcing • Packaging 	<input checked="" type="checkbox"/>
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	<ul style="list-style-type: none"> • "There are no indications of IUCN Red List species and national conservation list species being at risk due to our operations • Biodiversity 	<input checked="" type="checkbox"/>

Emissions, Effluents and Waste

Element	Links/Notes	Status
EN16 Total direct and indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> Databank » Greenhouse gas emissions 	<input checked="" type="checkbox"/>
EN17 Other relevant indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> Databank » Employee travel 	<input checked="" type="checkbox"/>
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	<ul style="list-style-type: none"> Production Carbon emissions Packaging Transport Databank » Production Ratings and awards 	<input checked="" type="checkbox"/>
EN19 Emissions of ozone-depleting substances by weight.	<ul style="list-style-type: none"> Databank » Other atmospheric emissions 	<input checked="" type="checkbox"/>
EN20 NOx, SOx and other significant air emissions by type and weight.	<ul style="list-style-type: none"> Databank » Other atmospheric emissions 	<input type="checkbox"/>
EN21 Total water discharge by quality and destination.	<ul style="list-style-type: none"> Databank » Water 	<input checked="" type="checkbox"/>
EN22 Total weight of waste by type and disposal method.	<ul style="list-style-type: none"> Databank » Waste and recycling 	<input checked="" type="checkbox"/>
EN23 Total number and volume of significant spills.	<ul style="list-style-type: none"> Databank » Environmental incidents 	<input checked="" type="checkbox"/>
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.		<input type="checkbox"/>
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	<ul style="list-style-type: none"> Water Databank » Water 	<input checked="" type="checkbox"/>

Products and Services

Element	Links/Notes	Status
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	<ul style="list-style-type: none"> Sustainability topics Packaging Product accessibility 	<input checked="" type="checkbox"/>
EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	<ul style="list-style-type: none"> Packaging Databank » Consumption 	<input type="checkbox"/>

Compliance

Element	Links/Notes	Status
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	<ul style="list-style-type: none"> Databank » Environmental incidents 	<input checked="" type="checkbox"/>

Transport

Element	Links/Notes	Status
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	<ul style="list-style-type: none"> Transport Databank » Transport 	<input checked="" type="checkbox"/>

Overall

Element	Links/Notes	Status
EN30 Total environmental protection expenditures and investments by type.		<input type="checkbox"/>

Social: Labor Practices and Decent Work

Employment

Element	Links/Notes	Status
DMA Disclosure on Management Approach LA	<ul style="list-style-type: none"> Talent Databank » Talent 	<input checked="" type="checkbox"/>
LA1 Total workforce by employment type, employment contract and region.	<ul style="list-style-type: none"> Databank » Talent 	<input type="checkbox"/>
LA2 Total number and rate of employee turnover by age group, gender and region.		<input type="checkbox"/>

LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

Labor/Management Relations

Element	Links/Notes	Status
LA4 Percentage of employees covered by collective bargaining agreements.	<ul style="list-style-type: none"> • Dialogue 	<input checked="" type="checkbox"/>
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.		<input type="checkbox"/>

Occupational Health and Safety

Element	Links/Notes	Status
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<ul style="list-style-type: none"> • Health and safety • Dialogue 	<input checked="" type="checkbox"/>
LA7 Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	<ul style="list-style-type: none"> • Health and safety • Databank » Health and safety 	<input checked="" type="checkbox"/>
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.	<ul style="list-style-type: none"> • Health and safety 	<input checked="" type="checkbox"/>
LA9 Health and safety topics covered in formal agreements with trade unions.		<input type="checkbox"/>

Training and Education

Element	Links/Notes	Status
LA10 Average hours of training per year per employee by employee category.	<ul style="list-style-type: none"> • Training and development 	<input checked="" type="checkbox"/>
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<ul style="list-style-type: none"> • Ethics • Sustainability topics • Training and development 	<input checked="" type="checkbox"/>
LA12 Percentage of employees receiving regular performance and career development reviews.	<ul style="list-style-type: none"> • Reward and recognition 	<input checked="" type="checkbox"/>

