



Welcome Business Innovation Production Consumption Talent Communities

L'Oréal Sustainable Development Report 2010

At L'Oréal, sustainable development is a driver for responsible growth and a source of inspiration for our brands. Sustainable development goes hand in hand with sustainable consumption, which is the shared responsibility of companies, consumers and the whole of society, and a key theme in this report.

€665m invested in research and innovation

1.5m post-sale contacts with consumers

700 products carry the Forest Stewardship Council logo

In this report...

- [Towards responsible, sustainable and shared development](#) - A message from Jean-Paul Agon, Chairman & Chief Executive Officer
- [Sustainability strategy](#) - For sustainable consumption
- [Ratings and awards](#) - Among the world's 100 most sustainable companies
- [UN Global Compact](#) - L'Oréal's commitments and actions
- [Performance summary](#) - Key indicators

▶ WATCH VIEWPOINT VIDEOS

Leading internal and external experts give their views on L'Oréal's approach to sustainable development and sustainable consumption.

RESPONSIBLE BUSINESS



BUSINESS

UNIVERSAL HUMAN BEAUTY



INNOVATION

ECOSYSTEMS OF PRODUCTION



PRODUCTION

SOURCING SUSTAINABLY



PRODUCTION

SUSTAINABLE CONSUMPTION



CONSUMPTION

SUSTAINABILITY AND DIVERSITY



TALENT

CORPORATE CITIZENSHIP



COMMUNITIES

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS



Expert opinion on developing and growing responsibly

LISTEN TO EXPERT OPINION



Francis Quinn
Sustainable Development Director, L'Oréal

▶ [Performance](#)

▶ [Report downloads](#)

▶ [In close-up](#)

▶ [Leave feedback](#)

Find out about our key themes

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / Viewpoints

BUSINESS

How we define sustainable consumption

In emerging markets we see an increasing aspiration for a western lifestyle, and the economic and societal benefits associated with it. The question posed by some stakeholders to companies is, "How are you going to meet your environmental goals while substantially increasing the total volume of consumption?" To respond to this challenge, L'Oréal is embedding sustainable consumption at each stage of the product lifecycle.

THE EXPERT



Francis Quinn
Sustainable Development Director, L'Oréal

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Find out about our key themes

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / From our Chairman & CEO

From our Chairman & CEO



Jean-Paul Agon, Chairman and Chief Executive Officer, L'Oréal

Towards responsible, sustainable and shared development

Creating economic prosperity and generating value in society are the two major pillars of sustainable development at L'Oréal.

Reaching one billion new consumers through the universalisation of beauty is the group's strategic objective for years to come. This great project of ours is accompanied by our commitments to show exemplary corporate conduct, meet demanding targets to lighten our environmental footprint, find new ways to consume more sustainably, and contribute to the wellbeing of communities.

In other words, our corporate citizenship is inseparable from who we are and what we do, and our core purpose goes to the heart of what it means to be a human being. The use of cosmetics creates a sense of wellbeing, and enables individuals to express their personality and build self-esteem. When individuals share this sense of self and wellbeing with others, the social bonds that are essential to quality of life are strengthened and reinforced. This is L'Oréal's true purpose, and the focus of our activity.

A vision of universal beauty

L'Oréal's vision depends first and foremost on meeting ambitious economic goals, which provide the basis for achieving sustainable growth and delivering the group's financial results.

The ambition to win over a billion new consumers is a significant increase in our scale of operations, effectively doubling our existing consumer base. L'Oréal's adventure is beginning a new chapter, to universalise beauty and this mission offers our group tremendous, long-term prospects for growth.

Attracting a billion new consumers means reaching out to extremely diverse groups and populations by offering products tailored to specific needs and contexts but which also reflect a universal vision.

Universalisation certainly does not mean uniformity. On the contrary – for L'Oréal, beauty for everyone means beauty for each person. Our research teams, present in every continent, are radically transforming in order to create products for a diverse world, using their expert knowledge of local needs and customs to offer beauty that is perfectly suited to many different consumer aspirations across the world.

A human adventure

At the heart of our ambition is a human adventure, which is based on our belief in individual talent and the recognition that our company is built from the talent and enterprise of many individual men and women. Equally important, our group is founded on strong values of social responsibility, respect, a pioneering spirit, boldness, integrity and excellence.

These attributes are valued by potential young recruits to our company, reflecting L'Oréal's recent ranking as 11th among all global companies that they aspire to join. L'Oréal's human resources strategy has been recognised in several countries, particularly in France, where the group was awarded the 2010 Human Capital Trophy for the quality of its initiatives.

It is this human adventure that lends strength, coherence, originality and above all, great vitality to our corporate ambition to serve two billion consumers in the coming years. Inseparable from this is our dedication to becoming a model of responsible, shared and sustainable development. Our efforts to date have placed L'Oréal among the 100 most sustainable companies in the world for the fourth year running.

To become the model corporate citizen of our ambition, we have identified four key priorities.

“Contributing to a more beautiful life and a better world is L'Oréal's constant ambition”

“L'Oréal has been a signatory to the [UN Global Compact](#) (UNGC) since 2003. We remain committed to its 10 Principles”

Behave ethically and responsibly in every daily activity

We know that the sustainability of our company depends greatly on maintaining relationships of trust with all our internal and external stakeholders, including shareholders, private and public partners, and consumers. Each expects exemplary conduct from L'Oréal. This is why we are constantly striving to add to employee and stakeholder awareness and knowledge of ethics and corporate responsibility.

At our last Ethics Day event, which we organise every year, more than 16,000 employees took part in our online seminar during which they communicated directly with myself and other senior management, asking more than 800 questions.

We are convinced that tomorrow's leaders will be companies that have integrated ethical considerations into corporate strategy as well as daily business activities.

Promote the diversity of human capital

We firmly believe that diversity, which forms part of our business culture, creates value because it brings greater creativity, greater performance and a better understanding of our consumers.

Our first Diversity Overview Report for France, published in 2010, shows the wide scope of our engagement. Our goal is to extend this internationally and to establish across the entire group initiatives to promote, measure and recognise efforts in diversity management.

Invent new approaches to environmental sustainability

The world leader in beauty has an absolute duty to help to preserve the beauty of the planet and environmental sustainability is a key commitment for L'Oréal.

Even though the cosmetics industry has a limited environmental footprint, for many years L'Oréal has been proactive in driving forward major programmes in resource efficiency, biodiversity and protection of the biosphere. As a result, we are well on the way to achieving extremely stretching targets to reduce our CO₂ emissions, water consumption and waste production – by 50% in each case, from 2005 to 2015. Already, at the halfway stage, we have reduced water consumption by 19%, CO₂ emissions by 27% and waste volumes by 23%.

We are equally convinced that sustainable innovation is the pathway towards better, responsible consumption. Our laboratories have for many years embraced this strategy, which encompasses all the lifecycle stages of our products. We continue to invest in eco-design, the eco-evaluation of our ingredients and green chemistry. We are incorporating more and more renewable raw materials with a low environmental impact and today 40% of our raw materials are of plant origin.

Share the benefits of sustainable growth

For 12 years, our corporate citizenship has developed and grown. Led by the L'Oréal Foundation (the second largest Foundation in France in terms of funds), our programmes have had a real impact in three key areas: science, education and solidarity. Many of the programmes focus on occupational integration, rehabilitation and restoring self-esteem and dignity to individuals. This, for us, is the true meaning of beauty for everyone.

Our sustainability strategy is built on five key principles:

- Integrating sustainable development within the group's global strategy. Our corporate governance is fully aligned with this ambition, and in 2010 the Strategy and Implementation Committee of the Board of Directors became the Strategy and Sustainable Development Committee. The change reflects the Board's commitment to ensuring that all necessary means and resources are directed towards the broad range of challenges associated with sustainable development
- A long-term vision. This is demonstrated in the actions and commitments of our teams : 20 years' effort in environmental protection; 30 years' research effort into alternative methods to avoid animal testing; more than 12 years' partnership with UNESCO to promote the role of women in science and create a better world. These programmes and investments are sustained and long-term in order to maximise their positive impacts
- Engagement by our employees on a daily basis, at every level and in every area, complemented by a network of employees specifically focused on sustainable development
- Achieving continuous progress through concrete goals, efficient initiatives and measurable, sustainable change
- Systematic evaluation of global performance across a broad range of economic, human, environmental and societal indicators.

At the heart of all the group's activities, there is a profound desire to engage everyone in a sense of mission to achieve our goals: to offer men and women everywhere the best cosmetics in terms of quality, efficacy and safety, and meet their needs and aspirations for beauty in all its diversity.

L'Oréal's engagement draws on a vision of corporate responsibility in which economic success, human progress and social development go hand in hand. Providing access to products that add to quality of life, while safeguarding the planet's natural capital and contributing to society, are the key ways in which L'Oréal can create value to benefit everyone.

Contributing to a more beautiful life and a better world is L'Oréal's constant ambition.

Jean-Paul Agon, Chairman and Chief Executive Officer, L'Oréal

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▼ ABOUT L'ORÉAL

> L'ORÉAL GROUP BRANDS

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [About L'Oréal](#)

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

The world's leading cosmetics group.

- 19.5 billion euros of sales in 2010
- 130 countries
- 66,600 employees
- 612 patents registered in 2010.

L'Oréal and the economy

L'Oréal generated 19.5 billion euros of sales in 2010 and our investments in tangible and intangible assets amounted to 677.9 million euros. Our worldwide procurement spend is approximately 1 billion euros a year.

L'Oréal as an employer

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

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 formulas.

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.

MORE IN THIS REPORT...

▶ L'ORÉAL GROUP BRANDS

AT L'ORÉAL.COM...

▶ L'ORÉAL 2010

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

> L'ORÉAL GROUP BRANDS

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / About L'Oréal / L'Oréal group brands

L'Oréal group brands

A portfolio of 23 international brands (each with annual sales of more than 50 million euros). The group also owns 50% of Galderma, one of the world's leading dermatological companies.

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.



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.



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

GIORGIO ARMANI

YVES SAINT LAURENT

BIO-THERM

RALPH LAUREN

Kiehl's
SINCE 1851

shu uemura

HR
HELENA RUBINSTEIN

cacharel

DIESEL

VIKTOR & ROLF

羽
YUE-SAI
西

STELLA McCARTNEY

0 1 2 ③ 4 5 6 7 8 9
10 11 12 13 14 15 16
17 18 19 20 21 22 23
Maison Martin Margiela

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 brands covering all consumers' health and skincare needs, and its privileged partnership with health professionals, have made the Division world number one in dermocosmetics.

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

innēov

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE

ROGER & GALLET
PARIS

SANOFLORE®
LABORATOIRE BIO

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 sensuous products inspired by nature that offer value for money. More than 65% of the products contain Community Fair Trade ingredients.



VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / Sustainability strategy

Sustainability strategy



L'Oréal's approach to sustainable consumption incorporates and focuses the various institutional and operational agendas which are interdependent within the company.

Strategic management of sustainable consumption requires responsible dialogue with consumers to define together new aspirations for evolving life styles, respecting diversity and ensuring the largest number of people can access the benefits of innovation. It also requires developing new research paradigms and new production technologies to protect the natural and societal environment.

An outcome of our sustainable growth strategy

At L'Oréal, our strategy for sustainable growth is based on:

- Integrating sustainable development principles into innovation, products and processes
- An equitable and sustainable business model 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.

Sustainable development is therefore a driver for responsible growth and a source of inspiration for our brands.



It means growing responsibly

As we progress in our ambition to win the trust and confidence of a billion new consumers in the next 10 years, a responsible approach becomes even more essential.

In emerging markets we see an increasing aspiration for a western lifestyle, and the economic and societal benefits associated with it.

This trend worries some stakeholders

“Sustainable consumption is a shared responsibility between industry and all its stakeholders.”

Francis Quinn, Director, Sustainable Development

“To meet the challenge of sustainable development, businesses can help to foster more sustainable levels and patterns of consumption. There is a significant opportunity for business to help consumers choose and use their goods and services sustainably.”

The World Business Council for Sustainable Development

MORE IN THIS REPORT...

- ▶ CORPORATE CONSUMER RESPONSIBILITY
- ▶ UNGC COMMUNICATION ON PROGRESS
- ▶ ETHICS PROGRAMME

To respond to this key challenge, L'Oréal is embedding sustainable consumption at each stage of the life cycle of its products:

- Through sustainable innovation that integrates ethical policies and advanced research in the selection of new ingredients and the development of eco-design and the use of green chemistry
- Responsibly managing our production, packaging and supply chain to significantly reduce our environmental and societal impact wherever we operate. Our 2015 targets are ambitious: 50% reduction in greenhouse gas emission, waste and water consumption per finished product. Our fair trade policy and commitment to local communities are fully integrated into our business decision making process.

To respond to this key challenge, L'Oréal is embedding sustainable consumption at each stage of the life cycle of its products. Through sustainable innovation that integrates ethical policies and advanced research in the selection of new ingredients and the development of eco-design and the use of green chemistry. Responsibly managing our production, packaging and supply chain to significantly reduce our environmental and societal impact wherever we operate. Our 2015 targets are ambitious: 50% reductions in greenhouse gas emissions, waste and water consumption per finished product. Our fair trade policy and commitment to local communities are fully integrated into our business decision making process.

The other question some stakeholders ask is: "Are you destroying local cultures in emerging nations by transferring / imposing our Western model?"

L'Oréal strongly believes that innovation must be conceived close to where consumers are living, and must be responsive to their perceived needs and aspirations. The best way to achieve sustainable consumption is to:

- Deliver on performance and quality, based on the best global practices
- Take into account local cultural habits; for example, in India, the kajal, used in traditional make-up, is a great source of inspiration for us in developing new products.

We are particularly vigilant to take care of the local natural and societal environment that drives the way consumers choose and use cosmetics.

Corporate Consumer Responsibility Policy

At L'Oréal, we apply our 'Corporate Consumer Responsibility' Policy in every activity – from research and innovation to sourcing and production, and from marketing to consumer relations.

From a global perspective, it is essential to understand that companies cannot meet the challenge of sustainable consumption alone.

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.

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS
> ACTIVE ENGAGEMENT

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

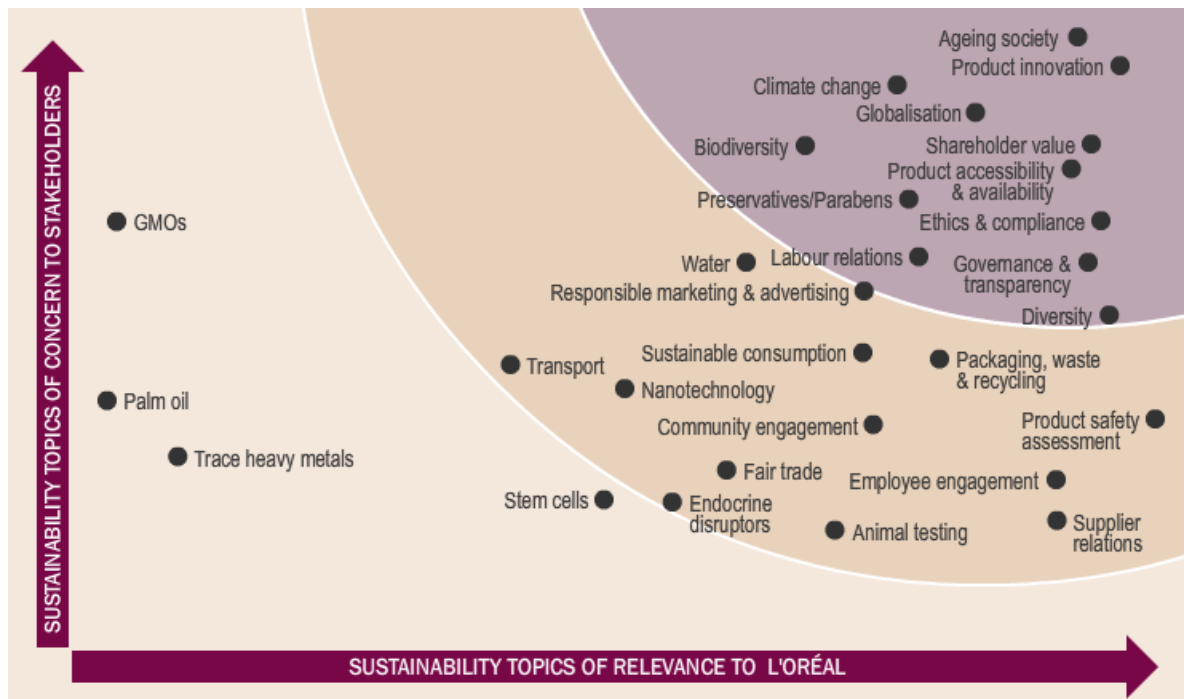
RATINGS AND AWARDS

Business / Sustainability topics

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 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.



▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▼ SUSTAINABILITY TOPICS
> ACTIVE ENGAGEMENT

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [Sustainability Topics](#) / Active engagement

Active engagement

To identify and address the sustainability topics of greatest concern to our stakeholders and to L'Oréal, we proactively engage and seek the opinions of a variety of internal and external sources.

Understanding consumers, markets and societies

L'Oréal's dedicated evaluation centres focus on understanding consumers' beauty expectations in different socioeconomic and cultural contexts around the world. In 54 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. L'Oréal regularly seeks the opinions of its employees through the PULSE survey. 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.

Leadership, collaboration and support

We continue 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, a CEO-led, global association dealing exclusively with business and sustainable development
- 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 2010 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.

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / Performance summary

Performance summary

Business

Key data 2010*

Total shareholder return over 20 years	14.61%
Consolidated sales	€19,496 million
Net profit	€2,371 million**

Innovation

Key data 2010*

Cosmetic and dermatological research	612 patents registered
Consolidated sales	€665 million

Production

Key data 2010*

CO ₂ emissions	27% absolute reduction in CO ₂ emissions, scope 1 and 2, since 2005
Energy	Total energy use – 1% increase (2009-10); 1.2% decrease (2006-10) Energy use per 1,000 finished product: 9.2% decrease
Water use	6% reduction per unit of finished product Water quality after on-site treatment, 11.2% reduction (improvement) in COD per finished product***
Waste and recycling	7.4% reduction in waste generated with returnable packaging, per unit of finished product 96.1% of our waste is reused, recycled or recovered for energy More than 50% of our industrial sites sent no waste to landfill
Atmospheric emissions	8.5% increase in volatile organic compounds (VOCs) 83.3% reduction in sulphur dioxide
L'Oréal Buy & Care programme	567 Social Audits of supplier sites Social Audit non-conformities: <ul style="list-style-type: none"> ■ Child labour: 7% ■ Compensation & benefits: 25% ■ Working hours: 26% ■ Health & safety: 35% ■ Other: 7%
Collaboration with suppliers	30% of our supplier base, by revenue, involved with L'Oréal in Carbon Disclosure Project (CDP)
Health and Safety	Lost time injuries: 20% improvement (based on enlarged frequency rate)
International standards	All our factories are certified to ISO 14001 and either OHSAS 18000 or VPP, except for two, which are recent acquisitions or start-ups)

Consumption

Key data 2010*

Responsible advertising	All the marketing directors (and 70% of agencies) of two divisions have received training
Consumer advice	More than 1.5 million contacts with consumers in 54 countries

Talent

Key data 2010*

Professional training	57% of all employees and 72% of managers received training ✓
Diversity training	93% of managers in Europe have received L'Oréal's one-and-a-half day diversity training ✓
Female representation	58% of managers 39% of Management Committees ✓
Worldwide profit sharing	€185 million of profit shared with employees ✓

Communities

Key data 2010*

L'Oréal Foundation	€40 million multi-annual budget €32.6 million invested by L'Oréal in international social projects in 2010
L'Oréal-UNESCO 'For Women in Science'	Since launch – 62 laureates in 28 countries 1,004 fellowships in 100 countries

EHS data verified by ERM. Social data (indicated by ✓) reviewed by PricewaterhouseCoopers.

* Comparisons are with 2009 unless stated otherwise.

** Net profit excluding non-recurrent items after minority interests.

*** Chemical Oxygen Demand – an indicator used to test water quality.

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

> SUSTAINABLE GROWTH

> SHAREHOLDER RELATIONS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / Economic affairs

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 2010

In the context of a stronger global cosmetics market, L'Oréal achieved strong turnover growth. The group accelerated in every field, in all channels and across all business units. Outpacing the market, L'Oréal confirmed its position as the world leader in beauty.

2010 was a year of breakthroughs for the group during which several of our brands achieved spectacular successes: L'Oréal Professional achieved worldwide success with its INOA hair colourants; Maybelline confirmed its leading position in make-up with a very wide consumer appeal; Yves Saint Laurent enjoyed a major revival; and La Roche-Posay, the brand recommended by 25,000 dermatologists worldwide, continued to expand.

Geographically, L'Oréal advanced in Western Europe and strengthened its positions in North America. Our New Strategic Markets continued to go from strength to strength, particularly Asia-Pacific and Latin America. L'Oréal China became the group's third cosmetics subsidiary with a turnover exceeding one billion euros.

This performance confirms the group's strategic direction adopted at the end of 2008: accessible innovation, new product categories, rapid brand globalisation and strengthened investment in research and promotions.

2010 was also a year of strong financial results; the operational efficiency initiatives adopted by the group two years ago are continuing to bear fruit.

L'Oréal is well positioned and ready to grasp strategic opportunities, driven by our ambition to attract one billion new consumers. We are turning a new page in our history: making beauty universal and available to all. Inspired by an encouraging start to the year, we have confidence in the group's capacity to achieve another year of turnover growth and profitability in 2011.

A growing market

After having resisted well throughout 2008 and 2009, the cosmetics market got off to a good start in 2010. With estimated growth of 4.2%* over the year, the market reverted to growth levels similar to previous levels, confirming consumers' deep attachment to beauty products.

* Excluding soap, toothpaste and razors. At constant exchange rates and average conversion rates for the euro against other currencies calculated in December 2010. Provisional estimates for 2010. On the basis of a global market that redefined its boundaries in 2010. Source: L'Oréal BMS estimates, manufacturers' prices.

(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 2010 Reference Document (pages 26 to 28).

Almost all L'Oréal's sales are in cosmetics: 94% of consolidated sales in 2010.

KEY FACTS

€19,496m
Consolidated sales

€2,371m
Net profit excluding non-recurrent items after minority interests (1)

€665m
Research & Innovation investment

DATABANK

▶ VIEW OUR KEY ECONOMIC DATA

MORE IN THIS REPORT...

▶ SUSTAINABLE GROWTH

AT L'ORÉAL.COM...

▶ L'ORÉAL FINANCE

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▼ ECONOMIC AFFAIRS

> SUSTAINABLE GROWTH

> SHAREHOLDER RELATIONS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [Economic Affairs](#) / Sustainable growth

Sustainable growth

A sustainable-growth strategy

In 2010, there was an accelerating shift in the global cosmetics market towards what L'Oréal calls New Markets. This set of countries, which already represents 50% of the global cosmetics market, will grow by 80% in the coming years. The major strategic choices made in recent years, and the deep-seated changes undertaken in 2010, have primed L'Oréal to meet this new expansion phase.

Almost unlimited potential

The emerging countries represent vast populations of new consumers, and this is set to continue. In 2020, middle-class socioeconomic groups in these countries will number some 2.7 billion people, compared with 1 billion in 2010(1).

Today, western consumers account for approximately two-thirds of the sum spent by middle class groups worldwide. In 20 years, 70% of these sums will be spent by the middle classes in Asia, Latin America and Africa(2). By this date, the world population will have increased by 25% and the number of consumers with access to modern cosmetics will have increased by nearly 50%. In fact, once basic needs have been satisfied, per capita consumption in cosmetics will grow exponentially. These countries, where the per capita consumption is still ten times less than that in the developed markets, are only just starting to experience modern cosmetics products.

This major shift in the market is providing unprecedented opportunities and driving our ambition to attract one billion new consumers. Today, L'Oréal derives the majority of its turnover from less than 15% of the global population. In ten years, however, we should have as many customers in Asia-Pacific as in the whole of Europe and the United States together.

Our horizons are broadening. Targeting two billion consumers is a considerable change for the group in terms of scale and ambition.

As this new world takes shape, L'Oréal is turning over a new page in its history; the universalisation of beauty.

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 its corporate responsibility: by manufacturing locally wherever feasible, 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 in order to ensure the total satisfaction of our consumers. This involves significant investment in technology and particularly in Research & Innovation.

(1) Source: The Boston Consulting Group – Middle and wealthy classes in the rapidly-developing economies: Household with disposable income of more than 15,000 US dollars in purchasing power parities. Countries included in the analysis: China, India, Indonesia, Pakistan, Thailand, Philippines, Kazakhstan, Malaysia, Vietnam, Russia, Ukraine, Turkey, Brazil, Mexico, Peru, Colombia, Egypt, South Africa, Iran, Nigeria, Algeria, Morocco, Saudi Arabia
(2) Wolfensohn Center for Development – The Emerging Middle Class in Developing Countries (Homi Kharas) March 2010.

KEY FACTS

€3,765m
Total payroll and benefits

€27m
Interest on debt

“Primed to grasp strategic opportunities and driven by the ambition to attract one billion new consumers, L'Oréal is turning a new page in its history: the universalisation of beauty for all.”

Jean-Paul Agon, Chief Executive Officer

DATABANK

▶ VIEW OUR KEY ECONOMIC DATA

MORE IN THIS REPORT...

▶ L'ORÉAL GROUP BRANDS

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▼ ECONOMIC AFFAIRS

> SUSTAINABLE GROWTH

> SHAREHOLDER RELATIONS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [Economic Affairs](#) / [Shareholder relations](#)

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 ten shareholder meetings were organised in France and Belgium, 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 some 7,000 individual shareholders in 2010 and approximately 1,000 institutional investors.

For the second consecutive year, L'Oréal received an award for its shareholder and social responsibility at the second '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. L'Oréal also received the Prix de l'Assemblée Générale des Groupes du CAC 40 (General Meeting of CAC 40 groups prize awarded by Capitalcom).

The Consultative Committee for individual shareholders is one year old

Created a year ago, the Consultative Committee for individual shareholders met four times in 2010 to discuss matters as diverse as the preparation for the General Meeting and digital communication. A key forum for dialogue with the group's individual shareholders, this Committee enables a clearer understanding of shareholder expectations and provides an opportunity to continue to enhance the quality of exchanges.

Rewarding the loyalty of L'Oréal shareholders

Since the Annual General Meeting of 27th April 2010, L'Oréal is 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 over the long term. 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 has increased very sharply over the last two years.

* 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 31st December, 2009 until the payment date of the dividend after the Annual General Meeting of 2012.

KEY FACTS

€6,029m
Advertising and promotion

€910m
Total corporate income taxes

€1.80 per share
Dividend approved at Annual General Meeting on 22nd April, 2011

DATABANK

▶ VIEW OUR KEY ECONOMIC DATA

MORE IN THIS REPORT...

▶ ACTIVE ENGAGEMENT

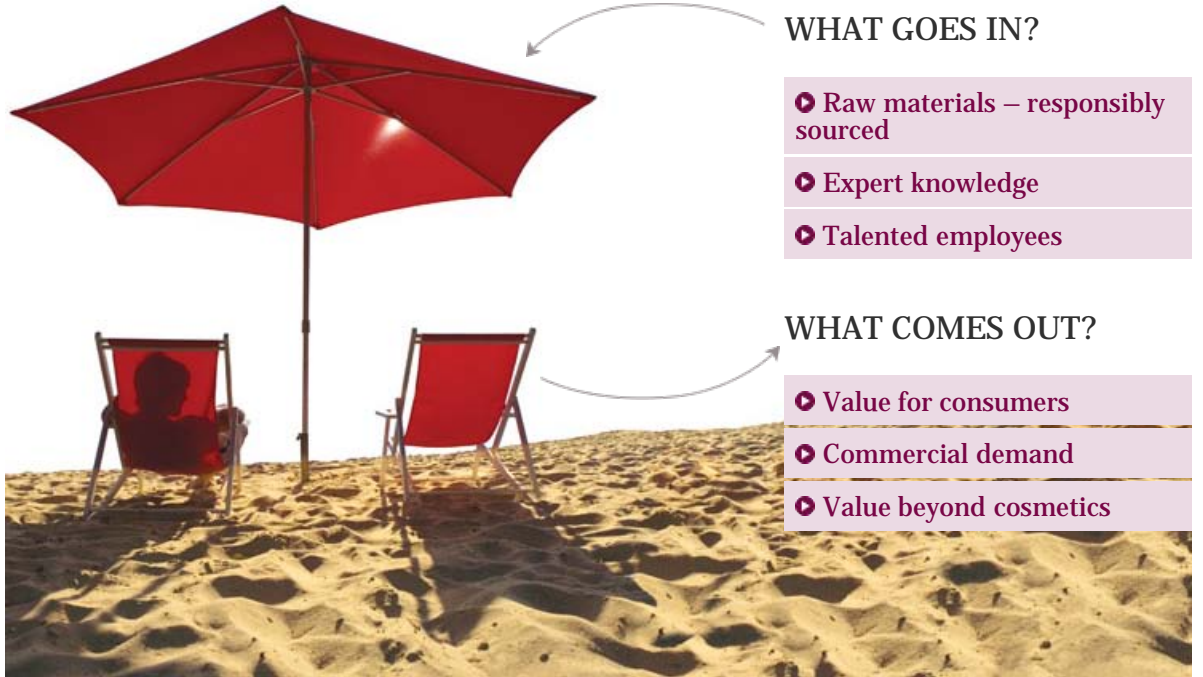
- ▶ VIEWPOINTS
- ▶ FROM OUR CHAIRMAN & CEO
- ▶ ABOUT L'ORÉAL
- ▶ SUSTAINABILITY STRATEGY
- ▶ SUSTAINABILITY TOPICS
- ▶ PERFORMANCE SUMMARY
- ▶ ECONOMIC AFFAIRS
- ▼ IN CLOSE-UP: SUNCARE PRODUCTS
- ▶ ETHICS
- ▶ UN GLOBAL COMPACT
- ▶ CORPORATE GOVERNANCE
- ▶ RATINGS AND AWARDS

Business / In Close Up: Sunscreen

In Close Up

The development of suncare products mirrors the growth of leisure, forming part of a real social and cultural revolution in industrialised nations. Suncare products also have a functional role to protect people continuously exposed to the sun due to work or living conditions.

"Suncare products are closely linked with the pleasures of free time but they also have a true public health purpose."
 François Cottard, International Director of Suncare Development, L'Oréal



WHAT GOES IN?

- ▶ Raw materials – responsibly sourced
- ▶ Expert knowledge
- ▶ Talented employees

WHAT COMES OUT?

- ▶ Value for consumers
- ▶ Commercial demand
- ▶ Value beyond cosmetics

Rules and laws

L'Oréal complies with and respects prevailing international regulations. In Asia and Latin America, sunscreen products are regulated in a positive list of approved cosmetic substances. In the United States and Australia, they are listed in parapharmaceutical 'monographs'. L'Oréal has pioneered and campaigned to strengthen public protection against UVA rays and there is now a specific UVA logo for suncare products in Europe, with Asia to follow suit.

Ethics and integrity

L'Oréal uses an array of scientific methods and tools to evaluate the performance, safety and potential environmental and social impact of every ingredient used in its suncare products. The evaluation strategy uses predictive methods based on reconstructed skin models, which enables us to limit *in vivo* testing.

Diversity

L'Oréal is an expert in geocosmetics, which includes the study of skin characteristics, and of consumer and cultural norms, in every part of the world. This helps us to evaluate the impact of exposure to the sun according to individual skin type (greasy or dry), different climatic conditions and different uses such as swimming in the sea. While tanning may be an aspiration in certain societies, in others, the desire is to keep a light skin colour.

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

> 2010 HIGHLIGHTS

> ETHICS TIMELINE

> HUMAN RIGHTS

> ANTI-CORRUPTION

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / Ethics

Ethics



At our annual Ethics Day in 2010, L'Oréal employees discussed 'The L'Oréal Spirit' online with Jean-Paul Agon, Chairman & Chief Executive Officer (pictured). Between 15,000 and 17,000 employees took part this year and nearly 800 questions were asked.

Ethics

L'Oréal is based on core values: respect, integrity and the pursuit of excellence, supported by courage and transparency. Our commitment to act in an ethical and responsible manner is summarised in a document called "The L'Oréal Spirit". [The L'Oréal Spirit is available to everyone at loreal.com.](#)

Ethics and sustainability

Ethics is at the heart of L'Oréal's commitment towards sustainable growth and consumption. 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. Further information: [interview with Emmanuel Lulin, Group Director of Ethics](#).

The role of the Group Director of Ethics includes promoting and integrating ethical best practices across the group, providing help in ethical 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.



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

L'Oréal won first place for Innovative Reporting in the 2011 Ethical Corporation awards.

DATABANK

- ▶ ETHICS PROGRESS REPORT
- ▶ ETHICS COMMUNICATIONS
- ▶ ETHICS TRAINING
- ▶ ORIGIN OF ETHICAL CONCERNS
- ▶ NATURE OF ETHICAL QUESTIONS
- ▶ FOLLOW UP OF ETHICAL CONCERNS

AT L'ORÉAL.COM...

- ▶ OUR CODE OF BUSINESS ETHICS

EXTERNAL LINKS...

- ▶ UN GLOBAL COMPACT

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

Ethics Correspondents

Ethics Correspondents support Country Managers in deploying L'Oréal's Ethics Programme and serve as a local ethics resource for staff.

With 17 additional appointments in 2010, the worldwide network of Ethics Correspondents means that 93% of employees have a local correspondent.

Open Talk

Employees are encouraged to raise any 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 in which 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 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 clearly and regularly 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 situation.

Ethics training

The Ethics Training Programme is part of the induction of new joiners, and there are also seven other specific modules, including for country managers, procurement teams and recruitment.

External initiatives

L'Oréal has been a signatory of the [United Nations Global Compact](#) since June 2003 and is 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

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

> 2010 HIGHLIGHTS

> ETHICS TIMELINE

> HUMAN RIGHTS

> ANTI-CORRUPTION

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

[Business](#) / [Ethics](#) / 2010 highlights

2010 highlights

Ethics Day

In order to ensure continued awareness on Ethics, a day is set aside every year (Ethics Day). In 2010, the theme was "[The L'Oréal Spirit](#)".

The central event was a live webchat with L'Oréal's CEO, accessible to all staff around the world from their workstation.

Countries organised local events including meetings with country managers, local online discussions, games and quizzes and the online session with our Chief Executive was broadcast in meeting areas and staff restaurants.

Between 15,000 and 17,000 employees followed this event in 2010 and almost 800 questions were asked. Employee feedback on the event was very positive and the online discussion will be held again in 2011.

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

L'Oréal was chosen among a record participation of thousands of companies in more than 100 countries and 36 industry sectors.

Following an in-depth survey and several stages of evaluation, shortlisted companies had to demonstrate exemplary conduct in ethical engagement and a positive societal contribution to local communities. More online: [full details of the 2010 Ethisphere awards](#).

Open Talk

The "Ethics Open Talk" website, which is provided for employees to share any ethical concerns, is now available in 5 new languages: Indonesian, Greek, Arabic, Hebrew and Hindi (16 languages in total).

"L'Oréal for Ethics" Excellence Bursary

This bursary is for students who are studying ethics in their vocational training. The winners are selected on academic excellence and the quality of an essay submission. In 2010, the theme was "The importance of ethics for business leaders of tomorrow."

Romanian student Alexandru Szel was one of two students who won the 2010 "L'Oréal for Ethics" Excellence Bursary awarded this year by the group.

Alexandru is entering his third year as a student at Babes Bolyai University in Cluj-Napoca and he was strongly recommended by his teacher, Mr Imre Ungvari Zrinyi, following his genuine interest in the "Ethics in Economy" course.



Interview with Alexandru:

When did your interest in ethics start?

As a student, my first contact with ethics in the economy was in the second semester of my first year, as we had an optional subject called *Ethics in Economy*, which I had decided to follow. It was really interesting as we had to watch a TV show called "Business Responsibility" on the financial TV channel 'Money Channel', and write our impressions of it. During the seminars we had to watch different types of films on the subject of ethics and draft presentations about it. It seemed very interesting to learn about important companies and how they include ethics in their business and how you have to lead a company so that it operates responsibly in society. I've learned interesting facts from this course and I have to admit that I really started to be interested in this subject.

What does the "L'Oréal for Ethics" Excellence Bursary represent for you?

I didn't think I would win this bursary as the competition was strong. For me, this bursary represents a great chance to broaden my knowledge of ethics in business and I take this opportunity very seriously. Now, I can really say that ethics has become a part of my life.

What are your future plans regarding the study of ethics, having been awarded this bursary?

DATABANK

- ▶ ETHICS PROGRESS REPORT
- ▶ ETHICS COMMUNICATIONS
- ▶ ETHICS TRAINING
- ▶ ORIGIN OF ETHICAL CONCERNS
- ▶ NATURE OF ETHICAL QUESTIONS
- ▶ FOLLOW UP OF ETHICAL CONCERNS

AT L'ORÉAL.COM...

- ▶ OUR CODE OF BUSINESS ETHICS

As I wrote in my application, there are several possibilities to attend ethics courses. With the help of my ethics teacher, I have found a summer school on Finance, Economics and Ethics, in Salerno, Italy, where I will learn more about the connection between the financial crisis and ethics. More precisely, there will be a series of workshops on investigating possible guidelines for future socio-economic models and on the proper role of finance in these new models, looking at ethics as a new emerging concept of value. The workshops will try to find answers to questions such as: "Are there any tools and ways to give more importance to the ethical nature of finance? How should the financial tools aimed at supporting ethical business be used? What might be the role of the new media in this process?"

Starting in September, I will study for half a year as an Erasmus student at Corvinus University, Budapest, and there I will have the possibility to take up further courses on Corporate Responsibility, Ethics in Marketing, or Civil Service Ethics. It is also one of my plans to attend ethic courses during my master's degree.

In your essay you emphasised the characteristics of an ethical leader. What makes a great ethical leader?

It's important to note that the ethical climate of a workplace matters to employees. The leaders of corporations have a responsibility to be leaders in the community as well. In other words, a great business leader should have a sense of social responsibility. A great ethical leader should be ethical in all areas of life, and be capable of leading a company in such a way that all of the stakeholders are satisfied and the company should be profitable, capable of developing and acting responsibly in society. The ethical leader will always have an advantage.

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▼ ETHICS

> 2010 HIGHLIGHTS

> ETHICS TIMELINE

> HUMAN RIGHTS

> ANTI-CORRUPTION

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [Ethics](#) / Ethics timeline

Ethics timeline

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

2010

- L'Oréal named one of the "World's Most Ethical Companies" by the Ethisphere Institute
- Ethics Day – worldwide live webchat on "The L'Oréal Spirit" with CEO
- With 17 additional appointments, the worldwide network of Ethics Correspondents means that 93% of employees have a local ethics mentor
- Ethics Excellence Bursary on the theme of "The importance of ethics for tomorrow's leaders"
- Ethics Open Talk website is now available in 5 new languages: Indonesian, Greek, Arabic, Hebrew and Hindi

2009

- L'Oréal CEO receives "Stanley C Pace Leadership in Ethics" Award
- Ethics Day – worldwide live webchat with CEO
- Nomination of Ethics Correspondents in 18 Countries
- "L'Oréal for Ethics" Excellence Bursary
- Two ethical competences included in staff appraisal system
- Office of Group Director of Ethics certified ISO 9001

2008

- Launch of L'Oréal Ethics Open Talk website (secure reporting mechanism to group Director of Ethics)
- Ethics Risk Assessment and Analysis Tool deployed
- L'Oréal sponsors the first European Masters Degree in "Law and Business Ethics"
- Responsible Restructuring Policy issued

2007

- Nomination of a group Director of Ethics
- New edition of the Code of Business Ethics
- Introduction of two ethical competences in managers' appraisal system
- L'Oréal named one of the "World's Most Ethical Companies" by the Ethisphere Institute

2006

- Social Audits of L'Oréal plants and distribution centres

2005

- Country Reporting Ethics (annual reporting system)

2004

- First Sustainable Development Report
- Start of Supplier Social Audits Programme

2003

- Signature of UN Global Compact
- Reference to Fundamental ILO Conventions included in group's General Conditions of Purchase and Payment

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▼ ETHICS

> 2010 HIGHLIGHTS

> ETHICS TIMELINE

> [HUMAN RIGHTS](#)

> ANTI-CORRUPTION

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▶ RATINGS AND AWARDS

[Business](#) / [Ethics](#) / [Human rights](#)

Human rights

Responsibility

The Group Director of Ethics is responsible for ensuring strict compliance with regards to human rights.

Policy and training

We address human rights in our ethics training courses. In addition, 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, 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. Our suppliers and subcontractors can request a waiver from the Group Purchasing Director upon presentation of a complete file (schooling, type of contract, hiring conditions, type of work). These waivers are only possible for apprenticeships or for children carrying out light work if this work does not affect their health and safety or their regular attendance at school, where the local law allows it and when the supplier/subcontractor has appointed an internal tutor for the children.

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.

See our policy on [Suppliers/Subcontractors and Child Labour](#).

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 full analysis of initiatives carried out at country level and enabling us to assess the Group's performance with regards to human rights.

96%
of countries
communicated with
employees on at least
one ethics-related
subject in 2010.

(2009: 95%)

90%
of countries organised
local training on at least
one ethics-related
subject in 2010.

(2009: 88%)

DATABANK

- ▶ ETHICS PROGRESS REPORT
- ▶ ETHICS COMMUNICATIONS
- ▶ ETHICS TRAINING
- ▶ ORIGIN OF ETHICAL CONCERNS
- ▶ NATURE OF ETHICAL QUESTIONS
- ▶ FOLLOW UP OF ETHICAL CONCERNS

MORE IN THIS REPORT...

- ▶ UN GLOBAL COMPACT
- ▶ AT L'ORÉAL.COM...
- ▶ OUR CODE OF BUSINESS ETHICS

[VIEWPOINTS](#)
[FROM OUR CHAIRMAN & CEO](#)
[ABOUT L'ORÉAL](#)
[SUSTAINABILITY STRATEGY](#)
[SUSTAINABILITY TOPICS](#)
[PERFORMANCE SUMMARY](#)
[ECONOMIC AFFAIRS](#)
[IN CLOSE-UP: SUNCARE PRODUCTS](#)
[ETHICS](#)
[> 2010 HIGHLIGHTS](#)
[> ETHICS TIMELINE](#)
[> HUMAN RIGHTS](#)
[> ANTI-CORRUPTION](#)
[UN GLOBAL COMPACT](#)
[CORPORATE GOVERNANCE](#)
[RATINGS AND AWARDS](#)
[Business](#) / [Ethics](#) / [Anti-corruption](#)

Anti-corruption

Responsible, ethical business

L'Oréal supports the fight against corruption, abides by the United Nations Convention against Corruption and complies 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. It applies to all employees and covers bribery and facilitation payments and 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 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 2010.

Other policies, such as L'Oréal's Purchasing Code and Fundamentals of Internal Control, also address these issues.

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 according to L'Oréal's Open Talk policy, and our 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, 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.

The Ethical Risk Evaluation and Analysis Tool helps L'Oréal Country Managers evaluate their possible ethical risks (including corruption) and take corrective action if necessary. Bribery and facilitation payments, gifts and entertainment, and conflicts of interest are addressed in our ethics training courses.

DATABANK

- ▶ [ETHICS PROGRESS REPORT](#)
- ▶ [ETHICS COMMUNICATIONS](#)
- ▶ [ETHICS TRAINING](#)
- ▶ [ORIGIN OF ETHICAL CONCERNS](#)
- ▶ [NATURE OF ETHICAL QUESTIONS](#)
- ▶ [FOLLOW UP OF ETHICAL CONCERNS](#)

MORE IN THIS REPORT...

- ▶ [UN GLOBAL COMPACT](#)

AT L'ORÉAL.COM...

- ▶ [OUR CODE OF BUSINESS ETHICS](#)

VIEWPOINTS

FROM OUR CHAIRMAN & CEO

ABOUT L'ORÉAL

SUSTAINABILITY STRATEGY

SUSTAINABILITY TOPICS

PERFORMANCE SUMMARY

ECONOMIC AFFAIRS

IN CLOSE-UP: SUNCARE PRODUCTS

ETHICS

UN GLOBAL COMPACT

CORPORATE GOVERNANCE

RATINGS AND AWARDS

Business / UN Global Compact

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 (2010)	Performance (2010)
	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 Social audit programme	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 for concerns raised in good faith. More: Ethics	L'Oréal subsidiaries throughout the world were encouraged to increase the level of communication and training on ethics-related issues, including human rights issues.	96% of countries have communicated to employees on at least one ethics-related subject (+1% from 2009)
Principle 2: Business should make sure that it is not complicit in human rights abuses.		Staff are trained on human rights issues through the group's ethics training courses. More: Ethics 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: Managing EHS Supplier Social Audits L'Oréal's annual ethics reporting system is used to assess the group's performance with regards human rights. More: Human rights		60% of Countries have communicated on five ethics-related subjects or more (+7% from 2009) 90% of Countries organised local training on at least one ethics-related subject (+2% from 2009) 55% of countries organised local training on five ethics-related subjects or more (no change from 2009) More:

Labour

Principles	Commitment	Systems	Actions (2010)	Performance (2010)
	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 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<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 promote diversity.</p>	<p>All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which include an undertaking to comply with ILO C87 and C98 Conventions on freedom of association.</p>	<p>The agreement with the French and European trade unions FECCIA and EMCEF that established our European Works Council (IEDS/EWC) 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>European Works Council (IEDS/EWC) was established in 1996, following agreements with the French and European trade unions FECCIA and EMCEF, and covers 26 countries and more than 30,600 employees.</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 collective bargaining agreements) – for example, in Argentina salaries are 96% higher and in China 82% higher.</p>
Principle 4: Business should uphold the elimination of all forms of forced and compulsory labour.		<p>All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which include an undertaking to comply with ILO C29 and C105 Conventions of the ILO on the abolition of forced labour.</p> <p>More: Supplier Relations</p>	<p>In 2009, the L'Oréal Social Audits programme for suppliers was extended. 567 audits of suppliers' sites were carried out worldwide in 2010, totalling 2,148 to date.</p>	<p>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.</p>
Principle 5: Business should uphold the effective abolition of child labour.		<p>All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which include an undertaking to comply with ILO C138 and C182 Conventions of the ILO on the prohibition of child labour.</p> <p>More: Supplier Relations</p> <p>L'Oréal has set the minimum age of 16 for all its employees. Employees aged 16 to 18 also benefit from special attention.</p> <p>All L'Oréal entities are</p>	<p>In 2009, the L'Oréal Social Audits programme for suppliers was extended. 567 audits of suppliers' sites were carried out worldwide in 2010, totalling 2,148 to date.</p> <p>L'Oréal has established a specific policy: Suppliers/Subcontractors and Child Labour (PDF).</p>	<p>9% of non-conformities in supplier sites audited by L'Oréal relate to child labour.</p> <p>More: Audit results</p>

		required to check the age of employees upon hiring.		
Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation.		All L'Oréal suppliers and subcontractors are asked to comply with the group's General Terms of Purchase and Payment, which include an undertaking to comply with ILO C100 and C111 Conventions on equality.	Key diversity actions (PDF)	Key diversity outcomes (PDF)

Environment

Principles	Commitment	Systems	Actions (2010)	Performance (2010)
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: Managing EHS	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 the company's index of wastewater quality. It has also achieved its 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 Flora (CITES). More: Biodiversity	L'Oréal's worldwide EHS audit programme assesses progress and compliance with our policies and standards, and audits are also carried out at supplier sites. More: Social 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, L'Oréal has 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 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 .	D1	L'Oréal's Code of Business Ethics publicly states a zero-tolerance approach to corruption, except in rare cases where an 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 its 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 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 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 2010. More: 2010 highlights	D7	Human Resources procedures support 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, which is accessible to all staff around the world. More: 2010 highlights Moreover, bribery and facilitation payments, gifts and entertainment and conflicts of interests are addressed in ethics training courses. More: 2010 highlights	D8	
B6	The Company's Internal Audit teams are particularly vigilant on this subject and corruption risks are systematically covered during internal audit missions.	D9	Concerns and questions can be reported without fear of retaliation in line with L'Oréal's Open Talk policy and namely 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 programme
		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, L'Oréal's 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.