Diversity and Opportunity

Element	Links/Notes	Status
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	<ul style="list-style-type: none"> • Corporate governance • Databank » Talent 	<input checked="" type="checkbox"/>
LA14 Ratio of basic salary of men to women by employee category.		<input type="checkbox"/>

Social: Human Rights

Strategy and Management

Element	Links/Notes	Status
DMA Disclosure on Management Approach HR	<ul style="list-style-type: none"> • UN Global Compact • Ethics • Human rights • Social responsibility audits 	<input checked="" type="checkbox"/>
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	<ul style="list-style-type: none"> • All significant investment agreements include human rights clauses and have undergone screening on human rights 	<input checked="" type="checkbox"/>
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	<ul style="list-style-type: none"> • Human rights • Social responsibility audits • Databank » Supplier audits 	<input checked="" type="checkbox"/>
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<ul style="list-style-type: none"> • Ethics • Databank » Ethics 	<input checked="" type="checkbox"/>

Non-Discrimination

Element	Links/Notes	Status
HR4 Total number of incidents of discrimination and actions taken.		<input type="checkbox"/>

Freedom of Association and Collective Bargaining

Element	Links/Notes	Status
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	<ul style="list-style-type: none">• UN Global Compact	<input type="checkbox"/>

Child Labor

Element	Links/Notes	Status
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	<ul style="list-style-type: none">• UN Global Compact• Human rights	<input type="checkbox"/>

Forced and Compulsory Labor

Element	Links/Notes	Status
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measurements to contribute to the elimination of forced or compulsory labor.	<ul style="list-style-type: none">• UN Global Compact	<input type="checkbox"/>

Security Practices

Element	Links/Notes	Status
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		<input type="checkbox"/>

Indigenous Practices

Element	Links/Notes	Status
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.	<ul style="list-style-type: none">• There have been no incidents of violations involving rights of indigenous people	<input type="checkbox"/>

Social: Society

Community

Element	Links/Notes	Status
DMA Disclosure on Management Approach SO	<ul style="list-style-type: none">• Business	<input type="checkbox"/>
SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	<ul style="list-style-type: none">• Biodiversity• Supplier relations• Sourcing	<input type="checkbox"/>

Corruption

Element	Links/Notes	Status
SO2 Percentage and total number of business units analyzed for risks related to corruption.	<ul style="list-style-type: none">• UN Global Compact• Anti-corruption	<input type="checkbox"/>
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures.	<ul style="list-style-type: none">• UN Global Compact• Anti-corruption	<input type="checkbox"/>
SO4 Actions taken in response to incidents of corruption.	<ul style="list-style-type: none">• Anti-corruption	<input type="checkbox"/>

Public Policy

Element	Links/Notes	Status
SO5 Public policy positions and participation in public policy development and lobbying.		<input type="checkbox"/>
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.		<input type="checkbox"/>

Anti-Competitive Behavior

Element	Links/Notes	Status
SO7 Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.		<input type="checkbox"/>

Compliance

Element	Links/Notes	Status
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		<input type="checkbox"/>

Social: Product Responsibility

Customer Health and Safety

Element	Links/Notes	Status
DMA Disclosure on Management Approach PR	<ul style="list-style-type: none"> • Consumption • Databank » Consumption 	<input checked="" type="checkbox"/>
PR1 Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	<ul style="list-style-type: none"> • Sustainability topics • Innovation • Lifecycle analysis 	<input type="checkbox"/>
PR2 Information on all legal proceedings and incidents of non-compliance can be found in the Company's Annual Report on the Form 10-K.		<input type="checkbox"/>

Products and Service Labeling

Element	Links/Notes	Status
PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	<ul style="list-style-type: none"> • Corporate consumer responsibility • Responsible communications • Databank » Consumption 	<input type="checkbox"/>
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		<input type="checkbox"/>
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	<ul style="list-style-type: none"> • Active engagement • Consumption 	<input checked="" type="checkbox"/>

Marketing Communications

Element	Links/Notes	Status
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	<ul style="list-style-type: none"> • Corporate consumer responsibility • Responsible communications • Databank » Consumption 	<input checked="" type="checkbox"/>
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.		<input type="checkbox"/>

Customer Privacy

Element	Links/Notes	Status
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		<input type="checkbox"/>

Compliance

Element	Links/Notes	Status
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		<input type="checkbox"/>

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