⬆ Back to top

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▼ CORPORATE GOVERNANCE

> BOARD OF DIRECTORS

> BOARD COMMITTEES

▶ RATINGS AND AWARDS

[Business](#) / [Corporate governance](#)

Corporate governance



An independent, available and vigilant Board of Directors

The L'Oréal Board of Directors considers that the recommendations of the Afep-Medef Code of December 2008 are in line with the company'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 (pages 110 to 113 of the 2010 Reference Document).

General management's functions

In 2006, the Board of Directors appointed Mr Jean-Paul Agon as Chief Executive Officer, and in order to prepare for the future of the company and ensure a smooth transition in its management, wished at the time to separate the role of Chief Executive Officer from that of Chairman of the Board of Directors, which was entrusted to Sir Lindsay Owen-Jones.

Since then, the Board has noted firstly that this arrangement has been satisfactory, particularly in view of the quality of the relationship between the Chairman and the Chief Executive Officer, and secondly that this measure proved very useful during a period of economic crisis.

At its meeting on Thursday, 10th February 2011, the Board of Directors, which noted the quality of the results for 2010, decided to reunify the roles of Chairman of the Board of Directors and Chief Executive Officer, considering that the environment was once again favourable. When Sir Lindsay Owen-Jones, in accordance with his original intention of stepping down as Chairman at the age of 65, decided to place his office at the disposal of the Board on 17th March 2011, the Board appointed Mr Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal.

Mr Jean-Paul Agon has been Chief Executive Officer of L'Oréal since 2006. Sir Lindsay Owen-Jones, who continues to be a member of the Board of Directors and Chairman of the L'Oréal Foundation, has been appointed Honorary Chairman.

Directors with a complementary range of experience

The directors of L'Oréal come from different spheres; they complement each other in terms 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 ensuring 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 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 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 five times in 2010, with an average attendance rate of 98.5%.

In 2010, the Board of Directors devoted one whole day to analysing various strategic aspects and strategic monitoring, in the presence of several senior managers. This enabled the Board, for

MORE IN THIS REPORT...

▶ COMPOSITION OF BOARD OF DIRECTORS

▶ BOARD COMMITTEES

example, to gauge the importance, firstly, of new fields and challenges with regard to the Internet and digital media in the development of the group's business activities, and secondly of the initiatives being taken in this area, particularly in consumer relations.

Furthermore, the functioning of the Committees was found to be satisfactory, with extensive and thorough preparatory work.

Finally, in 2010, the Board was provided with regular information on the group's business activities, and, at the end of the year, the directors expressed new wishes in this area, and made proposals for subjects to be discussed at meetings in 2011.

Breakdown of shareholding structure at 31st December 2010

- 30.9% Mrs Bettencourt and her family
- 29.7% Nestlé
- 37.5% Public
- 1.9% Treasury stock(1)

(1) In accordance with the law, treasury stock carries no voting rights.

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▼ CORPORATE GOVERNANCE

▶ [BOARD OF DIRECTORS](#)▶ [BOARD COMMITTEES](#)

▶ RATINGS AND AWARDS

[Business](#) / [Corporate Governance](#) / Board of Directors

Board of Directors

Sir Lindsay Owen-Jones⁽¹⁾

Age: 64. 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 from April 2006 to March 2011, and Honorary Chairman thereafter.

L'Oréal Board member since 1984 (term of office renewed in 2010). Director and Chairman of the L'Oréal Corporate Foundation. Board member of Sanofi-Aventis and Ferrari (Italy).

Jean-Paul Agon

Age: 54. Joined the L'Oréal group in 1978. Following his international career as L'Oréal 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, Chief Executive Officer in April 2006 and then Chairman and Chief Executive Officer in March 2011.

L'Oréal Board member since 2006 (term of office renewed in 2010). Board member of the L'Oréal Corporate Foundation and Air Liquide.

Jean-Pierre Meyers⁽²⁾⁽⁴⁾⁽⁶⁾

Age: 62. 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: 66. 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 Delta Topco Limited (Jersey) and Exxon Mobil (United States).

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

Werner Bauer

Age: 60. 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⁾).

Francisco Castañer Basco⁽²⁾⁽⁶⁾

Age: 66. Spanish. With the Nestlé group since 1964, General Manager from 1997 to 2009. L'Oréal Board member since 1998 (term of office renewed in 2010⁽⁸⁾).

Charles-Henri Filippi⁽⁵⁾

Age: 58. 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. Chairman of Citigroup for France since January 2011. L'Oréal Board member since 2007 (term of office renewed in 2010⁽⁸⁾). France Telecom Board member, Supervisory Board member of Euris and Censor of Nexity.

Xavier Fontanet

Age: 62. 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 2010. L'Oréal Board member since 2002 (term of office renewed in 2010). Board member of Crédit Agricole SA and Fonds Stratégique d'Investissement (FSI).

Bernard Kasriel⁽²⁾⁽³⁾

Age: 64. 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 Arkema and Nucor (United States). Partner of LBO France.

Marc Ladreit de Lacharrière

Age: 70. 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 2010). Board member of the L'Oréal Corporate Foundation. Board member of Casino and Renault.

Annette Roux

Age: 68. Joined Bénéteau in 1964, Chairperson and Chief Executive Officer from 1976 to 2005, Vice-Chairperson 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 Chairman's Report of the Board of Directors (Vol. 2 of the Reference Document).

(1) Chairman of the Strategy and Sustainable Development Committee.

(2) Member of the Strategy and Sustainable Development Committee.

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

(4) Member of the Appointments and Governance Committee and the Human Resources and 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 in 2009 for a period of three years to enable a harmonious renewal of the directors' terms of office.

(8) The terms of office of Mr Castañer Basco and Mr Filippi were renewed in 2010 for periods of two years and one year respectively to enable a harmonious renewal of the directors' terms of office.

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▼ CORPORATE GOVERNANCE

> BOARD OF DIRECTORS

> BOARD COMMITTEES

▶ RATINGS AND AWARDS

[Business](#) / [Corporate Governance](#) / Board Committees

Board Committees

Actively involved Committees prepare for Board meetings

The 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 Sustainable Development 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. It reviews the main lines of development, options and strategic 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 four times in 2010. Along with the constant and close review of the group's business activity and the analysis of markets and competitors, the Committee monitored the economic conditions during emergence from the crisis, after having (in 2009) noted the strategic decisions taken by the general management at a very early stage to tackle the difficult economic environment. Furthermore, the Committee was called on to study projected acquisitions.

The Audit Committee

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, 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 five times in 2010. It reviewed the evolution of the main items of the profit and loss accounts and balance sheets. It considered that the work of the Internal Audit Department and the Internal Control process put in place, from the risk viewpoint, are improving in quality. After taking note of the French financial markets authority (AMF) Report of July 2010 on the functioning of Audit Committees, the Committee found that its work was carried out in a framework complying with AMF recommendations. The Committee examined the conditions of industrial and environmental risks management and of those linked to quality and safety in product design. It noted that the systems and processes put in place, which are based on a sound methodology, are comprehensive and satisfactory. Finally, the Committee is regularly informed of legal risks and of any litigation and, once a year, meets the Statutory Auditors without the presence of the management.

The Human Resources and Remuneration Committee

This Committee makes proposals on matters including, in particular, the remuneration of the Chairman of the Board and the Chief Executive Officer, the amount of attendance fees to be submitted to the Annual General Meeting and the method of distribution of such fees, and 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 2010 to consider all these matters. In connection with the proposal made to renew the Chief Executive Officer's term of office, the Committee proposed to the Board that his contract of employment should continue to be suspended, which was accepted by the Board. After the closing of accounts, it made proposals to the Board 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, particularly with regard to the performance conditions to be achieved by the Chief Executive Officer (who must, furthermore, conserve some of the options that he exercises) and by the members of the Executive Committee.

The Appointments and Governance Committee

The Appointments and Governance Committee makes proposals to the Board on the choice of directors, examines the expediency of separating the roles of Chairman of the Board and Chief Executive Officer, clarifies the Board's decision concerning the conditions in which the general management is exercised and the status of corporate officers, discusses the independent director qualifications reviewed each year by the Board, ensures that the Corporate Government Code to which the company refers is applied, and prepares for the Board's decisions about updates to its Internal Rules.

It also ensures the implementation of the succession plans for the corporate officers in the event of an unforeseen vacancy, and conducts the reflection process with regard to the Committees in

charge of preparing for the Board's work.

The Committee met three times in 2010. When the Directors's terms of office were considered for renewal, the Committee 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 2010 Reference Document, the independent directors are clearly qualified as such, in light of the criteria adopted by the Board. The Committee also confirmed its wish to carry out a harmonious renewal of directors' terms of office, and it made proposals to the Board in the framework of the Annual General Meeting. Finally, the Committee examined the evolution of the Executive Committee and the talent pool for the future, and stated its view concerning a possible succession plan.

In view of the broad spectrum of matters entrusted to the Committees, the Board has modified the names of two Committees to better reflect the extent of their remits.

The Strategy and Sustainable Development Committee

In the framework of the strategic orientations which this Committee studies and validates, the Board is extending the Committee's remit by ensuring that the company's commitments in the field of Sustainable Development, in light of the challenges which are specific to the group's business activities and objectives, are fully taken into account. In this framework, the Committee examines the means and resources put in place, and reports on them to the Board.

The Human Resources and Remuneration Committee

The Committee is extending its remit to include all aspects of Human Resources Policy, such as social relations, recruitment, diversity, talent management and securing employee loyalty. The Committee also ensures that best practices in ethical matters, as set out in the Code of Ethics, and the group's key values, such as respect and integrity, are widely disseminated, known and practised.

▶ VIEWPOINTS

▶ FROM OUR CHAIRMAN & CEO

▶ ABOUT L'ORÉAL

▶ SUSTAINABILITY STRATEGY

▶ SUSTAINABILITY TOPICS

▶ PERFORMANCE SUMMARY

▶ ECONOMIC AFFAIRS

▶ IN CLOSE-UP: SUNCARE PRODUCTS

▶ ETHICS

▶ UN GLOBAL COMPACT

▶ CORPORATE GOVERNANCE

▼ RATINGS AND AWARDS

[Business](#) / Ratings and awards

Ratings and awards



Among the world's top 100 responsible, ethical companies

L'Oréal's sustainable development initiatives received widespread recognition in 2010.

- L'Oréal, for the fourth consecutive year, has been ranked one of the world's 100 most sustainable companies in the Global 100 survey by Corporate Knights magazine
- L'Oréal has been named as one of the 'most ethical companies in the world' by the Ethisphere Institute
- The WWF rated L'Oréal as number one in the CAC 40 (French stock market) for its responsible sourcing of cardboard and paper
- L'Oréal is listed in all the major sustainable development indices including Sustainable Development: Dow Jones Sustainability Index FTSE4Good, ASPI Eurozone and Ethibel
- L'Oréal has been recognised as one of the 'Leaders in the Personal and Household Goods sector' by the WWF-FFD (Forest Footprint Disclosure Project) for sourcing its wood fibre from certified, well-managed forests
- L'Oréal was placed first in the Innovative Reporting category of the Ethical Corporation awards
- In the CRRR (Corporate Register Reporting Awards), which are the only global awards for corporate responsibility reporting, L'Oréal was the first runner-up in the Relevance & Materiality category.



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- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ KEY ACHIEVEMENTS 2010
- ▶ EFFICACY ASSESSMENT
- ▶ NEW ROUTES TO INNOVATION
- ▶ RAW MATERIALS
- ▶ ECO-DESIGN
- ▶ ETHICAL, SAFE PRODUCTS
- ▶ EVALUATING ENVIRONMENTAL IMPACT
- ▶ TOWARDS FAIR ACCESS TO RAW MATERIALS
- ▶ SOCIETAL CONTRIBUTION OF COSMETICS
- ▶ IN CLOSE-UP: HAIR COLOURING



Expert opinion on revealing universal human beauty

LISTEN TO EXPERT OPINION



Patrick Dixon
Chairman, Global Change



Jacques Leclaire
Worldwide Scientific,
Research & Innovation
Director, L'Oréal

▶ [Key achievements](#)

▶ [Report downloads](#)

▶ [In close-up](#)

▶ [Leave feedback](#)

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VIEWPOINTS

- ▶ INTRODUCTION
- ▶ KEY ACHIEVEMENTS 2010
- ▶ EFFICACY ASSESSMENT
- ▶ NEW ROUTES TO INNOVATION
- ▶ RAW MATERIALS
- ▶ ECO-DESIGN
- ▶ ETHICAL, SAFE PRODUCTS
- ▶ EVALUATING ENVIRONMENTAL IMPACT
- ▶ TOWARDS FAIR ACCESS TO RAW MATERIALS
- ▶ SOCIETAL CONTRIBUTION OF COSMETICS
- ▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Viewpoints

INNOVATION

How we create sustainable innovation

“Sustainable innovation is innovation that’s designed to produce a sustainable future. This is a fundamental shift in our world. It is part of what I have called the 40 trillion dollar green tech revolution. Green tech innovation is a fundamental shift that is here to stay. It will transform our future over the next 20 to 30 years. And the reason is – consumers demand it, politicians are required to deliver it in terms of regulation, and businesses are expected to build it into every aspect of their systems, processes and products.”

Patrick Dixon, Chairman, Global Change

“Sustainable innovation means taking human, environmental and ethical considerations into account very early in the research process in order to create new ideas and concepts. This is exactly what we have done at L’Oréal for more than 20 years. For example, we have strongly invested in the field of alternative methods. Today we are accelerating this process by developing predictive methods that use integrated strategies to innovate better, faster and earlier.”

Jacques Leclaire, Worldwide Scientific, Research & Innovation Director, L’Oréal

THE EXPERTS



Patrick Dixon
Chairman, Global Change

Jacques Leclaire
Worldwide Scientific,
Research & Innovation Director,
L’Oréal

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Find out about our key themes

▶ VIEWPOINTS

▼ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

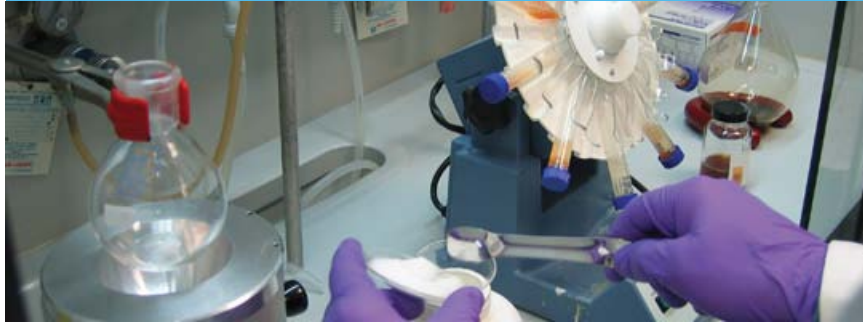
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Introduction

Introduction



Inventing cosmetics to suit global diversity

Tomorrow, beauty will be global, active and responsible. In 2010, research at L'Oréal underwent great changes to meet the vast diversity of needs of a new generation of consumers in the emerging markets. With new tools, new structures and new approaches, L'Oréal is ready to rise to the challenge of beauty for all while actively promoting sustainable innovation and consumption.

With this challenge in mind, our research teams are adapting their practices, revising their projects and reinforcing their efforts to place the consumer at the very heart of their mission, as well as positioning sustainable development at the core of their activities.

L'Oréal's innovation strategy is thus deepening its respect for the three key values that determine its research work:

- Openness – generating and exchanging cutting-edge knowledge, backed up by dialogue with stakeholders and our partners
- Ethics – designing effective products that enhance a person's well-being and respect the socio-economic environment, ecosystems and future generations
- Responsibility – identifying and preventing any impacts that ingredients or products may have on the environment throughout their entire life cycle.

MORE IN THIS REPORT...

▶ KEY ACHIEVEMENTS 2010

AT L'ORÉAL.COM...

▶ INTERVIEW WITH LAURENT ATTAL, VICE PRESIDENT AND MANAGING DIRECTOR OF L'ORÉAL RESEARCH & INNOVATION (PDF)

▶ VIEWPOINTS

▶ INTRODUCTION

▼ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Key achievements 2010

Key achievements 2010



MORE IN THIS REPORT...

▶ EFFICACY ASSESSMENT

Knowledge of skin and hair

- Demonstrating the vulnerability of the papillary dermis
- Publishing the skin-ageing atlas – Asian version
- Creating a site for exchange and networking with the African dermatological community during the third workshop on African skin and hair, held in Ghana.

Raw materials and formulas

- Rationalising the raw materials portfolio
- Progressing the Sustainability Assessment framework qualification for new raw materials with suppliers
- Extending Ecocert labelling for dozens of formulas across our brands. In 2010, 58 new products were Ecocert registered, including Bioexigence, Biotherm, Garnier, Mixa, Mixa bébé, Narta, Sanoflore, Série Nature, The Body Shop, Ushuaia, Agnès b, and L'Oréal Professionnel.
- Developing the first hair care probiotic

Predicting the efficacy and safety of raw materials and formulas

The L'Oréal Gerland centre in Lyon is fast becoming the world's leading centre for predictive assessment in cosmetics. It is dedicated to the predictive assessment of efficacy and safety in ingredients and products. It has doubled in size, its staff has increased four-fold and the centre's production of biological tissues – skin and cornea – in accordance with the ISO 9001 quality standards now exceeds 160,000 units per year, compared with 70,000 in 2007. It is now:

- Installing new in vitro tests to ensure no endocrine modulators
- Continuing the deployment of predictive methods and tools
- Proposing new approaches for tolerance-assessment of cosmetic products containing ingredients of plant origin
- Developing eco-toxicological assessment methods for sunscreen formulas in freshwater and marine aquatic ecosystems, in collaboration with the Pasteur Institute in Lille.

First Asian reconstructed skin models in China: The L'Oréal Advanced Research laboratories in Pudong have developed the first Asian reconstructed skin models. After five years' work, several models have been developed: a simple epidermis model, a pigmented epidermis model and a complete model with epidermis and dermis. Used to study pigmentation and ensure our products are harmless, these models have enabled the entire skin-irritation protocol approved in Europe to be reproduced.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▼ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Efficacy assessment

Efficacy assessment



L'Oréal is entering a new era of innovation in which reconstructed skin is systematically used to assess the efficacy of its active substances and formulas. The variety of reconstructed skin models enables different efficacy-assessment models for ingredients and formulas to be developed, and their reliability is continuously increased through the use of the latest scientific techniques such as genomics and proteomics.

The stock of knowledge and data on substances, and the predictive methods that R&I have at their disposal, add value in three ways. They are used to enable the safety assessment of ingredients and formulas, measure the efficacy of ingredients and select, rationalise and endorse the most promising design programmes for new active substances from the earliest stages.

For over 20 years, the development of tissue engineering in particular has advanced in line with this dynamic, producing tools for the biological analysis of skin and supporting innovation. In fact, the reconstructed skin models represent a unique tool for predicting human physiological reactions by perfectly imitating the conditions under which the products are applied. In 2009, for example, the models enabled us to gain an objective view of the cosmetic efficacy of new essential oils such as lemon balm.

Towards an integrated predictive efficacy-assessment strategy

Specific measurement protocols are being developed by L'Oréal Advanced Research to create an integrated predictive-assessment strategy for efficacy.

The ultimate objective is to achieve a sufficiently reliable level of prediction that will represent an alternative to clinical trials. In other respects, the dossier on the efficacy of the principle molecules developed by L'Oréal relies increasingly on the data gained from assessments carried out in accordance with *in vitro* protocols.

MORE IN THIS REPORT...

▶ NEW ROUTES TO INNOVATION

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▼ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

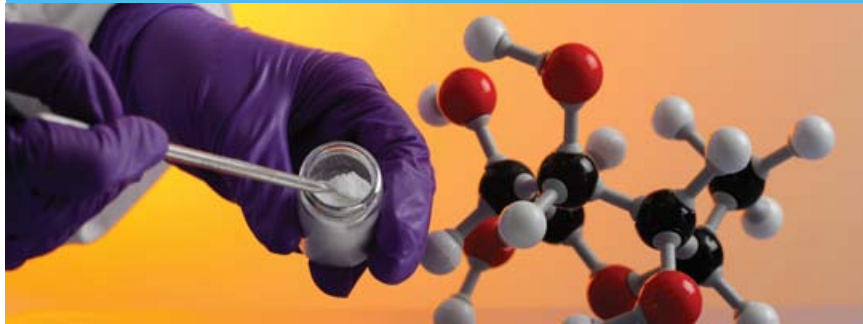
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / New routes to innovation

New routes to innovation



Innovation is based on a fund of advanced knowledge and is applied in three strategic phases: active substances, formulation and evaluation.

Advances in knowledge

In 2009, R&I completed the genome map of skin, based on reconstructed skin, in a joint project with Laval University in Québec and the Saint-Louis Hospital in Paris. This ten-year research programme achieved numerous advances in terms of knowledge and, in particular, the discovery of the skin proteome.

In 2010, after 10 years of research and collaboration with the University of Cleveland, researchers identified one of the keys to young-looking skin: papillary fibroblasts, cells in the outer dermis of the skin that play a major role in skin regeneration. Papillary fibroblasts alter and disappear gradually with age, while the reticular fibroblasts of the inner dermis skin layers are preserved. This discovery enabled the researchers to select and patent a skin-repair substance, Rhamnose.

The aim is now to build on this knowledge in order to refine the selection of new ingredients and maximise their cosmetic properties in increasingly tailored products.

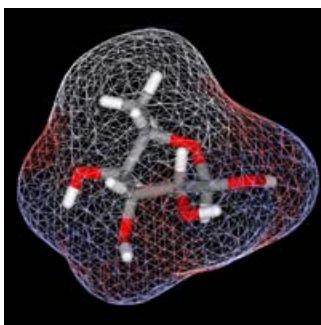
From design to formulation

Virtually all L'Oréal's ingredient-development programmes are part of a new approach extending from design to formulation.

Several key initiatives have been implemented to achieve this:

- Development of a physical chemistry platform that enables the characteristics of new ingredients to be defined by generating as much data about them as possible, complementing the information provided by the suppliers
- Systematic use of IT modelling in advance of ingredient-design programmes
- Optimisation of design procedures from the early stages.

Rhamnose



Rhamnose, a plant sugar produced by certain Brazilian plants, such as Uncaria or trees such as Betula Pendula (Silver Birch), was selected and patented for its skin-repair effect. It is extracted using a hydrolysis process which preserves its natural origin and endows it with a favourable environmental profile. Its efficacy has been demonstrated in vitro on reconstructed skin models then confirmed in vivo by a proof of clinical concept study.

This approach resulted in a gradual redefinition of the routes to innovation for each major category of ingredients.

MORE IN THIS REPORT...

▶ RAW MATERIALS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▼ RAW MATERIALS

> BIODIVERSITY CHALLENGES

> NATURAL INGREDIENTS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Raw materials

Raw materials



The supply and selection of raw materials is made on the basis of their quality, performance and impact on health and the environment.

A constantly evolving portfolio

Every year, L'Oréal introduces new raw materials into its portfolio either to enhance the quality or boost the performance of its products. At the same time, various other raw materials are removed if their performance is considered inadequate or if new regulations are anticipated. This is why L'Oréal eliminated triclosan, diethylphtalate and octamethylcyclotetra-siloxane (silicone D4) from its portfolio at a very early stage. Since 2009, L'Oréal no longer adds raw materials containing decamethylcyclopentasiloxane (D5) to its portfolio.

A portfolio evolving towards renewable, low-impact raw materials

L'Oréal aims to increase the use of renewable raw materials in its products. In 2010, 40% of materials included in its portfolio were plant-based and 26% comply with the principles of green chemistry.

This proactive approach has in some cases enabled plant-based alternatives to be sourced to replace petrochemical raw materials: 70% of the polymers recently registered are plant-based. Some synthetic polymers are therefore being replaced by polysaccharides. This approach is leading us to develop relationships with new partners, notably a group of suppliers in the food industry.

R&I is currently working to identify alternatives to petrochemical substances that are lower-impact but equally effective by exploring the potential of molecules and solvents of natural origin.

Raw materials impact assessment

The Raw Material Sustainability Assessment (RMSA) is an impact evaluation and qualification framework for the whole life cycle of a raw material, and is based on our key criteria.

Drawn up initially in 2006, it has already been applied to more than 100 new raw materials. It aims to present a clearer analysis of the global impact of each ingredient, and our suppliers are closely involved in this process.

In 2009, this framework was extended to include a quantitative impact assessment and to take into account the challenges specific to each supply chain.

In 2010, L'Oréal successfully assessed all new raw materials on the basis of this framework. This will now be extended to the plant-based raw materials already in use, with priority being given to the largest volumes and the ingredients for which potential challenges have been identified from the plant data sheets.

By the end of 2011, 80% of our raw materials presenting a biodiversity issue will have been assessed.

MORE IN THIS REPORT...

▶ BIODIVERSITY CHALLENGES

ST11, the first hair care probiotic

To prevent the formation of dandruff and the scalp irritation frequently associated with this condition, L'Oréal laboratories have selected a new active substance, the probiotic ST11, the result of research work carried out in collaboration with Nestlé. Together, we are conducting long-term and in-depth studies into the major causes of dandruff, and its possible prevention by improving the scalp's barrier function. This work has led to the creation of the nutria-cosmetic line Innéov Hair Health, a 50:50 joint venture with Nestlé.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▼ RAW MATERIALS

> BIODIVERSITY CHALLENGES

> NATURAL INGREDIENTS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Raw Materials](#) / Biodiversity challenges

Biodiversity challenges



Mindful of biodiversity preservation, from 2005, L'Oréal began formalising its policy of compliance with the Convention on Biological Diversity.

This relates, with those aspects of the Convention on International Trade in Endangered Species (CITES) concerning the sourcing of plant-based raw materials.

Systematic analysis of impact on biodiversity

Our systematic analysis of impact on biodiversity is based on two tools which enable:

- advance identification of potential issues linked to the use of a plant with respect to three key criteria (ecology, fair trade and society). The information is consolidated in our internal database. In 2010, the portfolios of raw materials of natural origin from the group's recent acquisitions were also analysed
- minimisation, using the RMSA evaluation framework, of the impact of suppliers' practices on the relevant supply chains, focusing in particular on "respect for biodiversity".

If the use of a given plant in one of our raw materials is likely to have a negative impact on biodiversity, a plan of action is implemented to remedy this in conjunction with the supplier concerned, calling on the support of third parties if necessary.

In 2010, our commitment to biodiversity was recognised in the publication of the study, "Business and Biodiversity" ["Entreprises & Biodiversité"] by the Gondwana agency. In November, a summary of this study was presented at the Pollutec exhibition during the 2010 Business and the Environment award ceremony.

Palm oil

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

Conscious of its responsibility to contribute to the preservation of biodiversity and ecosystems, L'Oréal joined the Round Table on Sustainable Palm Oil (RSPO) in 2006. The aim of this body is the creation of responsible supply chains. An internal interdisciplinary working group called "Sustainable Palm Oil 2010" was created.

L'Oréal uses a very small quantity (approximately 600 tonnes of palm oil annually, compared with the more than 40 million tonnes used globally), but was nonetheless committed to sourcing only certified sustainable palm oil (CSPO) by the end of 2010. This objective was achieved by the middle of the year – ahead of our commitment. The certification chosen guarantees that the palm oil contained in our products comes only from plantations certified sustainable by the RSPO.

The WWF recently included L'Oréal in its list of top ten "responsible palm-oil users".

Nerolidol

Nerolidol is an important raw material in the denaturing of alcohol for formulas labelled "Ecocert organic" (claiming to be of natural origin). It is a co-product of the parquet sector, obtained from the distillation of the essential oil of cabreuva wood. The felling of this endemic tree is currently controlled in Paraguay. L'Oréal has asked its supplier, Robertet, to undertake a local audit to clarify the regulatory context and the procedures to be implemented to ensure compliance. Monitoring the certificates obtained from INFONA (The Paraguayan Ministry of Water Resources and Forests) now enables Robertet to verify the source of all batches of nerolidol supplied to L'Oréal.

EXTERNAL LINKS

- ▶ "BUSINESS AND BIODIVERSITY" (THE GONDWANA AGENCY)
- ▶ WWF – ROUNDTABLE ON SUSTAINABLE PALM OIL

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

> BIODIVERSITY CHALLENGES

> NATURAL INGREDIENTS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Raw Materials](#) / [Natural ingredients](#)

Natural ingredients



Research and innovation in the organic and natural sector is becoming more clearly oriented and extending to an increasing number of brands.

Expertise in organic and natural products

Since 2009, the formulation of products claiming to be "natural", "of natural origin" or "organic" has been covered by a special charter that defines the categories of authorised raw materials (water, raw materials of natural origin unprocessed or processed exclusively in accordance with processes adhering to the principles of green chemistry), and promotes green chemistry or biotechnology processes.

In collaboration with a COLIPA working group, L'Oréal has continued to work on defining the meaning of "natural and organic" in the cosmetics industry. This working group is closely monitoring efforts to draw up a potential ISO standard which could establish a norm.

An increasing number of brands



In 2010, several dozen formulas were labelled "Ecocert organic" and 58 new products were Ecocert-registered, including: Bioexigence, Biotherm, Garnier, Mixa, Mixa bébé, Narta, Sanoflore, Série Nature, The Body Shop, Ushuaia, Agnès b, L'Oréal Professionnel and the hair oil Delicate Care Organic Certified Oil de Matrix.

In parallel with this development, numerous brands are gradually integrating more and more natural raw materials into their new formulations. This is the case at Garnier with the Fructis Style Pure Clean gel and also at Dop with the Green Fix de Vivelle gel.

Certain formulas already on the market are also being reappraised in order to introduce ingredients of natural origin offering the same level of performance. A sugar that was one of the ingredients of a shower gel labelled "organic", has subsequently replaced a fossil-based surfactant in all conventional shower gels, thereby helping to reduce both their environmental impact and their development costs while still offering the same performance.

New plant-extracts

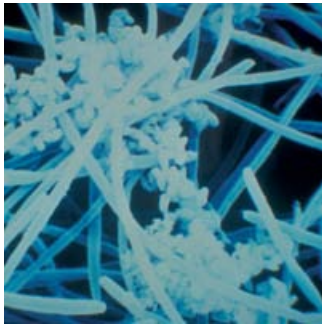
R&I has also increased its research efforts into natural and organic cosmetics. A dedicated laboratory set up in 2008 aims to identify and promote skin- and hair-friendly plant extracts that are just as effective as conventional cosmetics.

The action of certain essential oils (the anti-ageing effect of essential oil of geranium, the soothing properties of lemon balm, etc) has been demonstrated in vitro on biological models (reconstructed skin).

EXTERNAL LINKS

- ▶ ["BUSINESS AND BIODIVERSITY" \(THE GONDWANA AGENCY\)](#)
- ▶ [WWF – ROUNDTABLE ON SUSTAINABLE PALM OIL](#)

Biomass from thermal plankton



L'Oréal's biotechnology department in Tours, France, produces a pure biomass from thermal plankton believed to be impossible to cultivate, and research have developed and perfected this industrial tool with exemplary reproducibility. Using water, sugar and controlled plant extracts, a biomass is produced that is not found in its natural state except in a highly diluted form in hot springs. This is now being produced continuously, enabling fermenter energy to be reduced by a factor of ten and guaranteeing quality.

L'Oréal's cosmetics knowledge plays a key role in optimising the sensitivity to skin and the tolerance of organic or plant-based products.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▼ ECO-DESIGN

> GREEN CHEMISTRY

> NEW FORMULATION PROCESSES

> LIFE CYCLE ANALYSIS

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Eco-design

Eco-design



A transversal and global approach

L'Oréal's eco-design approach is a pillar of sustainable development. It began several years ago and lies at the heart of the Research Department's activities, forming an integral part of Advanced Research & Innovation processes at all stages.

Throughout the entire life-cycle of the product, innovation processes increasingly adopt the rules of eco-design. These include choice of ingredients, automated testing on the smallest quantities to reduce waste, re-using by-products, manufacturing processes requiring low levels of energy and toxic solvents, and recyclable packaging, and is an approach shared with suppliers and partners.

This approach forms part of a global approach for cosmetics ingredients and formula design based on five essential criteria responding to the major challenges of sustainable development in R&I activities:

- Human health and safety
- Protection of the environment
- Respect for biodiversity
- Social and societal impact
- Fair trade.

MORE IN THIS REPORT...

▶ ETHICAL, SAFE PRODUCTS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▼ ECO-DESIGN

> GREEN CHEMISTRY

> NEW FORMULATION PROCESSES

> LIFE CYCLE ANALYSIS

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Eco-Design](#) / Green chemistry

Green chemistry



Green chemistry, defined in 1998, is at the heart of eco-design and aims to develop more efficient and environmentally friendly products and processes. L'Oréal adopted green chemistry in 1999 and has positioned it at the heart of its principle of eco-design.

The commitment by L'Oréal's R&I team to comply with the principles of green chemistry in the design of its ingredients constitutes the cornerstone of its sustainable development initiatives.

The fundamental principles

- Use of renewable raw materials, mainly plant-based
- Developing environmentally friendly processing methods that consume low levels of energy and solvents and produce low levels of waste
- Production of biodegradable ingredients with low ecotoxicity.

Modelling tools and predictive methods

Throughout 2010, L'Oréal continued to work on reinforcing the eco-design processes for its ingredients using newly developed modelling tools and predictive methods:

- Upstream evaluation, by means of predictive calculations, of the environmental impact of the ingredient and the economy of atoms, enabling maximum utilisation of the atoms involved
- Measuring the E factor of processing methods, from laboratory to factory. This enables the quantity of waste generated per kg of product to be calculated very rapidly. In 2009, for example, the E factor of the synthesis of Pro-Xylane dropped from 13 to 6.6, which equates to a saving of more than 100 tonnes of waste
- Intensification of research and development efforts into biocatalysis, a key technology for the development of environmentally friendly processes, notably through the active participation of L'Oréal in the Toulouse White Biotechnologies project (French Programme "Future Investments" ["Investissements d'Avenir"]).

Developing new ingredients

This eco-design approach for ingredients directs and guides the development of formulations.

In 2010, numerous international partnerships were pursued with a view to developing new ingredients in accordance with the principles of green chemistry. For example, participation in the Industries and Agro-Resources Cluster (IAR) project "Synthons", and the ANR programme, "Sustainable Chemistry – Industry – Innovation (CD2I)", was aimed at the development of green technologies and green processes using biomass. Collaborations with suppliers such as Roquette were also conducted for the same purpose.

In 2010, L'Oréal's commitment to green chemistry was recognised with an invitation to the Gordon Research Conference on Green Chemistry at Davidson College (USA, NC). Professor J. Warner, one of the co-founders of the principles of green chemistry in 1998, made reference to this commitment in the following terms: "By bringing natural materials and renewable feed-stocks into their science, L'Oréal is addressing the principles of green chemistry at the highest level. L'Oréal has an excellent internal Green Chemistry program that places them at the forefront of the industry".

MORE IN THIS REPORT...

- ▶ NEW FORMULATION PROCESSES
- ▶ LIFE CYCLE ANALYSIS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▼ ECO-DESIGN

> GREEN CHEMISTRY

> [NEW FORMULATION PROCESSES](#)

> LIFE CYCLE ANALYSIS

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

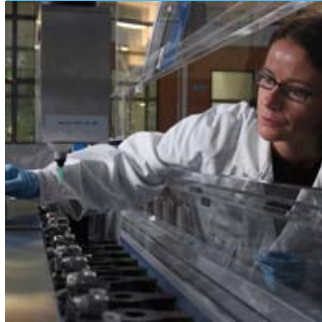
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Eco-Design](#) / New formulation processes

New formulation processes



The Research and Innovation teams play a key role in eco-design at L'Oréal. By advancing their knowledge of raw materials and their impact, they are evolving their approach to formulating ingredients.

Innovation is being redefined in three main areas: formulas, processes and packaging. A formulation tool is currently being developed using all the relevant data assembled to date. It is already enabling militant brands to make an in-depth appraisal of the ecological quality of their formulas.

Changes to laboratory processes and methods

For some years now, L'Oréal laboratories have been undertaking a massive revision of formulations, selecting those ingredients with the most favourable environmental profile and offering the same level of performance. This approach also helps in the development of new formulations, providing products with high environmental credentials that comply, where desired, with eco-labelling requirements.

In order to ensure this, before a formula is designed the formulators refer to a variety of indicators that help define the environmental profile of each raw material and of the formula as a whole, taking account of the concentrations used. This approach to formulation became standard procedure in 2009. It was formalised in an eco-design charter for products based on the following criteria; biodegradability, non-ecotoxicity and respect for biodiversity. This charter sets out two approaches: a gradual progress approach and a militant approach.

This charter is reflected, for example, in the highly biodegradable and non-ecotoxic ranges such as Rain Forest Ecoconscious or Earthlovers from The Body Shop, the shampoo and conditioner Fructis Pure Brilliance from Garnier, or Dop Nature from Dop.

Product performance and impact are increasingly being systematically tested on reduced samples using automated processes. This reduces the quantities of raw material used, accelerates screening rates and increases the number of ingredients assessed.

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

MORE IN THIS REPORT...

▶ GREEN CHEMISTRY

▶ LIFE CYCLE ANALYSIS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▼ ECO-DESIGN

> GREEN CHEMISTRY

> NEW FORMULATION PROCESSES

> [LIFE CYCLE ANALYSIS](#)

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Eco-Design](#) / Life cycle analysis

Life cycle analysis

Life-cycle analysis of ingredients and products is the procedure whereby the entire environmental impact of each product can be appraised. The analysis examines each stage of a product's life cycle from production via utilisation to its ultimate disposal.

Developed from the 1970s onwards, and standardised in ISO 14040 and 14044, life-cycle analysis has now become a vital sustainable development tool. Life-cycle analysis enables the major aspects of a product's environmental impact to be targeted, prioritisation of any improvements to be made to processes, and a comparison of two products with the same function on the basis of their environmental profiles.

In 2008, 2009 and 2010, L'Oréal conducted some twenty life-cycle analyses of both products and raw materials.

For example, the analysis of Pro-Xylane, a molecule developed by L'Oréal laboratories and designed in accordance with green chemistry principles, confirmed the choices made by the factory, in particular with respect to the treatment and recycling of waste. These choices enabled savings of almost 69 MJ of primary energy in the production of one kg of Pro-Xylane or 25% of the total. This analysis also highlighted the possible improvements that could be made to the Pro-Xylane manufacturing processes, laboratories and factories are currently actively engaged in implementing these improvements, with a view to further improving Pro-Xylane's environmental profile.

MORE IN THIS REPORT...

- ▶ GREEN CHEMISTRY
- ▶ NEW FORMULATION PROCESSES

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Ethical, safe products

Ethical, safe products



Employee protection

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

Regular check-ups, targeted training and an information programme help to optimise the effectiveness of safety procedures.

Double certification for our R&I centre

At the end of 2010, the Chevilly Larue R&I (Research & Innovation) centre obtained double certification, ISO 14001 (Environment) and OHSAS 18001 (Health and Safety), a world first for a L'Oréal non-industrial site. This double certification is the culmination of several years' study of the societal impact (corporate social responsibility) of the site's activity followed by an 18-month reassessment of all EHS (Environment, Health and Safety) procedures. This certification is based on a new mode of governance which complies fully with these internationally recognised standards. It puts in place the essential framework for a working environment that is both more employee-friendly and safer.

Consumer protection

An absolute priority

Consumer protection is one of L'Oréal's absolute priorities. The stringent safety tests carried out on products before they are brought to market ensure that L'Oréal meets all current safety regulations in the 130 countries where its products are marketed.

An international cosmetics post-marketing surveillance network

An international cosmetics post-marketing surveillance network employs stringent and well-established methods to analyse any adverse effects linked to product use.

This provides an extremely efficient early-detection system of the merest sign of product intolerance so that immediate corrective action can be taken.

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ TOWARDS A NEW SAFETY ASSESSMENT
- ▶ PREDICTIVE METHODS
- ▶ RECONSTRUCTED TISSUE
- ▶ OTHER PREDICTIVE METHODS
- ▶ PRE-EMPTING HEALTH CONCERNS
- ▶ ENDOCRINE DISRUPTORS

AT L'ORÉAL.COM...

- ▶ PRODUCT SAFETY

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

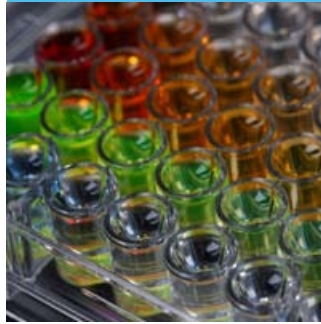
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / Safety appraisal of ingredients and formulas

Safety appraisal of ingredients and formulas



While striving to enhance the performance discerned by consumers, L'Oréal attaches the utmost importance to the safeguarding of consumer health and well-being and the protection of consumers' natural environment.

This includes a commitment to replacing animal testing with approved alternative methods based on tissue engineering and in vitro tests, and the development of predictive methods. These methods show great promise in terms of assessment and efficacy.

Compliance with international and local regulations

L'Oréal has not tested end products on animals since 1989

However, the authorities in certain countries still demand animal testing in order to register substances marketed in their territories and L'Oréal is obliged to adhere to these national regulations with respect to those of its products manufactured and sold locally.

L'Oréal is working with the authorities in these countries and sharing knowledge about alternative testing methods. In this way, the group contributes to and promotes European values relating to the development of new predictive tools for safety tests and is encouraging these countries to adapt regulations in favour of alternatives.

L'Oréal has been a supporter of the REACH directive since 2003

The European REACH regulations came into force in June 2007 and aim to ensure the safe use of chemical products. The regulations require companies to assess, register and submit the use of their chemical products for authorisation.

L'Oréal created an internal department dedicated to this issue in 2009 in order to ensure optimum integration of the obligations imposed by REACH, and by the new chemical regulations appearing in several countries. This department is known as the International Chemistry Regulatory Affairs Division.

L'Oréal is heavily involved in various professional associations, drawing up methods and contributing to the enhancement of knowledge, and helps its suppliers to get their substances registered.

L'Oréal primarily bases its substance cases on predictive methods, literature reviews and approved alternative tools.

MORE IN THIS REPORT...

▶ TOWARDS A NEW SAFETY ASSESSMENT

▶ PREDICTIVE METHODS

▶ RECONSTRUCTED TISSUE

▶ OTHER PREDICTIVE METHODS

▶ PRE-EMPTING HEALTH CONCERNS

▶ ENDOCRINE DISRUPTORS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> [TOWARDS A NEW SAFETY ASSESSMENT](#)

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTYING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

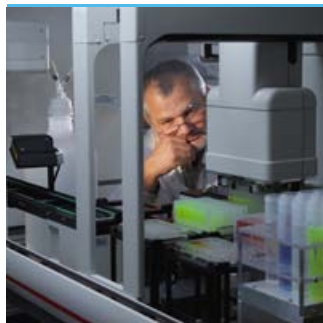
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / [Towards a new safety assessment](#)

Towards a new safety assessment



A new regulatory framework – the 7th amendment to the European Cosmetics Directive, which came into force in 2004 and again in 2009 – prohibits the testing of raw materials for cosmetic use on animals in Europe.

Integrated safety-assessment strategy

In response to these regulatory requirements, a new model, similar in scope to the eco-design model, is being developed by L'Oréal for the safety assessment of ingredients and end products. This is now a vital part of the group's capacity to innovate by exploiting the cosmetic performance potential of ingredients selected initially due to their zero impact on health and the environment.

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

Milestones in safety assessment strategy

L'Oréal ends animal testing for its end products.

1995

ECVAM/COLIPA in vitro photo-toxicity validation study
Amalthée prize for alternative methods (OPAL).

1997

Acquisition by L'Oréal of Episkin, industrial centre for cutaneous engineering
Introduction of Langerhans cells in reconstructed skin (4th EU Framework Programme).

1999

COLIPA guidelines on in vitro percutaneous absorption.

2005

Participation in the SENS-IT-IV assessment of alternatives for allergens (6th EU Framework Programme)
Founder member of the EPAA (European Partnership for Alternative Approaches to Animal Testing)
Acquisition of Skin Ethic

2007

Episkin model approved for cutaneous irritation.

2008

Episkin model approved for cutaneous irritation.

2009

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

2010

HCE reconstructed cornea model in the approval procedure for ocular irritation.

The predictive capability of these tools is increasing all the time, thanks to the development of technologies in tissue engineering, modern biology, mathematical modelling, computing power and the valuable stock of data built up over a century.

This is a constantly growing body of knowledge, helped by a number of factors including information exchange between L'Oréal and other companies, the regulatory framework, developments in in vitro/in vivo correlations, product-use safety data and human tolerance studies.

Thanks to this array of predictive methods, L'Oréal was able to meet the 2009 deadline set down in the regulatory framework of the 7th amendment to the Cosmetics Directive without any adverse

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ PREDICTIVE METHODS
- ▶ RECONSTRUCTED TISSUE
- ▶ OTHER PREDICTIVE METHODS
- ▶ PRE-EMPTYING HEALTH CONCERNS
- ▶ ENDOCRINE DISRUPTORS

EXTERNAL LINKS

- ▶ COLIPA (EUROPEAN COSMETICS ASSOCIATION)

effects on innovation or the safety of its ingredients and products.

In continuing to upgrade and fine-tune these tools, the group plans to create an integrated safety assessment strategy attuned to the challenges of "21st century toxicology". In this context, progress has been made in the simulation of the first human application using a combination of predictive and in vitro tools. This involves a certain number of ingredients exclusively for cosmetic use.

Employing a combination of predictive methods, the aim is to optimise the design of new ingredients and end products by assessing from the outset their innocuousness, in compliance with prevailing legislation. This ensures ongoing improvement of the methods used to make the initial selection of ingredients based on safety criteria.

In 2010, this integrated assessment strategy, together with the supporting tools, was presented by R&I at the Society of Toxicology congress in Baltimore, the ESTIV congress in Linz, and the COLIPA workshop on contact allergy.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

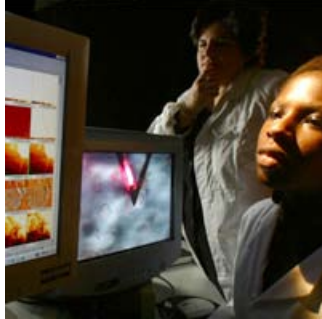
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / Predictive methods

Predictive methods



The Predictive methods combine data and tools in order to predict the safety of 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 including statistical and mathematical models, *in silico*, and QSAR (quantitative structure–activity relationship) methodologies developed in-house or in collaboration with external partners. These are used in combination to optimise predictive capacity.

Using these resources, the safety of raw materials can be assessed without further recourse to animal testing in 99% of cases.

They include a whole range of tools and methods, as outlined in this section.

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ TOWARDS A NEW SAFETY ASSESSMENT
- ▶ RECONSTRUCTED TISSUE
- ▶ OTHER PREDICTIVE METHODS
- ▶ PRE-EMPTING HEALTH CONCERNS
- ▶ ENDOCRINE DISRUPTORS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / Reconstructed tissue

Reconstructed tissue



For some time, L'Oréal's research teams have been conducting research into cellular biology and tissue engineering with a view to reconstructing various models of human skin and tissue.

There are five main applications:

- Developing knowledge about skin without 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
- Developing tests to assess efficacy (eg solar filtration).

In 2010, L'Oréal continued to exploit commercial opportunities relating to the use of reconstructed tissue models for the safety assessment of ingredients and formulas. The reconstructed HCE cornea model also entered the validation process during 2010. As methods are validated, L'Oréal makes them available to industry at large.

Skin irritation assessment

R&I has developed two validated methods for skin-irritation assessment using skin models (Episkin and RHE models). The entire raw materials catalogue of L'Oréal and The Body Shop has been tested using these models – an initiative that has increased our knowledge of the ingredients and enhanced both the associated stock of data and the regulatory status.

Ocular irritation assessment

With regard to ocular irritation, the Reconstructed HCE cornea model from SkinEthic is in the process of validation. In 2010, a published study demonstrated the reliability of the protocol developed by L'Oréal and tested on over 400 ingredients. New ingredients are systematically tested using this HCE model.

Formula assessments with respect to skin and ocular irritation have also continued. More than 12,000 formulas and 2,000 ingredients have been assessed since 2006.

Training suppliers on alternative methods using reconstructed tissues

In 2010, L'Oréal continued its training initiative in alternative methods with eight suppliers, principally using reconstructed skin.

The aim is to enable suppliers to integrate these tools into the safety assessment procedures for their own ingredients. L'Oréal is also working with them to enhance their *in vivo/in vitro* correlations.

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ TOWARDS A NEW SAFETY ASSESSMENT
- ▶ PREDICTIVE METHODS
- ▶ OTHER PREDICTIVE METHODS
- ▶ PRE-EMPTING HEALTH CONCERNS
- ▶ ENDOCRINE DISRUPTORS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> PRE-EMPTING HEALTH CONCERNS

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

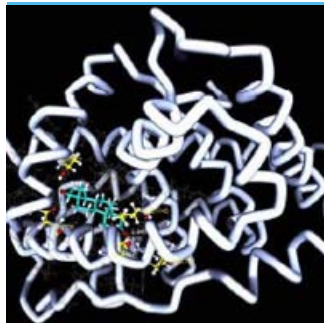
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / [Other predictive methods](#)

Other predictive methods



For many years, L'Oréal has been investing in science and technology to create new assessment tools.

L'Oréal is also co-operating with other relevant industries, in particular under the EPAA (European Partnership on Alternative Approaches to Animal Testing), in order to progress the development of alternative multidisciplinary solutions in the field of safety assessment.

Predicting skin sensitisation

R&I is working to integrate several methods for the prediction of skin sensitisation in order to create an integrated strategy.

In 2008, L'Oréal, together with American start-up Hurel, initiated exploratory work into the potential of micro-fluids combined with reconstructed tissues. In 2010, on completion of the feasibility phase, L'Oréal and Hurel developed a totally integrated commercially viable system that mimics skin-allergy reactions on a single chip and which will replace the LLNA test.

Prediction of acute and chronic toxicity

L'Oréal is collaborating with COLIPA on a community programme steered by the European Commission in the 7th framework programme with funding of some €50 million, half of which is provided by COLIPA. The programme's aim is to develop the knowledge to finalise methods for predicting chronic toxicity phenomena.

L'Oréal is also following closely and actively the work of the US-EPA on the ToxCast project. In the field of predicting acute systemic toxicity, L'Oréal is working in partnership with Ceetox to improve significantly predictive capacity.

Predictive *in silico* methods

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. These methods deliver results of such accuracy that they help to enable cosmetic ingredients to be applied for a first time on humans without recourse to animal testing.

L'Oréal R&I has entered into a collaboration with Professor Ovanes Mekenyan of Bourgas University to optimise several predictive tools being developed by the OECD. A new module, developed in 2010 and aiming to predict phototoxic effects of raw materials, is being assessed.

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ TOWARDS A NEW SAFETY ASSESSMENT
- ▶ PREDICTIVE METHODS
- ▶ RECONSTRUCTED TISSUE
- ▶ PRE-EMPTING HEALTH CONCERNS
- ▶ ENDOCRINE DISRUPTORS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▼ ETHICAL, SAFE PRODUCTS

> SAFETY APPRAISAL

> TOWARDS A NEW SAFETY ASSESSMENT

> PREDICTIVE METHODS

> RECONSTRUCTED TISSUE

> OTHER PREDICTIVE METHODS

> [PRE-EMPTING HEALTH CONCERNS](#)

> ENDOCRINE DISRUPTORS

▶ EVALUATING ENVIRONMENTAL IMPACT

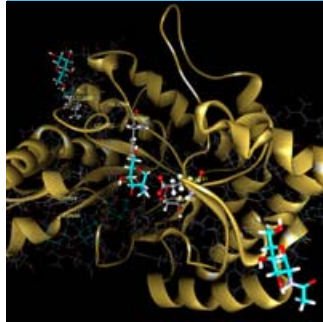
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Ethical, Safe Products](#) / Pre-empting health concerns

Pre-empting health concerns



L'Oréal R&I has always been extremely vigilant with regard to substances which raise concerns among scientists, consumers, the authorities and other stakeholders in society.

L'Oréal's ethical values, rooted in both scientific rigour and responsiveness to societal concerns, are reflected in a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances that are the subject of concern.

Phtalates

L'Oréal has only ever used diethylphtalate (DEP). In 2010, in accordance with its commitment, the group has continued to replace it in its formulations – also for the recently-acquired brands. The objective has been achieved for virtually all our products. No concentrate containing DEP is present in our perfume portfolio today.

Parabens

We have continued to remove long-chain parabens from end products during 2010. Various group brands are offering products without parabens wherever possible; in other cases, preference is always given to the use of short-chain parabens.

In addition, R&I is continuing to develop further alternative approaches for preserving its formulas, focusing on packaging: in 2010, La Roche-Posay launched Tolériane Ultra, a preservative-free formula, protected from bacterial contamination by a new generation of *airless* packaging fitted with a hermetically-sealed anti-bacterial pump.

The research teams are also studying new formulation procedures, for example the use of acid preservatives (benzoic, salicylic, sorbic or anisic acid), alone or in association with polyols. Multifunctional raw materials provide another option; some of these are of natural origin and require smaller quantities of traditional preservative.

Triclosan

The objective of refraining from the use of triclosan has been achieved, and this policy will be systematically applied to products resulting from the group's future acquisitions.

Heavy metals

Since 2007, L'Oréal has deployed extremely sensitive equipment to enable the detection of traces of heavy metal down to just a few ppm. This equipment has enabled an analysis of the entire portfolio of raw materials of natural origin and the building of a vast database. Now, through predictive calculation, the degree of unavoidable heavy metal traces in finished products can be established in order to guarantee that these remain below the authorised or recommended threshold.

Nanotechnologies

L'Oréal has limited the use of nanotechnologies to emulsions and pigments:

Nanoemulsions are formed from water and oil droplets containing active ingredients that are released on contact when applied to the skin. 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, due to its capacity to reflect UV light and protect human skin from the adverse effects of the sun. These nanopigments are nowadays a very effective complement for achieving 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 several microns in size.

MORE IN THIS REPORT...

- ▶ SAFETY APPRAISAL
- ▶ TOWARDS A NEW SAFETY ASSESSMENT
- ▶ PREDICTIVE METHODS
- ▶ RECONSTRUCTED TISSUE
- ▶ OTHER PREDICTIVE METHODS
- ▶ ENDOCRINE DISRUPTORS

Sunscreen filters

In 2010, R&I continued its research into combinations of filters and photo-stabilising agents with Mexoryl technologies to achieve higher filtering capacity while reducing the final concentration of chemical filters.

The Mexoplex technology 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 into a Roche-Posay sun care product.

Tests have also been developed aimed at measuring the impact of sunscreen filters on aquatic ecosystems. All products concerned will be assessed using this protocol.

Hair colourants

Finding less sensitising colourants is a focal aspect of R&I. At the same time, efforts have continued to rework formulas to optimise the technical performance of hair-colour products while minimising the concentration of colourants, particularly PPD and PTD.

Aluminium salts

L'Oréal has been working for several years on reducing the concentration of aluminium salts contained in deodorants and has invested in the search for alternative solutions delivering a similar level of performance.

These efforts resulted in the launch of a number of ranges in 2009, notably those by Garnier, LaScad and Biotherm.

[VIEWPOINTS](#)[INTRODUCTION](#)[KEY ACHIEVEMENTS 2010](#)[EFFICACY ASSESSMENT](#)[NEW ROUTES TO INNOVATION](#)[RAW MATERIALS](#)[ECO-DESIGN](#)[ETHICAL, SAFE PRODUCTS](#)[> SAFETY APPRAISAL](#)[> TOWARDS A NEW SAFETY ASSESSMENT](#)[> PREDICTIVE METHODS](#)[> RECONSTRUCTED TISSUE](#)[> OTHER PREDICTIVE METHODS](#)[> PRE-EMPTING HEALTH CONCERNS](#)[> ENDOCRINE DISRUPTORS](#)[EVALUATING ENVIRONMENTAL IMPACT](#)[TOWARDS FAIR ACCESS TO RAW MATERIALS](#)[SOCIETAL CONTRIBUTION OF COSMETICS](#)[IN CLOSE-UP: HAIR COLOURING](#)[Innovation](#) / [Ethical, Safe Products](#) / [Endocrine disruptors](#)

Endocrine disruptors

Conscious of increasing concerns regarding the potential of some substances to disrupt hormone balance, L'Oréal has made this a focal point of its research efforts.

We therefore seek to remove all endocrine disruptors from our products.

With this end in view, all new raw materials are tested in advance in order to determine any potential interaction with certain biological receptors. This assessment, relying on a whole range of *in vitro* tools combining cellular tests and reconstructed-skin, allows us to identify any early biological activity that indicates potential interference by the ingredient with mechanisms involved in endocrine disruption. If such a case is identified, the ingredient in question is withdrawn and structure-activity programmes are launched.

The assessment of ingredients already present in the portfolio is also underway. Ingredients that give rise to justifiable doubt are withdrawn. This was the case with DEP, triclosan and long-chain parabens and the removal of these from the portfolio is almost complete. Certain development projects have been discontinued as a result of these test findings.

R&I has also continued its research effort aimed at gaining a better understanding of the endocrine disruption mechanism and developing predictive and assessment methods related to this phenomenon and its impact on human and environmental health. New techniques identified and recommended in the ToxCast programme were assessed in 2010.

MORE IN THIS REPORT...

[▶ SAFETY APPRAISAL](#)[▶ TOWARDS A NEW SAFETY ASSESSMENT](#)[▶ PREDICTIVE METHODS](#)[▶ RECONSTRUCTED TISSUE](#)[▶ OTHER PREDICTIVE METHODS](#)[▶ PRE-EMPTING HEALTH CONCERNS](#)

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▼ EVALUATING ENVIRONMENTAL IMPACT

> AQUATIC SYSTEMS

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Evaluating environmental impact

Evaluating environmental impact



Extending environmental assessment

Ecotoxicology is the study of the behaviour and environmental impact of the use or presence of chemical substances.

For the last 15 years, L'Oréal has relied on the expertise of its ecotoxicology laboratory, and on partnerships, to increase its screening and assessment capacity during 2009.

Environmental assessment is one of the keys to L'Oréal's eco-design approach because it ensures elimination, from the outset, of ingredients with an unfavourable environmental profile.

A profile of a raw material's environmental impact, based on PBT (Persistent, Bioaccumulative and Toxic) and vPvB (very Persistent and very Bioaccumulative) criteria, is established in every case well in advance. Environmental assessment relies in particular on *in silico* and *in vitro* tools applied in close collaboration with suppliers.

More than 95% of the raw materials in the group's portfolio have been provisionally classified under the PBT – vPvB criteria. This is in progress for raw materials from the group's new acquisitions.

L'Oréal was heavily involved in the creation and subsequent development of the Animal Alternative Needs in Environmental Risk Assessment Project Committee at the HESI*. This international working group, whose first two conferences (in 2008, and in 2010) L'Oréal sponsored, is working on the development of alternatives to the standard tests on fish and amphibians. Together with the HESI, L'Oréal has invested in the development and recognition of the Fish Embryo Test (FET), currently undergoing validation at the OCDE, as a potential alternative to the standardised acute toxicity test on fish (OCDE N°203). In 2010, this work was covered in scientific publications in partnership with ECVAM**.

Thanks to the development of predictive tools, the environmental profile of raw materials is available to formulators for the design of their products. The environmental quality of formulas is thus increasing each year. It is now possible to create environmentally friendly formulas without compromising on performance.

All the raw materials registered by L'Oréal in 2010 have a favourable environmental profile or are of higher ecological quality than the previous versions.

* HESI: Health and Environmental Sciences Institute

** ECVAM: European Centre for the Validation of Alternative Methods

MORE IN THIS REPORT...

▶ AQUATIC SYSTEMS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▼ EVALUATING ENVIRONMENTAL IMPACT

≥ AQUATIC SYSTEMS

▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / [Evaluating Environmental Impact](#) / Aquatic systems

Aquatic systems



L'Oréal is working hard to minimise the impact of its raw materials and end products on aquatic ecosystems by:

- Developing innovative methods for early environmental assessment of raw materials in its ecotoxicology laboratory (eg automation of the test on microalgae)
- Assessing raw materials according to the 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
- Applying green chemistry
- Developing a biodiversity protection strategy.

In 2009, in partnership with external experts, the ecotoxicological laboratory continued to work on the development of methods for predicting the impact of ingredients and end products on aquatic systems in strong support of the eco-design of formulas. L'Oréal is heavily committed, together with other partners, in the development of the Fish Embryo Test as a potential alternative to the acute toxicity test on fish. This alternative method is in the process of being validated by the OECD.

The R&I teams are also working to achieve a better understanding of the behaviour of those compounds contained in the group's products, which are subsequently released into the environment as trace materials. A partnership with the Pasteur Institute in Lille was established to study this issue in more depth and to validate a sampling and analysis protocol.

MORE IN THIS REPORT...

▶ RAW MATERIALS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▼ TOWARDS FAIR ACCESS TO RAW MATERIALS

> A GLOBAL APPROACH

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Towards fair access to raw materials

Towards fair access to raw materials



As the number of plant-based raw materials in the portfolio increases, closer attention is being given to the issue of fair procurement. This is all the more important when the plant in question represents a potential source of revenue and employment for local communities.

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

L'Oréal uses the Sustainability Assessment framework when considering raw materials with potential biodiversity issues for inclusion in the portfolio.

This framework includes the following criteria, which are evaluated by the supplier with respect to its individual supply chain:

- The importance of the plant in terms of local revenue and employment and the level of return allowed by the supply chain to the local community
- Recognition of traditional uses and know-how. These are taken into account in the management of all intellectual property aspects
- Access of local populations to raw material sources
- Any change in land use that may be caused by production of the raw material. Particular importance is placed on land initially used for food.

In 2010, 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 local populations to their resources. The same criteria were applied to supplier patents.

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

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya Protocol, which aims to regulate access to resources in a given territory and to share the profits from the use of these resources in an equitable fashion. Each signatory country must put in place binding rules applicable for its territory. Although this Protocol will only come into force during 2011, L'Oréal is already particularly mindful of the future implications.

The Emblica supply chain in India

Emblica is a native species of south-east Asia, particularly India where it is widely used in traditional medicine. India is one of the countries to have put in place regulations concerning access to resources within its territory. L'Oréal has made contact with the National Biodiversity Authority in India, which has confirmed the legality of this resource with respect to prevailing national legislation relating to biodiversity.

MORE IN THIS REPORT...

▶ A GLOBAL APPROACH

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

▼ TOWARDS FAIR ACCESS TO RAW MATERIALS

> A GLOBAL APPROACH

▶ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation / Towards Fair Access To Raw Materials / A global approach](#)

A global approach



Since 2008, L'Oréal has been developing a global approach to fair trade, a key aspect of which being a collaborative platform was finalised in 2009.

This is consistent with the forthcoming ISO 26000 on societal responsibility and is applicable to all L'Oréal group brands and their suppliers, applying equally to North-South trade as well as to North-North trade.

Ingredients from socially-responsible supply chains

In 2009, L'Oréal finalised a charter setting the framework for the development of products containing ingredients resulting from fair trade. Any commitment to use these ingredients is undertaken for a period of at least two years in order to ensure consistency in production and purchasing volumes.

This applies to products launched by the group's brands and which contain at least one raw material from the "Community Fair Trade" programme such as Ushuaia shower gels, Essential Repair from Pureology, Delicate Care shampoo from Biolage and Skinenergetic from Biotherm etc.

The "Community Fair Trade" programme

L'Oréal buys more and more raw materials from the 'Community Fair Trade' programme, and these are now incorporated into more than 200 formulas. Worldwide, L'Oréal doubled its use of fair-trade raw materials between 2008 and 2010.

In 2010, L'Oréal Professionnel launched Oilixir, containing olive oil, under this programme and The Body Shop introduced an organic alcohol made from sugar cane.

L'Oréal has intensified its partnership with Beraca involving socially responsible supply channels with two Amazon-sourced ingredients: açai extract and pracaxi oil. The supply of these ingredients is organised in close collaboration with the local communities that harvest them. In 2010, açai extract was introduced into the Fructis Color Resist range from Garnier.

L'Oréal actively encourages its shea butter suppliers to enhance the sustainability of the supply chain in Africa and is proactive in the Global Shea Alliance, an international organisation of shea stakeholders which aims to create economically-viable production of shea, sustainable both in social and environmental terms.

In 2009, Sanoflore was awarded Bio Solidaire certification for 36 raw materials. This certification 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



The group uses three cosmetic ingredients from the argan tree (oil, a leaf extract and a berry extract) in numerous hair-care, skin-care and make-up products.

These are purchased by L'Oréal, in partnership with one of its suppliers, (Laboratoires Sérobiologiques, Cognis France), and the French NGO Yamana, from six co-operatives in the Targanine EIG (Economic Interest Group) in Morocco.

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

Thermoliss Richesse by Jacques Dessange, Nourishing Dry Oil by Mizani, the EverSlick range by L'Oréal Paris US, and l'Huile Universelle from Kérastase, all containing argan oil, were launched in 2010.

Also in 2010, a new raw material from this supply chain – kernel powder – has complemented the existing range and will be exploited in Ushuaia products for its exfoliating properties.

MORE IN THIS REPORT...

- ▶ SUPPLIER RELATIONS
- ▶ COMMUNITY PROJECTS AROUND THE WORLD

▶ VIEWPOINTS

▶ INTRODUCTION

▶ KEY ACHIEVEMENTS 2010

▶ EFFICACY ASSESSMENT

▶ NEW ROUTES TO INNOVATION

▶ RAW MATERIALS

▶ ECO-DESIGN

▶ ETHICAL, SAFE PRODUCTS

▶ EVALUATING ENVIRONMENTAL IMPACT

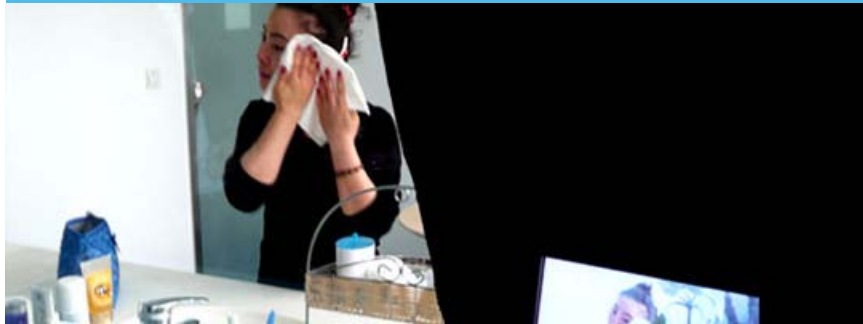
▶ TOWARDS FAIR ACCESS TO RAW MATERIALS

▼ SOCIETAL CONTRIBUTION OF COSMETICS

▶ IN CLOSE-UP: HAIR COLOURING

[Innovation](#) / Societal contribution of cosmetics

Societal contribution of cosmetics



L'Oréal is adding to the stock of knowledge regarding the contribution made to society by cosmetics.

Research in social sciences

The outsourced social sciences research centre is investigating the psychological and socio-cultural processes at work in cosmetic use and personal hygiene routines.

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

These studies centre on the profound motivations underlying people's interest in their appearance and their attitude to risk. They consider issues of culture, acculturation and social networks, based on data gathered from ten populations.

Two theses and a post-doctoral study have since been completed, forming the basis of new protocols. This research has led to the development and validation of new psychometric tools which can be applied to other populations, providing measurement indexes relating to appearance, self-esteem and risk perception.

Research into quality of life

The BeautyQoL project

The BeautyQoL initiative, an ambitious programme aimed at developing a new quality of life index specific to cosmetics, has been underway since 2006 in 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 will provide a new indicator in the development of products, factoring in consumer expectations, cultural variables and the environment.

In 2009, the results of a study conducted in partnership with the Sainte-Anne Hospital in Paris, on cosmetic use in adult patients suffering from anorexia, were published as part of the proceedings of 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 continuously conducts studies 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.

In 2010, the make-up laboratory continued its work on gaining an understanding of skin colour around the world and has also completed other typological studies.

MORE IN THIS REPORT...

▶ IN CLOSE UP: HAIR COLOURING

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ KEY ACHIEVEMENTS 2010
- ▶ EFFICACY ASSESSMENT
- ▶ NEW ROUTES TO INNOVATION
- ▶ RAW MATERIALS
- ▶ ECO-DESIGN
- ▶ ETHICAL, SAFE PRODUCTS
- ▶ EVALUATING ENVIRONMENTAL IMPACT
- ▶ TOWARDS FAIR ACCESS TO RAW MATERIALS
- ▶ SOCIETAL CONTRIBUTION OF COSMETICS
- ▶ IN CLOSE-UP: HAIR COLOURING

Innovation / In Close Up: Hair colouring

In Close Up: Hair colouring

The launch of “permanent” hair colourants at the end of the 1950s was a real social revolution that fundamentally changed the perception and image of women in their prime.

“Hair colour is a symbol of identity, and colouring the hair has become a language that expresses personality.”
Jean-Marc Ascione, International Director of Hair colour Product Development

WHAT GOES IN?

- ▶ Raw materials
- ▶ Expert knowledge
- ▶ Care for the environment
- ▶ Talented employees



WHAT COMES OUT?

- ▶ Value for consumers
- ▶ Commercial success
- ▶ Value beyond cosmetics

Rules and laws

The European Cosmetics Directive is a strict one. In 2003, the European Commission, in conjunction with the member states and stakeholders, adopted a global strategy to maintain a “positive list” of approved hair dye substances. We use these in our existing products in full compliance with approved concentrations, and any new product developments are submitted to the Scientific Committee on Consumer Safety (SCCS).

Integrity and responsibility

L'Oréal evaluates – scientifically and exhaustively – the performance, safety and potential environmental and social impact of every ingredient used in its products. L'Oréal also attaches great importance to the proper use of its products by consumers.

Labelling and advice on the front of our packaging alerts consumers to the risk of allergic reactions and recommends that a skin allergy test is carried out before using the product. A use-by date is also shown in the case of multi-use professional products (as opposed to single-use products that by their nature are used in one go). L'Oréal provides single-use gloves in its hair colouring kits for consumers. We also provide salon professionals with advice on good hair colouring practice.

Ethics

L'Oréal categorically advises against the colouring of children's hair aged under 16.

Diversity

L'Oréal is an expert in geocosmetics, which includes the study of hair characteristics and consumer preferences (hairstyles) in every part of the world. As a result, our product formulations can vary according to hair type – from naturally curly to straightened hair, or hair that has a very dark base.

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT



Expert opinion on protecting the beauty of the planet

LISTEN TO EXPERT OPINION



José-María Figueres
CEO, IJ Partners

Miguel Castellanos
General Manager,
Global Environment,
Health & Safety, L'Oréal

LISTEN TO EXPERT OPINION



David Logan
Co-founder, Corporate Citizenship

Barbara Lavernos
Chief Procurement
Officer, L'Oréal

Laurent Gilbert
Advanced Research
International Development
Director, L'Oréal

- ▶ [Recognising excellence](#)
- ▶ [Report downloads](#)
- ▶ [Managing EHS](#)
- ▶ [Leave feedback](#)

Find out about our key themes

VIEWPOINTS

- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Viewpoints

PRODUCTION

How we reproduce sustainable ecosystems

"L'Oreal is developing a strategy which is fundamentally about creating 'ecosystems' close to where your consumers are, and because your industrial facilities are well integrated with your supply chain, the whole ecosystem becomes much more efficient. The beauty of that, in a globalised environment, is that you bring a very important local component to everything you do. What I love about this approach is that if we consider sustainability as a combination of economic, environmental, human and social factors, creating these ecosystems actually strengthens the 'human factor'."

José-María Figueres, CEO IJ Partners

"One of the goals we have set ourselves is a 50% reduction in CO₂ over the ten years 2005 to 2015. When we talk of acquiring one billion new consumers, we're talking 2020. That means we have to do much more than we said that we would do in 2009 to reduce our CO₂ emissions because, of course, we have to build new factories, and these will probably be in China and Indonesia. Our policy is that all these factories must have very low CO₂ emissions so by the end of 2020 we will be meeting or beating our target."

Miguel Castellanos, General Manager, Global Environment, Health & Safety, L'Oréal

THE EXPERTS



José-María Figueres
CEO, IJ Partners

Miguel Castellanos
General Manager, Global Environment,
Health & Safety, L'Oréal

PRODUCTION

How we source sustainable ingredients

"A central question for me is are you, in driving forward with the supply chain, sharing with your suppliers the kind of knowledge they need to be sustainable economically, socially, and environmentally, so that they can support your goals of reducing your carbon footprint?"

David Logan, Co-founder, Corporate Citizenship

"L'Oreal has a tradition of long-term relationships with its suppliers. More than a third of L'Oréal's existing suppliers have worked with us for decades. The people we started with when we were implementing our facilities in Indonesia, China, Brazil and elsewhere in the world are not just still with us, but they have developed with us. (B.L) In 2006, we have worked to assess suppliers to ensure that the supply chain we are using is not affecting biodiversity and is compliant with all international, regional, and local regulations. We have made the decision and the commitment to source raw materials of natural origin while fully respecting the Convention on Biological Diversity discussed in Rio. (L.G)"

Laurent Gilbert, Advanced Research International Development Director, L'Oréal

Barbara Lavernos, Chief Procurement Officer, L'Oréal

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THE EXPERTS



David Logan
Co-founder, Corporate Citizenship

Barbara Lavernos
Chief Procurement Officer, L'Oréal

Laurent Gilbert
Advanced Research International
Development Director, L'Oréal

Find out about our key themes

▶ VIEWPOINTS

▼ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / Introduction

Introduction



L'Oréal has 38 factories and 78 distribution centres across the world. In 2010, we made and distributed more than five billion units of product. At L'Oréal, safety is non-negotiable and environmental conservation is a strategic core value.

Health & Safety

The Health & Safety of the people who work in and use our facilities is of paramount importance and we are committed to maintaining Health & Safety in all our workplaces, including our industrial facilities.

We are aiming for an 86% improvement in our safety record by 2015 - base year 2005; TFc (Conventional Frequency Rate) of 4.20, representing a TFc of < 0.60.

In line with the positive trend we have seen over several years, performance continued to be very good in 2010. Our accident rate fell by 23% compared with the previous year.

Environment

Making and distributing our products with respect for the environment and for people is vital to L'Oréal's sustainability vision. Our factories and distribution centres are committed to stretching environmental targets:

- 50% absolute reduction in greenhouse gas emissions (scope 1 and 2)
- 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).

L'Oréal has an ambitious target to reach one billion new consumers by 2020. How our products are consumed – as well as how we make and distribute them – is of paramount importance. [Read more about sustainable consumption.](#)

Environmental performance summary, L'Oréal group factories and distribution centres

- Manufacturing capacity increased by 11.1%
- Greenhouse gas emissions: absolute reduction of 27.8% (tonnes of CO₂, scope 1 and 2 emissions, 2005-10)
- Water consumption reduced by 19.2% (litres per finished product, 2005-10)
- Transportable waste reduced by 17% (grams per finished product including returnable packaging, factories and distribution centres, 2005-10)
- Wastewater quality: absolute improvement of 21.7% (2006-10).

Please see [Databank](#) for more detail.

38
industrial sites on five continents

85.9%
of our production output is made in L'Oréal factories

MORE IN THIS REPORT...

▶ MANAGING EHS

DATABANK

- ▶ HEALTH AND SAFETY
- ▶ GREENHOUSE GAS EMISSIONS
- ▶ ENERGY
- ▶ VOCs
- ▶ SO₂
- ▶ PACKAGING
- ▶ WASTE AND RECYCLING
- ▶ WATER
- ▶ TRANSPORT
- ▶ EMPLOYEE TRAVEL
- ▶ ENVIRONMENTAL INCIDENTS

All L'Oréal factories and Galderma factories (50% owned by L'Oréal) are accredited to internationally recognised standards in environment, Health & Safety – apart from two factories which are recent acquisitions or start-ups. These standards include OHSAS 18001 (or VPP in the US) for occupational health and safety, and ISO 14001 for environmental management.

We want to continue to develop our approaches and with this in mind, our Chimex subsidiary is working with the new international standard, ISO 20006, which does not replace the standards we have already adopted, including ISO 14001, but complements them. The goal for Chimex is not ISO 20006 certification but to demonstrate that Chimex is meeting the broadest definition of corporate responsibility, as set out in this new standard. For more information on ingredients manufacture, see [Made in Chimex](#).

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / Managing EHS

Managing EHS



L'Oréal has had an Environmental, Health and Safety (EHS) policy for many years. This sets out our commitment 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 and group EHS manual

In 2010, we initiated a project to bring together in one place all the elements that support implementation of our EHS policy across L'Oréal's worldwide sites. The result is our EHS manual – the first level of documentation in our EHS system.

The manual outlines how EHS is organised and managed within L'Oréal, and sets out the measures to be applied by all operational sites under L'Oréal's control. These include measures and targets for safety (zero accidents), resource efficiency, CO₂ emissions, as well as EHS responsibilities, internal procedures and so on. This provides sites with a key tool to drive further improvements in EHS performance.

The EHS manual is due to be launched in 2011 to all operational sites and will be extended to cover Research & Innovation sites and administration centres from 2012.

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 L'Oréal division has a dedicated EHS function. In a typical factory of 350 workers, there would be three to four full-time EHS staff.

Factory managers' and distribution managers' remuneration is linked to EHS performance.

Worldwide audit programme

External experts regularly visit L'Oréal's production and distribution sites to assess progress and risks. Third party audits are also carried out at supplier sites using the same standards that 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.

EHS Policy training

We provide targeted training in L'Oréal's EHS Policy for line managers and EHS professionals across our group. The objectives are to:

- Identify and share our EHS vision, challenges and values across the group

DATABANK

▶ 2010 PERFORMANCE: ENVIRONMENT, HEALTH & SAFETY

MORE IN THIS REPORT...

▶ EHS MANUAL (PDF)

▶ GROUP EHS POLICY

- Identify the risks inherent in a role, task, behaviour or use of equipment and to implement tailored corrective solutions
- Enable managers to implement effectively our EHS Policy across teams.

In Europe, 111 EHS specialists and managers with operational EHS responsibilities took part in our customised EHS Policy training, and 20 in Asia. From 2011, there will be a customised version targeted at all levels of line management.

Training in EHS and leadership

In 2010, 20 L'Oréal participants took part in two open seminars for site managers on EHS & Leadership, held at CEDEP, the collaborative learning community based on the INSEAD campus in France.

The main objectives of the seminars were to change the mindset of managers on safety, build recognition of safety as a core issue for organisations and leaders, and improve the capacity of managers to instil and maintain safe behaviours over the long term.

Environmental initiatives



"We have done a tremendous job worldwide this year through our dedicated teams and transversal steering committees to improve environmental monitoring and prioritised environmental efforts alongside operational performance. As a result we have enhanced best practices in our drive to halve our CO₂ emissions, our water consumption and our waste generation by 2015. We know that these are hard goals to attain, but we are already halfway and we will get there. Naturally, we are also thinking of further goals after 2015... and are very aware that the reduction of our environmental footprint will provide cost savings through operating efficiency and also drive innovation."

Miguel Castellanos, Director of Environment, Health and Safety, L'Oréal

Safeguarding bees and biodiversity



Bees are vital for pollination and biodiversity but populations around the world have suffered dramatic declines in recent years. The Chimex factory at Tours, France, has allocated 8,000 square metres of its land to wildflowers and other native flora, providing bees with an ideal habitat. Following an agreement with a beekeepers' association, four hives have been set up as part of a programme to recolonise the local area. The factory is also providing funding so that a hive can be safely observed from a distance as part of an educational outreach programme with local schools.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▼ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / Recognising excellence

Recognising excellence



We recognise achievements internally, through our annual EHS Award Scheme. These are an important part of encouraging and motivating operational teams and employees.

The L'Oréal EHS Awards recognise exceptional EHS performance across our factories, distribution centres and administrative sites. Previous winners have included an ergonomics programme, water reduction initiatives, and recycling projects. Future winners will be announced in October 2011.

In 2010, we also continued our "Excellence Manufacturing" worldwide programme, which has once again enabled substantial improvements in efficiency.

Our approach was recognised with the presentation of the "Manufacturing Excellence" award at the European Manufacturing Summit in Dusseldorf. The jury stressed the rapidity of the results obtained and their regular improvement, as well as the innovative and collaborative nature of this approach, based on the sharing of best practices between sites.

DATABANK

▶ 2010 PERFORMANCE: ENVIRONMENT, HEALTH & SAFETY

MORE IN THIS REPORT...

▶ EHS MANUAL (PDF)

▶ GROUP EHS POLICY

VIEWPOINTS

INTRODUCTION

MANAGING EHS

RECOGNISING EXCELLENCE

HEALTH AND SAFETY

> HEALTH AND SAFETY INITIATIVES

> AUDIT PROGRAMME

CARBON AND ENERGY

WATER

WASTE AND RECYCLING

'MADE IN CHIMEX'

SOURCING RAW MATERIALS

SUPPLIER RELATIONS

PACKAGING

SUSTAINABLE BUILDINGS

TRANSPORT

Production / Health & Safety

Health & Safety



The Health & Safety of our employees is paramount and L'Oréal's ultimate goal is zero accidents and incidents.

We have comprehensive Health & Safety measures focused on risk reduction and continuous improvement. We want to create and maintain a culture of safety, which sets high standards, recognises excellence and involves employees at all levels of the company.

Several of our factories and distribution centres have worked for millions of hours without a single lost time accident.

Original target

Our original target was a 70% improvement in our safety record by 2015 (base year 2005; TFc of 4.20), representing a TFc* of < 1.0.

We have now decided to raise the bar even higher as part of our commitment to world-class performance.

Revised target

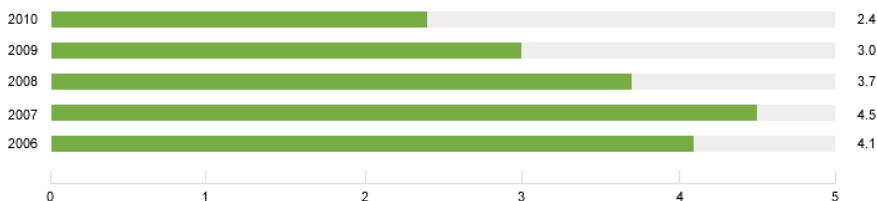
We are aiming for an 86% improvement in our safety record by 2015 (base year 2005; TFc of 4.20), representing a TFc of < 0.60.

*Tfc (Taux de réqence conventionnel; Conventional frequency rate) = number of lost time accidents per million hours worked by L'Oréal employees.

Performance summary

In line with the positive trend we have seen over several years, performance continued to be very good in 2010. Our accident rate fell by 23% compared with the previous year.

TFc (Conventional Frequency Rate) – Factories and distribution centres



Millions of hours without a lost time accident

- 12 factories and four distribution centres reached or passed the threshold of one million hours worked* without a lost time accident
- Four factories reached three million hours.

*(L'Oréal employees and temporary workers)

Zero accidents in 2010

- 61 (out of 110) factories and distribution centres recorded zero accidents – and our safety record in our distribution centres continues to improve significantly
- As well as a reduction in the number of accidents, it is also important to note that the accident severity rate continues to fall, showing a 73% improvement since 2005.

PERFORMANCE

36.8% improvement

in our accident rate since 2006 (Conventional Frequency Rate)

MORE IN THIS REPORT...

- EHS MANUAL (PDF)
- GROUP EHS POLICY (PDF)

DATABANK

- HEALTH & SAFETY

Focus areas for 2011

- The figures show excellent progress over several years but a deterioration over the last three months of 2010 is also a reminder of the need to maintain our focus. This relates to a rise in the number of incidents at a newly acquired site, where the group EHS policies and procedures are still currently being implemented
- Another area of focus is lost time accidents of temporary workers in our factories. This rose by 50% compared with 2009.

Controlling explosion and fire risks

ATEX is a framework that reflects two European Directives on controlling explosive atmospheres, including standards of equipment and protective systems. Since 1997, we have had an internal directive which has been applied in all operational sites worldwide. This follows the spirit and major requirements of ATEX, as well as the American NEC 505 standard. Although our sites have a low fire risk, L'Oréal takes it extremely seriously. Our warehouse in Essigny, France, which stores aerosol products containing flammable gases, is considered a model across Europe for fire prevention measures.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▼ HEALTH AND SAFETY

> HEALTH AND SAFETY INITIATIVES

> AUDIT PROGRAMME

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Health And Safety](#) / Health & Safety initiatives

Health & Safety initiatives

Key initiatives in 2010 included the following:

SHAP

During 2010 we reviewed our approach to general risk management on all our sites using SHAP (Safety Hazard Assessment Procedure), L'Oréal's proprietary risk analysis tool.

A key aim is to engage all our employees, to help them understand and prevent risks in their work environments. In most of our factories, we have achieved an 80% engagement rate, measured through our EHS 'Culture Audits' ('Audits Culture'), and we will be building on this in 2011.

The SHAP methodology was first deployed in 2001 in all our factories and later in our distribution centres. This was accompanied by the creation of a risk analysis function. SHAP is well established across our operations, but our review in 2010 has identified the need to:

- Extend SHAP to all sites (including administrative centres, laboratories and campuses)
- Make managers responsible for risk analysis and prevention
- Develop more awareness and promote the active participation of employees in the risk analysis of their work environment.

EHS manual

This project aims to bring together all the elements that make up our EHS policy, in order to help our sites to implement it worldwide. The manual complies with international standards, (including ISO 14001 and OHSAS 18001), and provides a complete picture of L'Oréal's goals for safety and the environment. It summarises EHS roles and responsibilities in all the Group's structures, as well as EHS directives – helping sites to achieve and maintain a high level of EHS performance.

The manual will be published in 2011.

Ergonomic Attitude programme

In 2010, we extended a 2009 pilot, to develop a group-wide ergonomic programme called Ergonomic Attitude. The programme's principal aim is to develop systematic, focused improvements within our work environments. A group steering committee oversaw the development of the strategy and identified initial focus areas.

For each focus area, a workgroup was established, and in 2010 workgroups for computer workstations, packaging line design, best practice sharing, and training and awareness were initiated. In particular, good ergonomic practices were collected across L'Oréal's sites and were published on the group EHS intranet, providing a platform for knowledge sharing across all sites.

An Ergonomic Attitude awareness film was created at the end of 2010, which will be available for use by sites to support their development of ergonomic situation awareness and for launching the programme. 2010 was a great year for Ergonomic Attitude and 2011 promises to be even better.

MESUR programme

MESUR (*Managing Effective Safety Using Recognition & Realignment*) is a group EHS programme that develops the capacity of an individual to identify risk and act accordingly.

MESUR is a programme developed by L'Oréal for L'Oréal. It uses a variety of best practices in Behaviour Based Safety, which are aligned with our safety culture and future vision.

The programme requires management to systematically speak to employees about their safety. Employees are observed in day to day activities by management and are then engaged in discussion about their safety, their At Risk Practices and the potential for injury. Solutions are then developed with the individual, with a preference for immediate solutions.

MESUR is designed to ensure that:

- Line management discusses safety with employees on a systematic basis, enabling employees and those with safety responsibilities to discuss best practice and identify improvements together
- The safety culture of L'Oréal develops to become an interdependent culture
- Low level signals (At Risk Practices) are identified and reviewed. This provides management with the opportunity to identify potential injury risks before an injury occurs.

MESUR has been extended to all our operational sites. In 2010, 6,788 MESUR visits took place. These led to 14,210 actions for improvement, and 92% of these were completed.

PERFORMANCE

36,565 suggestions

and opportunities for improvement were actioned through our safety programmes in 2010

DATABANK

▶ 2010 HEALTH & SAFETY PERFORMANCE

In 2011, it is planned to pilot an extension programme based on MESUR principles with all employees.

SIO (Safety Improvement Opportunities)

The aim of the SIO programme is to involve employees in sharing responsibility for safety matters and to create a culture of safety. The SIO programme promotes the need for employees to identify areas for improvement and reduce the risk of incidents. These might range from a missing floor tile, an issue with a safety device, or any other improvement that could prevent an accident.

Progress is monitored through the Safety Culture rate – the total number of SIOs per million hours worked.

Our 2010 performance shows the increasing involvement of our employees:

- A Safety Culture rate of 636 – a 75% increase on 2009
- 25,028 SIOs were identified in 2010 across all operational sites
- 89.3% of these SIOs were completed.

Our next target is to close more than 90% of all SIOs identified during 2011.

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▼ HEALTH AND SAFETY
 - > HEALTH AND SAFETY INITIATIVES
 - > AUDIT PROGRAMME
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

[Production](#) / [Health And Safety](#) / [Audit programme](#)

Audit programme

L'Oréal has a comprehensive audit programme in EHS, including Risk Audits, 'Culture Audits' and Contractor Audits.

EHS Risk Audit

Risk Audits are designed to ensure that procedures and methods being used by employees do not carry inherent risks. These audits are carried out by independent, recognised experts across our international operations. A team of three or four auditors would typically evaluate a factory over four to five days, while one or two auditors would typically spend two to three days at a distribution centre.

In 2010, Risk Audits were carried out in ten factories, nine distribution centres and five administrative sites.

EHS 'Culture Audit'

This programme was set up in 2009 with a focus on leadership, visible EHS culture and industrial excellence. EHS 'Culture Audits' are triggered by a site's performance and are conducted by internal EHS specialists through group interviews involving 20% to 30% of the site's employees.

Before the audit, the site management is invited to carry out a self-evaluation using 16 key criteria (see example below). These are then evaluated during the audit, with the site management and workforce, in order to assess performance and identify opportunities for improvement.

In 2010, EHS 'Culture Audits' were carried out in 15 factories and eight distribution centres.

Examples of EHS 'Culture Audits' showing results over two years: Suzhou, Asia and Franklin, USA

Suzhou factory, Asia

Our Suzhou factory was one of 12 across L'Oréal's operations that reached or passed the threshold of one million hours worked without a lost time accident for L'Oreal employees or temporary workers.



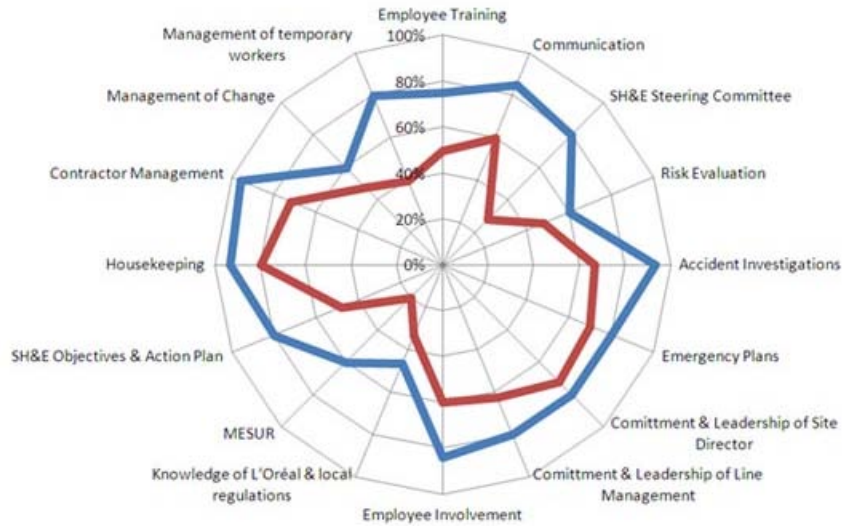
DATABANK

▶ SUPPLIER SOCIAL AUDITS

MORE IN THIS REPORT...

▶ SUPPLIER RELATIONS

Franklin factory, USA



Blue – February 2011, Red – March 2010

EHS Contractor Audits

The vast majority of L'Oréal's production output is made in our own factories and only a very small percentage is made by contractors. We have an audit programme specifically for contractors who manufacture and/or package our finished goods.

This programme focuses on compliance with EHS regulation and risk control. Audit visits are carried out by independent, external auditors on L'Oréal's behalf.

In order to become a contractor of L'Oréal, there must be a positive audit result. In 2010, EHS Contractor Audits were carried out at nine contractor factories.

See also: [Social audits, which focus on suppliers' labour standards.](#)

Other types of EHS audit

Other types of EHS audit include insurance inspections (30 fire and environment inspections in 2010); certification audits (30 site audits in 2010, for ISO 14001 and OHSAS 18001); and visits to assure the accuracy of our KPI data – for example, see [databank section](#) for this report.

EHS Corporate Audit Committee

The role of this Committee is to assure the governance, quality and effectiveness of our audit programme. The committee met twice in 2010, to discuss findings and recommendations from audits with zone management, and to define a three-year improvement action plan.

VIEWPOINTS

INTRODUCTION

MANAGING EHS

RECOGNISING EXCELLENCE

HEALTH AND SAFETY

CARBON AND ENERGY

WATER

WASTE AND RECYCLING

'MADE IN CHIMEX'

SOURCING RAW MATERIALS

SUPPLIER RELATIONS

PACKAGING

SUSTAINABLE BUILDINGS

TRANSPORT

Production / Carbon and energy

Carbon and energy



To help address climate change, L'Oréal has made a significant pledge to achieve a 50% reduction in absolute carbon emissions (scope 1 and 2), 2005-2015. We are making good progress and as of 2010 have achieved a reduction of 27% since 2005.

Energy and greenhouse gases in manufacturing

The cosmetics industry has a relatively low energy demand in comparison with other sectors. For example, L'Oréal is exempt from the European regulations on carbon emission quotas.

However, we are committed to using energy efficiently and reducing dependency on fossil fuels. Wherever possible, we purchase natural gas rather than fuel oil (which has a higher carbon intensity) and continue to develop our renewable energy strategy.

We value every initiative taken by every site across the world. Each saving is important in reducing our overall carbon footprint. For example:

- Our Yichang factory in China has reduced the electricity it uses for lighting by 45% (2008-10) as a result of progressive upgrades including the use of T5 fluorescent lamps
- In Piscataway, USA, our factory has reduced the amount of electricity used for lighting by 70%, by installing LED lamps and sun tubes, which make use of natural daylight.

BUS (Better Utilities for Sustainability)

The BUS project, a group-wide pilot project run by operations managers, is drawing on expertise from across L'Oréal to identify methods, technical solutions and good practices in cleansing, cooling, air compression and other factory processes.

To date, we have identified 11 good practices in water conservation and energy efficiency. The aim is for these to become second nature and 'non-negotiable' across the group.

Halving CO₂ emissions at Vichy

Our Vichy factory has already reduced its carbon footprint by 38% (2005-10). It is partnering with energy provider EDF on three new technology projects, with the aim of reducing carbon emissions by 50% by 2011.

Triple energy recovery: Energy from three processes (waste water, steam and compressed air) is recovered to heat water to between 12° and 60°C, which is then used for washing and cleaning. Steam is then used to heat the water to a required 70°C

Free cooling: This applies an ancient principle in a new way: colder night air is captured and re-used for cooling, while in winter the heat generated from the production plant is used to maintain an even temperature

Geothermal energy: The heat generated by the geothermal system enables water to be pre-heated in summer, air to be warmed in winter, and it also keeps an even temperature in the building. The cold water produced by the system is used for production processes and for cleaning the plant.

TARGET FOR 2015

50% reduction

in absolute greenhouse gas emissions, scope 1 and 2

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

PERFORMANCE

27.8% absolute reduction

since 2005 (scope 1 and 2 emissions)

8.7% absolute reduction

since 2009 (scope 1 and 2 emissions)

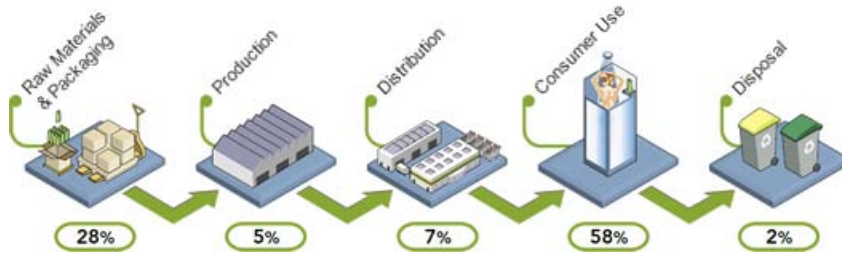
L'Oréal was ranked No. 1 in the annual Climate Counts survey of companies who are managing their climate impacts

DATABANK

- ▶ CO₂ EMISSIONS SCOPE 1
- ▶ CO₂ EMISSIONS SCOPE 2
- ▶ TOTAL CO₂ EMISSIONS
- ▶ ENERGY

L'Oréal's wider carbon footprint

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



Following a study of our eight product categories, we estimate that 12% of our entire footprint relates to raw materials, and 58% on average comes from the use of our products.

'Green' IT

We are working to reduce our energy consumption and carbon footprint by implementing an environmentally friendly approach to the use of IT hardware and systems. This includes evaluating IT equipment for energy efficiency, recyclability (including consumable parts such as printer cartridges) and delivery terms (including packaging).

For our major data centres, we select outsourcing partners with clear commitments and policies to reduce the carbon footprint of their operations.

Tools such as video conferencing and instant messaging have been deployed to workstations, and web conferencing is available to help reduce business travel and minimise our carbon footprint.

The new multifunction office copiers now in use in all L'Oréal sites in the Ile de France region provide state-of-the-art functionality, enabling us to monitor our use of consumables and reduce this where possible. The machines provide double-sided printing, better recyclability and improved accessibility for people with reduced mobility, with easy-to-use buttons and levers.

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▼ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Water

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 performance

In 2010, we reduced water consumption per finished product by more than 6% while overall water consumption in our factories and distribution centres rose by just over 4% compared to 2009.

Over the past five years (2006-10), by challenging every single water use and optimising water systems, we have reduced water use per finished product by 16.5% and cut absolute consumption by 7.6%. This is in the context of a 10.8% increase in production over the same period.

Water use

Most of the water used in L'Oréal factories is for cleaning production equipment and packaging lines to maintain our strict hygiene standards. This represents approximately 44% of all water consumption in our industrial sites.

To meet our targets, we are aiming to reduce the amount of water used for cleaning without affecting quality. This is a major challenge, because cleaning is a complex process that takes place in different ways, depending on the equipment used and the formulas involved.

We have developed a new method called OptiCIP, which enables us to take into account site specifics such as equipment and type of product, then apply the most efficient cleaning processes in our factories.

In 2010, several factories ran pilot projects (including Warsaw, Poland; Solon and Florence in the United States; and Vichy, France), with initial findings showing significant savings of 50% and more on certain types of equipment. Implementation plans are now in place, with the aim of standardising the OptiCIP method by 2015.

Use of rainwater, Fapagau, France



Around 80% of the water used at our Fapagau perfume factory in France is for sanitary purposes and cleaning. After conducting a feasibility study, taking into account local rainfall intensity and available roof surface, we installed three storage tanks (with a capacity of 70 m3) to collect rainwater. The use of rainwater has enabled the factory to reduce the use of drinking water by 30% compared to 2009, contributing to conservation of ground water.

TARGET

50% reduction

in water consumption per finished product

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

PERFORMANCE

19.2% absolute reduction

(litres per finished product, 2005–2010)

c.8% reduction (absolute terms, 2005–2010)

DATABANK

- ▶ WATER CONSUMPTION
- ▶ WATER QUALITY

Improving the cleaning process, Settimo, Italy

Our factory in Settimo doubled its mascara production in 2010. To avoid water and energy increasing in direct proportion, we transferred technology from the chemical industry and now use a component that breaks down the remaining mascara emulsion. This reduces the amount of water and energy used in cleaning the production vessels, improved the efficiency of the cleaning process and delivered ergonomic benefits.

Applying simple ideas, Ormes, France

Factory teams in Ormes have invented a practical solution to an everyday challenge by 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, which requires less water, steam and detergent for cleansing.

Wastewater

In 2010, COD (Chemical Oxygen Demand) of wastewater before treatment was reduced by 4%, which corresponds to 17.5kg COD per tonne of bulk produced.

Approximately half of L'Oréal's sites have on-site wastewater treatment plants. These use a range of methods including physical, chemical and biological processes, or other technologies adapted to different wastewater characteristics and local discharge conditions.

The COD of wastewater after on-site treatment was reduced by 11.2% to 1.2g COD per finished product.

With the aim of minimising overall energy use and solid waste production while maximising residual treatment efficiency, L'Oréal supports European research including a project with the University of Newcastle, UK, which is looking into energy efficiency in wastewater treatment.

Transparency in water reporting: Carbon Disclosure Project

In 2010, L'Oréal became a Founding Responder to the Carbon Disclosure Project (CDP) water reporting initiative. The CDP is a leading, independent, not for profit organisation that promotes transparency in climate change reporting. In 2010, the CDP expanded its scope to include water reporting. L'Oréal has provided a report to the CDP on water management strategies, including water consumption, water discharge and other initiatives being carried out by the group.

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▼ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Waste and recycling

Waste and recycling



For many years L'Oréal has followed a robust policy of waste management. This goes beyond regulatory compliance and the prevention of human risks to the environment, and consists of waste prevention, reuse, recycling and energy recovery in order to avoid waste to landfill.

In 2010, in line with the targets we set in 2009 to reduce waste per finished good by 50% (2005-15), we started new initiatives across the group that go further in reducing waste at source while reducing our overall environmental footprint.

- 96% of our waste is re-used, recycled or recovered
- More than 50% of our sites send zero waste to landfill
- Waste including returnable packaging per finished product reduced by 7.4% compared with 2009.

Types of waste

Waste is defined as any material leaving L'Oréal sites, other than products, and we distinguish different types of waste in accordance with European regulations.

These include transportable wastes (including cardboard, paper, plastic, dirty packaging, pallets, and residues from manufacturing), returnable packaging for transport that circulates between our suppliers and our sites, and exceptional waste such as construction debris.

Waste reduction

Our priority is to avoid generating waste at all, whether this is unnecessary packaging, or residues from wastewater treatment. This is key to greater resource efficiency and sustainability.

In 2010, we reduced waste per finished product by 7.4%, by re-using pallets, more eco-efficient wrapping and packaging, and reducing obsolete products.

Joint projects to reduce waste

In our Active Cosmetics Division, a production steering group led by a director meets every month to monitor progress on waste management projects. By working with all interested parties including suppliers, the Division has reduced the volume of waste per finished product by 8%, while reducing the volume of returnable packaging per finished product by 17%.

We are in the early stages of a groupwide project looking at tertiary packaging and preventing waste at source. Drawing on specialist knowledge from suppliers and eco-design consultancies as well as our packaging, sourcing, production and environmental teams, we will be developing and piloting new indicators to drive our waste management performance. We will also be developing guidelines to help our teams with design and purchasing decisions, including the choice between returnable packaging or recycled and recyclable materials.

TARGET

50%
reduction

in waste generated (excluding returnable packaging) per finished product

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

PERFORMANCE

17%
reduction

(2005–2010)

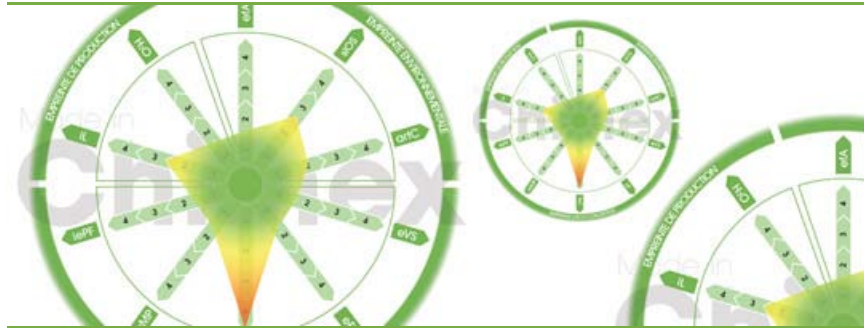
DATABANK

- ▶ TRANSPORTABLE WASTES
- ▶ WASTE TREATMENT

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▼ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / 'Made in Chimex'

'Made in Chimex'

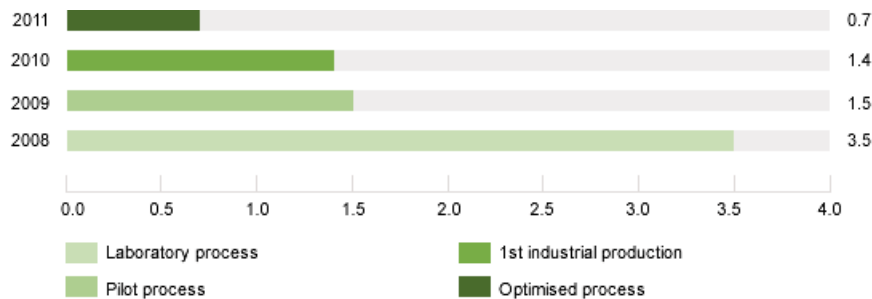


L'Oréal's Chimex subsidiary in France specialises in the production of cosmetics ingredients and formulas and is involved in a wide range of initiatives that support L'Oréal's sustainable development strategy. These include eco-design processes that harness green chemistry and biotechnology in order to minimise environmental impacts.

Chemistry is both a science and an industry. It has always involved transformations of materials that have been essential throughout human history. 'Made in Chimex' provides customers with the assurance that sustainability factors have been taken into account during product design and manufacture, using environmentally friendly technologies and a clear understanding of the environmental footprint of individual products and ingredients.

Environmental footprinting

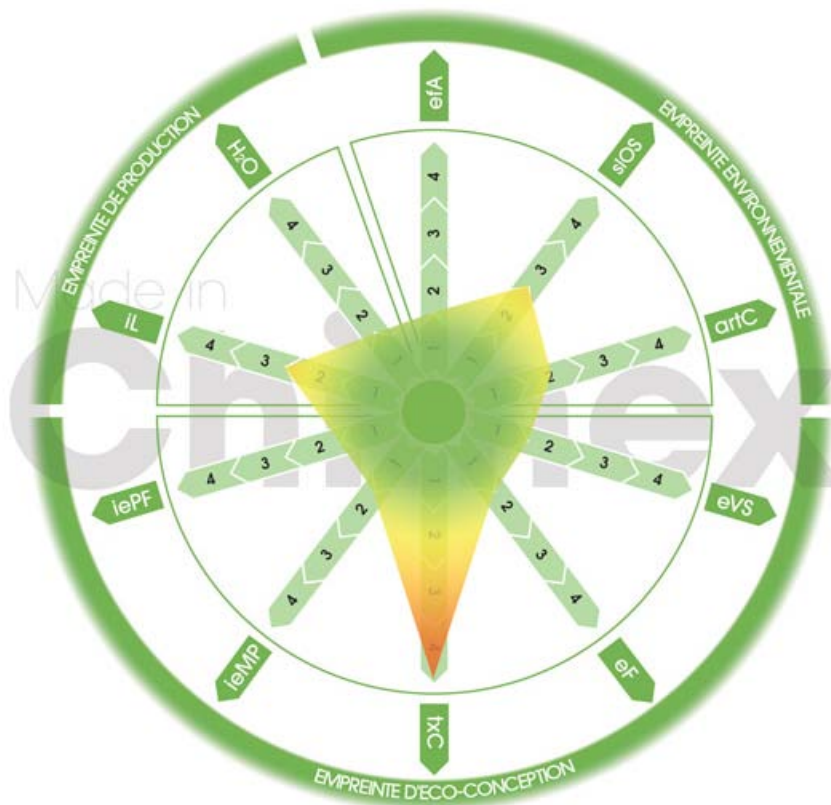
As one example, Chimex has studied the environmental footprint of the active anti-aging ingredient Mexoryl OLS (see below), measuring water consumption, the location of raw materials, packaging, carbon footprint and other factors.



The chart shows how Chimex has progressively reduced the 'E-factor' for the ingredient Mexoryl since 2008 by using specialised processes – in this case, the volume of waste generated (kg per finished product).

MORE IN THIS REPORT...

▶ GREEN CHEMISTRY



'Made in Chimex' means understanding and addressing the footprint of an ingredient at each stage of the process.

Research partnerships

Chimex has developed research partnerships with a wide range of external organisations including CNRS, the Institute for Research on Catalysis and the Environment (IRCE), and the Ecole Nationale Supérieure des Industries Chimiques (ENSIC) to further develop the 'eco-design' concept and its application to environmental technology. Such partnerships are helping to develop more fuel-efficient processes – for example, the replacement of conventional chemistry with bio-conversion.

Benchmarking performance

Chimex is working with leading corporate responsibility rating agency Vigéo to build a profile of its environmental and social performance. This profile enables Chimex to benchmark its performance within the industry and to examine its sustainability performance across interlinked and often complex issues.

Engaging with sustainable development

"By voluntarily evaluating its social and environmental performance, Chimex shows its commitment to placing corporate responsibility at the heart of its business strategy. The results obtained using our methodology demonstrate a convincing level of engagement with sustainable development, as represented by 'Made in Chimex'."

Samuel Dufay, director, Vigéo

Following the positive results achieved in this evaluation, Chimex is aiming for certification to the LUCIE standard in 2011. This standard, created by Qualité France Association and Vigéo, is based on the new ISO 20006 standard for social responsibility.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▼ SOURCING RAW MATERIALS

> A WORLD OF INGREDIENTS

> WHAT MAKES A NATURAL INGREDIENT SUSTAINABLE?

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / Sourcing raw materials

Sourcing raw materials



Strategic management and responsible sourcing of raw materials is key to L'Oréal's sustainability strategy, the conservation of natural resources and the protection of biodiversity and ecosystems.

Sustainable palm oil

L'Oréal buys very small amounts of palm oil (approximately 600 tonnes a year, mainly for use in our skin and hair care products), compared to the worldwide consumption of more than 40 million tonnes.

Despite being a low volume purchaser, in 2008 we committed to playing our part in the protection of biodiversity and forest ecosystems by sourcing all our palm oil from sustainable plantations.

Since January 2010, 100% of our palm oil comes from sustainable, well managed plantations which have been certified by the Roundtable on Sustainable Palm Oil (RSPO).

RSPO, of which WWF is a founding member, is a not for profit association of international stakeholders from across the palm oil industry. RSPO was formed to:

- Develop principles and criteria to ensure that palm oil production is economically viable, environmentally appropriate and socially beneficial
- Promote plantation management practices
- Improve land use planning processes for the development of new oil palm plantations
- Improve risk analysis and decision-making tools for banks and investors on palm oil development
- Investigate different chain of custody approaches, to create links between the oil palm plantations and the consumer.

While recognising that as a small purchaser of palm oil we have a limited influence in this area, in 2010 we took our commitment a step further by joining the Derivatives Coalition Working Group, which is exploring a range of alternative, sustainable raw materials.

In 2009, L'Oréal was recognised by WWF as one of the ten most responsible companies using this ingredient.

A pioneering community fair trade programme

Through its Community Fair Trade programme, The Body Shop sources the highest quality ingredients from 14 countries around the world. These include shea butter from Ghana, supplied by the Tungteiya Women's Shea Butter Association. The Association has invested in local community projects and facilities including schools, health clinics and feeding centres, benefiting tens of thousands of people every year.

The brand added new ingredients and suppliers to the programme in 2010: hemp seed oil from the United Kingdom, honey from Bezamarin, Ethiopia and beeswax from Cameroon. More than 65% of products by The Body Shop contain ingredients sourced through its Community Fair Trade programme, including the first fairly traded alcohol in the industry, made from organic sugar cane grown in Ecuador.

The programme was recognised in 2010 by the Institute of Marketecology (independent specialists in quality assurance of eco-friendly products, organic agriculture and fair trade management systems).

MORE IN THIS REPORT...

- ▶ A WORLD OF INGREDIENTS
- ▶ WHAT MAKES A NATURAL INGREDIENT SUSTAINABLE?
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING: RESPECT FOR THE ENVIRONMENT

EXTERNAL LINKS...

- ▶ ROUNDTABLE ON SUSTAINABLE PALM OIL

Certified organic

More than 500 raw materials across the group are Ecocert certified.

Tools and methods

- L'Oréal has developed a Sustainability Assessment Framework to evaluate potential raw materials on a broad range of criteria
- Our green chemistry programme is developing new ways to create eco-friendly ingredients in the laboratory. For example, [Green Chemistry in Innovation](#).

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▼ SOURCING RAW MATERIALS

> [A WORLD OF INGREDIENTS](#)

> WHAT MAKES A NATURAL INGREDIENT SUSTAINABLE?

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Sourcing Raw Materials](#) / A world of ingredients

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



Our supply chain

We support [diversity](#) among our suppliers and continuously develop relationships with minority and women-owned businesses.

Engaging with suppliers

Our [Buy & Care programme](#) is a global programme with local actions. It incorporates vendor events hosted by L'Oréal for suppliers around the world.

Sharing our standards and values

To do business with L'Oréal, suppliers' operations must meet the same standards as L'Oréal's own sites. We have a programme of [social audits](#) to assess working conditions and labour policies at our suppliers' sites. These are paid for by L'Oréal and carried out by independent assessors on our behalf.

Sustainable sourcing

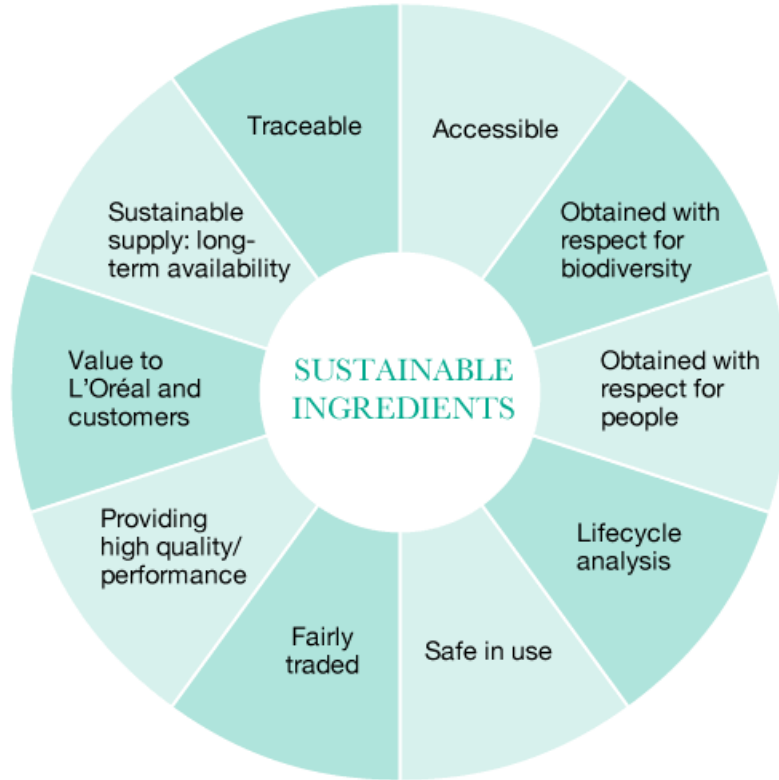
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- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▼ SOURCING RAW MATERIALS
 - > A WORLD OF INGREDIENTS
 - > WHAT MAKES A NATURAL INGREDIENT SUSTAINABLE?
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Sourcing Raw Materials / What makes a natural ingredient sustainable?

What makes a natural ingredient sustainable?

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



Innovations by Kiehl's

Kiehl's product launches in 2010 included: Midnight Recovery Concentrate, 99.8% naturally-derived and paraben-free; Cross-Terrain All-In-One Refueling Wash, 99.9% biodegradable and paraben-free; and Superbly Smoothing Argan Hair Collection, formulated with fairly-traded argan Oil from Morocco, and sulfate-free, silicone-free and paraben-free. In packaging, five Dermatologist Solutions new launches have FSC post-consumer recycled cartons.

MORE IN THIS REPORT...

▶ L'ORÉAL BUY AND CARE PROGRAMME

VIEWPOINTS

INTRODUCTION

MANAGING EHS

RECOGNISING EXCELLENCE

HEALTH AND SAFETY

CARBON AND ENERGY

WATER

WASTE AND RECYCLING

'MADE IN CHIMEX'

SOURCING RAW MATERIALS

SUPPLIER RELATIONS

> L'ORÉAL BUY & CARE PROGRAMME

> SOLIDARITY SOURCING

> ENGAGING WITH SUPPLIERS

> SOCIAL AUDIT PROGRAMME

> INNOVATION AND COLLABORATION

> PURCHASING ORGANISATION

PACKAGING

SUSTAINABLE BUILDINGS

TRANSPORT

Production / Supplier relations

Supplier relations



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

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

All our suppliers are required to comply with ILO (International Labour Organisation) guidelines and SA8000 standards.

Highlights

- We continued to expand the [L'Oréal Buy & Care programme](#) and set up a new network, the B&CCLUB, to support it
- We have engaged with suppliers through supplier days and training, held our first innovation forum in April 2010 at L'Oréal Headquarters in Paris, and launched the [Solidarity Sourcing](#) programme to expand our supplier base
- We are increasing the sustainability of our supply chain by encouraging our suppliers to participate in the [Carbon Disclosure Project](#)
- We assessed working conditions and labour standards at more than 560 supplier sites in 2010 through our [social audit programme](#)
- We continue to [source responsibly](#) by standardising our point-of-sale and promotional displays, removing or replacing PVC where possible, and using sustainably sourced paper and cardboard
- To make it easier for our suppliers to do business with us, we have continued to develop our [purchasing organisation](#) and implemented several tools to improve our operational efficiency, such as our iTender electronic purchasing tool.

Looking forward

We will continue to increase and formalise our dialogue with suppliers, measure their progress against environmental and sustainable development KPIs, and conduct a supplier satisfaction survey to identify and address critical issues and areas for improvement.

In addition to monitoring the progress of the first 26 suppliers that are participating in the Carbon Disclosure Project (CDP) Supply Chain Leadership Project, we will:

- Continue to train our purchasing teams on sustainable development issues
- Promote supplier innovations to decision makers in our Research & Innovation and marketing functions
- Encourage suppliers to achieve FSC certification, and to reduce their packaging and energy consumption
- Complete a further 400 social audits at supplier sites in 2011.

DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

MORE IN THIS REPORT...

- ▶ L'ORÉAL BUY&CARE PROGRAMME

AT L'ORÉAL.COM...

- ▶ L'ORÉAL'S VALUES AND THE SUPPLY CHAIN

[VIEWPOINTS](#)
[INTRODUCTION](#)
[MANAGING EHS](#)
[RECOGNISING EXCELLENCE](#)
[HEALTH AND SAFETY](#)
[CARBON AND ENERGY](#)
[WATER](#)
[WASTE AND RECYCLING](#)
['MADE IN CHIMEX'](#)
[SOURCING RAW MATERIALS](#)
[SUPPLIER RELATIONS](#)
[> L'ORÉAL BUY & CARE PROGRAMME](#)
[> SOLIDARITY SOURCING](#)
[> ENGAGING WITH SUPPLIERS](#)
[> SOCIAL AUDIT PROGRAMME](#)
[> INNOVATION AND COLLABORATION](#)
[> PURCHASING ORGANISATION](#)
[PACKAGING](#)
[SUSTAINABLE BUILDINGS](#)
[TRANSPORT](#)
[Production](#) / [Supplier Relations](#) / L'Oréal Buy&Care programme

L'Oréal Buy&Care programme

Our global L'Oréal Buy&Care programme commits us to long lasting relationships with our suppliers and subcontractors. We are dedicated to promoting sustainable consumption, business opportunities and innovative solutions in our supply chain.

A worldwide approach

Through our global Buy&Care programme we regularly share information and provide appropriate support to help our suppliers meet our standards, including special supplier days held throughout the world – see Engaging with suppliers.

Our suppliers are assessed using five key criteria: corporate social responsibility; innovation; quality; logistics; and competitiveness. We hold formal business reviews with our main suppliers in order to raise awareness of and reinforce these high standards.

We also communicate our key performance indicators to suppliers and maintain a dialogue with them to ensure they are addressing their own sustainable development issues.

Extending the programme

In 2010, our Buy&Care programme gained its own visual identity and mission statement, in order to raise awareness internally and among our suppliers.

In support of our Buy&Care programme, we created the B&CCLUB - a global network with representatives across our business. It seeks to develop, harmonise, improve and share strategies and tools in a consistent way, both internally and externally.

DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

MORE IN THIS REPORT...

- ▶ ENGAGING WITH SUPPLIERS

AT L'ORÉAL.COM...

- ▶ SUPPLIER PERFORMANCE

Production / Supplier Relations / Solidarity Sourcing

Solidarity Sourcing

L'Oreal is committed to reducing the problems of social exclusion through its Solidarity Sourcing programme which involves offering employment opportunities to disadvantaged communities.

This new global purchasing programme aims to reach new groups of disadvantaged suppliers all around the world, with particular focus on small scale suppliers, minority-owned suppliers, social enterprises employing people with disabilities, and fair trade companies.

Suppliers in these categories tend to be more economically vulnerable, diverse, and might not otherwise be able to trade, or find it difficult to trade, with multi-national companies. We offer them the opportunity to trade with us and we pay them fairly, which helps them to improve their own and their community's living conditions.

To maximise the positive impacts of this programme, we are extending it through our supply chain: sharing implementation of Solidarity Sourcing with our Tier 1 suppliers, with a view to subsequently cascading to Tier 2 suppliers. The programme is applied across all areas of group purchasing, from raw materials for our products to real estate.

Launched in 2010, Solidarity Sourcing will be implemented during 2011 and managed by each of our Sourcing Centre teams around the world. We will measure the success of the programme with precise and specific indicators, such as the number of jobs created.



DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▼ SUPPLIER RELATIONS
 - > L'ORÉAL BUY & CARE PROGRAMME
 - > SOLIDARITY SOURCING
 - > ENGAGING WITH SUPPLIERS
 - > SOCIAL AUDIT PROGRAMME
 - > INNOVATION AND COLLABORATION
 - > PURCHASING ORGANISATION
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Supplier Relations / Engaging with suppliers

Engaging with suppliers

We share a great deal of information with all our suppliers. In particular, through formal business reviews we communicate and reinforce standards with our top 50 global suppliers. We also maintain a dialogue with our suppliers to better understand how they are addressing their own sustainable development issues.

The Carbon Disclosure Project (CDP)

We consider that our suppliers' carbon emissions are part of our wider corporate footprint and that we need to work with them to make progress.

As a member of the CDP since 2003, and of the CDP Supply Chain Leadership Collaboration Project since 2007, we continue to encourage suppliers to measure and manage their carbon emissions; 30% of our supplier base, by revenue, is involved with L'Oréal in the CDP.

In 2010, 43 suppliers (up from 29 in 2009) responded positively to our invitation to join with us in the CDP. Both the number and participation rate are above the average for CDP members.

		L'Oréal	All CDP members (average)
Participation	Number of participants	43	28
	Number of invited participants	58	45
	Participation rate	74%	71%
Average score (scale: 0-100)	Strategic awareness	51	47
	Carbon reduction ambition	62	61
	Reporting capabilities	68	69
	Implementation practices	48	45
Overall score		56	54

Suppliers invited by L'Oréal have a better CDP score than those invited by other members:

- More than 50% of L'Oréal's suppliers in the CDP have been ranked as 'highest achievers'
- From 1,000 participating suppliers, ten L'Oréal suppliers are listed in the top 100
- L'Oréal suppliers are ranked third overall and fifth for implementation practices.

Asia Pacific

In November 2010, L'Oréal Asia Pacific invited more than 350 delegates, representing 140 companies – including suppliers of raw materials, packaging and industrial equipment, as well as most of our subcontractors in the region – to a supplier event in Hong Kong. The main objectives were to share L'Oréal's vision in Asia for the next decade and to reward 12 suppliers for their recent outstanding contributions.

In China, we organised four supplier seminars on compliance with RPP950 and REACH regulations on the use of chemicals. These sessions, funded entirely by L'Oréal, were held at supplier sites and involved Intertek, SGS and other accredited third parties. All of L'Oréal's worldwide suppliers have now signed the RPP950 Commitment Letter, which outlines the banning of PVC.

L'Oréal Nihon Purchasing also invited its point of sale and promotional suppliers and internal stakeholders to share L'Oréal's group Policy. There was a special emphasis on social responsibility, and our consultants SGS gave our suppliers an overview of performance assessments and compliance with national standards, Chinese legal regulations and our Social Audit process.

Engaging globally

L'Oréal purchasing teams regularly take part in roundtable discussions with our suppliers of point of sale materials, through POPAI, the global association of retail marketing companies.

7%
of our procurement spend worldwide is with minority and women-owned businesses

DATABANK

- GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- NUMBER OF SUPPLIER AUDITS
- AUDIT RESULTS
- AUDITS BY PURCHASING CATEGORY
- MAIN NON-CONFORMITIES

MORE IN THIS REPORT...

- PURCHASING ORGANISATION

- VIEWPOINTS
- INTRODUCTION
- MANAGING EHS
- RECOGNISING EXCELLENCE
- HEALTH AND SAFETY
- CARBON AND ENERGY
- WATER
- WASTE AND RECYCLING
- 'MADE IN CHIMEX'
- SOURCING RAW MATERIALS
- SUPPLIER RELATIONS**
 - L'ORÉAL BUY & CARE PROGRAMME
 - SOLIDARITY SOURCING
 - ENGAGING WITH SUPPLIERS**
 - SOCIAL AUDIT PROGRAMME
 - INNOVATION AND COLLABORATION
 - PURCHASING ORGANISATION
- PACKAGING
- SUSTAINABLE BUILDINGS
- TRANSPORT

Recent events have explored fair trade, ethics, design rights, and supplier relations. We also engage with our suppliers on the standards expected by L'Oréal, supplier selection, and the importance of meeting ethical and environmental standards in order to maintaining a successful, sustainable relationship with L'Oréal over the long term.

Small, minority and women-owned suppliers

Our purchasing of point of sale and promotional materials has recently been centralised across Europe and for some worldwide projects. We still maintain relationships with our small local suppliers, many of whom have more than ten years' history with L'Oréal. In Russia, for example, 15 suppliers have been on our supplier list for the last 15 years.

In the United States, our total spend on small, minority and women-owned suppliers for 2010 rose by 2.3% to \$58,372m (up from \$57,040m in 2009).

Our procurement spend with minority and women-owned businesses is 7% of our total procurement spend.

VIEWPOINTS

INTRODUCTION

MANAGING EHS

RECOGNISING EXCELLENCE

HEALTH AND SAFETY

CARBON AND ENERGY

WATER

WASTE AND RECYCLING

'MADE IN CHIMEX'

SOURCING RAW MATERIALS

SUPPLIER RELATIONS

> L'ORÉAL BUY & CARE PROGRAMME

> SOLIDARITY SOURCING

> ENGAGING WITH SUPPLIERS

> SOCIAL AUDIT PROGRAMME

> INNOVATION AND COLLABORATION

> PURCHASING ORGANISATION

PACKAGING

SUSTAINABLE BUILDINGS

TRANSPORT

Production / Supplier Relations / Social audit programme

Social audit programme

We are committed to working with suppliers who share our values and ethical commitments, so we assess supplier sites worldwide. These audits are independently conducted on our behalf and paid for by L'Oréal.

Social audits

Since 2002, L'Oréal has had a programme to ensure that our suppliers comply with all applicable laws, respect human and labour rights, ensure the health and safety of workers, and protect the environment.

To date, we have completed social audits at more than 2,500 supplier sites, 567 of which were carried out in 2010 as below, and we aim to carry out a further 400 social audits in 2011.



Programme developments

In 2010, we revisited and upgraded our social audit programme in order to help our suppliers develop their approach further by moving beyond compliance towards best practices. This focused on:

- Communication – ensuring that our suppliers have total transparency about L'Oréal's expectations, our audit processes and performance assessments
- Programme principles – flexibility and practicality in adhering to our ethical values
- Tracking and reporting – closely monitoring progress and recognising the specific actions taken by our suppliers. We are revising the assessment categories used during audits, so that it is clear when immediate action or continuous improvement is needed, depending on the type of compliance issue involved.

When these developments have been completed, we will communicate our approach to our suppliers and aim to provide a Suppliers' Principles Guide for publication in 2011.

Child labour

We want to help end the exploitation of children in the workplace and we actively seek out and favour business partners who share our values and our ethical commitments.

In 2010, L'Oréal communicated a specific policy on child labour to suppliers. This states that our suppliers and subcontractors cannot hire employees who are under the minimum local legal working age, or who have not yet finished their mandatory schooling, and in any case who are under the age of 16.

DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▼ SUPPLIER RELATIONS

> L'ORÉAL BUY & CARE PROGRAMME

> SOLIDARITY SOURCING

> ENGAGING WITH SUPPLIERS

> SOCIAL AUDIT PROGRAMME

> INNOVATION AND COLLABORATION

> PURCHASING ORGANISATION

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Supplier Relations](#) / Innovation and collaboration

Innovation and collaboration

Collaboration with the best, innovative suppliers is vital in helping us to meet our sustainability targets, reduce impacts and unlock value.

Developing awareness in Asia Pacific

In Asia Pacific we have held internal training and workshops for purchasing teams in ethics and supplier relations. The L'Oréal Code of Ethics was reviewed, and L'Oréal's requirements regarding fair competition, conflicts of interest, gifts and entertainment, management of confidential information, intellectual property rights were discussed in detail.

All our suppliers in the region have signed a letter confirming their understanding of L'Oréal standards including our gifts and entertainment policy.

We believe that these and similar approaches being pursued by L'Oréal as a purchasing company in the Asia Pacific market are important in supporting an emerging market for sustainably sourced products and services in the region.

Packaging, point of sale and promotions

In April 2010, we held our first 'Cherry Pack' packaging innovation forum at L'Oréal Headquarters in Paris. This brought together leading international suppliers, who presented more than a hundred packaging innovations exclusively to 350 senior executives from across L'Oréal. Among the 56 projects pre-selected by L'Oréal brands and our Research & Innovation teams, 33 were retained and ten chosen for development.

A joint project between L'Oréal and the Greek company Lantzis Labels SA has helped to reduce the use of raw materials in our printed labels by 40%, reduced environmental waste by 45%, and brought significant cost savings.

Working with Earth Spectrum, our Consumer Products Division has switched from polypropylene to PET for its lightboxes. The material is transparent, cost-effective and more sustainable: PET contains 30% post-consumer recycled material, and both PET and the ink used are 100% recyclable.

Holografica, one of our printing suppliers in Brazil, has developed a new ecological ink based on vegetable oils and organic pigments.

A joint development project with Gerresheimer has led to the production of recycled glass containers for our Garnier, Vichy and Biotherm brands. For more details, see [Packaging](#).

L'Oréal Russia has stopped using PVC in its point of sale and promotional material.

Promotional campaigns for Garnier and Vichy sun protection products used cardboard point of sale displays instead of metal, and identified clear savings in materials, water and CO₂ emissions.

L'Oréal Uruguay has harmonised the size of brochures and banners to reduce the amount of paper needed. All the point of sale materials for Série Nature are locally designed and produced on recycled paper.

We are working with manufacturers in China and Indonesia to reduce the paper used to manufacture our paper bags and increase the proportion of recycled materials.

In Japan, we only use Forest Stewardship Council (FSC) certified paper for point of sale printed materials and our point of sale displays use recycled materials for multiple use.

Green purchasing initiatives in Taiwan include replacing PVC with PET, sourcing wood from well managed forests for our boutiques, and surveying suppliers about their use of FSC-certified materials.

L'Oréal USA has successfully redesigned and standardised the pallets used to transport promotional merchandising. These are now made from recycled materials, and in three months, we have used 38% fewer pallets, saving the equivalent of 227 trees, and CO₂ emissions from nine cars.

DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

[VIEWPOINTS](#)
[INTRODUCTION](#)
[MANAGING EHS](#)
[RECOGNISING EXCELLENCE](#)
[HEALTH AND SAFETY](#)
[CARBON AND ENERGY](#)
[WATER](#)
[WASTE AND RECYCLING](#)
['MADE IN CHIMEX'](#)
[SOURCING RAW MATERIALS](#)
[SUPPLIER RELATIONS](#)
[> L'ORÉAL BUY & CARE PROGRAMME](#)
[> SOLIDARITY SOURCING](#)
[> ENGAGING WITH SUPPLIERS](#)
[> SOCIAL AUDIT PROGRAMME](#)
[> INNOVATION AND COLLABORATION](#)
[> PURCHASING ORGANISATION](#)
[PACKAGING](#)
[SUSTAINABLE BUILDINGS](#)
[TRANSPORT](#)
[Production](#) / [Supplier Relations](#) / Purchasing organisation

Purchasing organisation

L'Oréal recognises that to improve together and meet our sustainability goals, we need to work efficiently through our supply chain and make it easy for our suppliers to do business with us.

Supplier portal

The supplier portal on L'Oréal's website was launched in 2008, and provides a dedicated space for existing and potential new suppliers. In 2010, this was upgraded to promote our [L'Oréal Buy&Care Programme](#), and to provide recent information about joint initiatives with suppliers. Suppliers can also use the portal to submit new ideas or proposals.

iTender

Two tools have been selected to simplify information exchange with our suppliers. These are Emptoris e-sourcing (an upgraded version has been implemented in Europe, North America and South America in 2010) and the iTender purchasing tool. iTender has been selected and implemented in several European countries, including Poland, Norway, Finland and Sweden. iTender significantly reduces the need to store physical documents relating to purchasing, and enables L'Oréal and its suppliers to communicate and exchange documents electronically. This saves paper and storage space, and makes the tendering process more efficient.

DATABANK

- ▶ GEOGRAPHICAL DISTRIBUTION OF SUPPLIER AUDITS
- ▶ NUMBER OF SUPPLIER AUDITS
- ▶ AUDIT RESULTS
- ▶ AUDITS BY PURCHASING CATEGORY
- ▶ MAIN NON-CONFORMITIES

MORE IN THIS REPORT...

- ▶ L'ORÉAL BUY&CARE PROGRAMME
- ▶ ENGAGING WITH SUPPLIERS

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▼ PACKAGING
 - > RESPECT FOR THE ENVIRONMENT
 - > REDUCING WEIGHT AND VOLUME
 - > REPLACING MATERIALS
 - > POINT OF SALE MATERIALS
 - > L'ORÉAL PARIS AND POS
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Packaging

Packaging



Packaging is an integral part of the product and has many uses: protecting the product from factory to consumer, preserving it and enabling it to be dispensed, transmitting information about product use and ingredients, and forming part of brand identity.

Our approach

L'Oréal's major divisions and zones have their own packaging design and production services, each of which follows the standards and guidelines established at group level, especially on packaging and the environment.

L'Oréal's innovation in packaging includes 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 consumers, nature and biodiversity
- Reduce – packaging weight and volume
- Replace – renewable resources and recycled materials.

Recycled glass for Garnier, Biotherm and Vichy jars



A joint development project with the company Gerresheimer has led to the production of recycled glass containers for Garnier, Vichy and Biotherm brands. It is a real technical breakthrough: recycled glass (using broken glass, called 'cullet') with the same good looks and clarity as non-recycled, sourced from mineral water bottles which are processed using new technology. The result is high quality glass containers and reduced environmental impact. The energy

needed to melt the cullet in special ovens is less than that needed to transform sand and silica into glass – meaning 20% less CO₂ compared to a conventional forge. Overall, the production of 25 million containers for Garnier, Vichy and Biotherm has led to a reduction in CO₂ of 84 tonnes.

Our roadmap

1980–2007

Source reduction
Recycled cardboard
Materials selection

2007

Packaging & Environment Policy
Position papers
FSC certifications

L'Oréal has been recognised by the WWF FFD (Forest Footprint Disclosure Project) as a leader in the personal and household goods sector for its responsible sourcing of paper and cardboard.

DATABANK

▶ PACKAGING

MORE IN THIS REPORT...

- ▶ LIFECYCLE ANALYSIS
- ▶ POINT OF SALE MATERIALS
- ▶ SUSTAINABLE CONSUMPTION

2008-09

Life cycle analysis
Sustainable Packaging training
Co-funding for bioplastics research

2010

Eco-design (procedures implemented in three divisions/zones)
PIQET tool for environmental assessments
Recycled glass
Marketing Guide

2011

Environmental assessments for major initiatives
Implementation of tools
Reporting of indicators
Target-setting
Environmental KPI

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▼ PACKAGING

> [RESPECT FOR THE ENVIRONMENT](#)

> REDUCING WEIGHT AND VOLUME

> REPLACING MATERIALS

> POINT OF SALE MATERIALS

> L'ORÉAL PARIS AND POS

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Packaging](#) / Respect for the environment

Respect for the environment

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

Sustainable forests

The world's forests are vital for ecosystems, biodiversity and carbon capture, and support livelihoods and communities around the world. L'Oréal only uses wood fibre from well-managed, sustainable sources.

More than 90% of our sources are well managed and certified. Most are certified by the FSC (Forest Stewardship Council) and the remainder have the PEFC certification (in those few cases where FSC material is not yet available). Our goal is 100% from certified sources by the end of 2011.

More than 700 of our products carry the FSC logo, and 85% of L'Oréal's printers in Europe are FSC-certified.

With FSC certification, we ensure that 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.

Eco-design good practice

L'Oréal is present in more than 130 countries with a portfolio of 23 international brands and it is important that our environmental packaging strategy is consistent. We are developing tools and sharing good practice to help brand design teams to integrate sustainability. This includes a three-day seminar on Sustainable Packaging for our product development, packaging and purchasing teams, exploring environmental challenges and impact reduction. Since 2009, more than 200 team members have attended this training in Europe, the United States and Asia.

To raise awareness among marketing teams, we launched a 50 page guide in our four European divisions, which is also due to be launched in the United States, Asia and Latin America in 2011.

This explains the importance of packaging for sustainability; the principles of eco-design in reducing environmental impacts; and outlines good practice in providing environmental information to consumers.

PERFORMANCE

More than 90%

of our wood fibre comes from certified sustainable sources

TARGET

100%

by the end of 2011

DATABANK

▶ PACKAGING

MORE IN THIS REPORT...

▶ REDUCING WEIGHT AND VOLUME

▶ LIFECYCLE ANALYSIS

▶ POINT OF SALE MATERIALS

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING
EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW
MATERIALS

▶ SUPPLIER RELATIONS

▼ PACKAGING

> RESPECT FOR THE
ENVIRONMENT> REDUCING WEIGHT AND
VOLUME

> REPLACING MATERIALS

> POINT OF SALE
MATERIALS

> L'ORÉAL PARIS AND POS

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Packaging](#) / Reducing weight and volume

Reducing weight and volume

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 at source

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 2010, we saved a further 590 tonnes of plastic, and a total of 2,110 tonnes since 2008.

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. See: [Waste and recycling](#).

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 ensure the right balance between the volume of the package and the volume of product it contains.

Garnier's pledge

Over the last decade Garnier has been a pioneer in packaging reduction. It is the leader in cosmetics, being the only cosmetics brand to pledge to reduce the weight of its plastic packaging by 15% by 2012. As of 2010, Garnier is on track to meet this goal, having already achieved a reduction of 8% compared to 2008. Other L'Oréal brands are taking a lead from Garnier's commitments and initiatives in this field.

DATABANK

▶ PACKAGING

MORE IN THIS REPORT...

▶ RESPECT FOR THE
ENVIRONMENT

▶ REPLACING MATERIALS

▶ LIFECYCLE ANALYSIS

▶ POINT OF SALE MATERIALS

Production / Packaging / Replacing materials

Replacing materials

Whether paper, cardboard, plastic, glass or metal, the packaging must protect the product to ensure performance and quality.

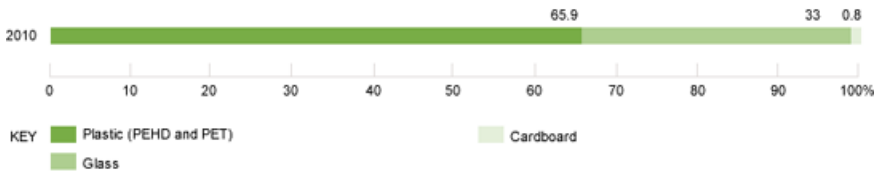
Recycled materials

We look at how the product will be used and what might happen to the packaging at the end of the product's life. We limit the types of material we use so that packaging can be recycled through public facilities.

In 2010, Garnier, Vichy and Biotherm launched a jar that contains 40% post-consumer recycled glass. The Body Shop also uses up to 30% recycled content in its glass perfume bottles. For the first time, we have recycled glass that looks good and which does not affect the price of the product.

Kiehl's, The Body Shop, Sanoflore and L'Oréal Professionnel use recycled PET and in some cases this comprises 100% of the content of the packaging. Lancôme, Matrix and Sanoflore use recycled PE in tubes and bottles – for example, Lancôme Aroma blue tube has 50% recycled PE.

Types of packaging material used



Renewable materials

L'Oréal only considers new types of renewable material if they come from renewable resources and if there is a clearly reduced environmental impact. L'Oréal rejects any material that is in direct competition with food sources.

We do not apply the concept of biodegradability to our packaging materials. A material can only be defined as biodegradable if it breaks down in a certain way within a limited period. Biodegradable materials are not capable of protecting our products in transit, on the shelf, or in use. Our efforts in sustainable packaging are focused instead on reuse, recycling and materials replacement.

Bioplastics research

For several years, L'Oréal has been investigating the potential of bioplastics. So far, these materials have not had the necessary composition to protect and conserve the product over time. L'Oréal is providing five-year funding for the Chair in Bioplastics at the Ecole des Mines in Paris, along with four other companies. This work is being carried out in close collaboration with EPNOE (European Polysaccharide Network of Excellence) and is co-ordinated by CEMEF (Centre de Mise en Forme des Matériaux / Centre for Material Forming). Download an overview of some of the [research topics and scientific challenges](#).

Consumers and the environment

Going beyond existing regulations on heavy metal content, 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 number of other materials in our packaging by 2010.

2,840 tonnes post-consumer recycled materials used in our packaging in 2010

99.7% of our packaging does not use PVC

DATABANK

► PACKAGING

MORE IN THIS REPORT...

- REDUCING WEIGHT AND VOLUME
- RESPECT FOR THE ENVIRONMENT
- LIFECYCLE ANALYSIS
- POINT OF SALE MATERIALS

VIEWPOINTS

INTRODUCTION

MANAGING EHS

RECOGNISING EXCELLENCE

HEALTH AND SAFETY

CARBON AND ENERGY

WATER

WASTE AND RECYCLING

'MADE IN CHIMEX'

SOURCING RAW MATERIALS

SUPPLIER RELATIONS

PACKAGING

> RESPECT FOR THE ENVIRONMENT

> REDUCING WEIGHT AND VOLUME

> REPLACING MATERIALS

> POINT OF SALE MATERIALS

> L'ORÉAL PARIS AND POS

SUSTAINABLE BUILDINGS

TRANSPORT

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING
EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW
MATERIALS

▶ SUPPLIER RELATIONS

▼ PACKAGING

> RESPECT FOR THE
ENVIRONMENT> REDUCING WEIGHT AND
VOLUME

> REPLACING MATERIALS

> POINT OF SALE
MATERIALS

> L'ORÉAL PARIS AND POS

▶ SUSTAINABLE BUILDINGS

▶ TRANSPORT

[Production](#) / [Packaging](#) / Point of sale materials

Point of sale materials

L'Oréal's 'respect, reduce, replace' programme also applies to our point of sale 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 using FSC or PEFC certified paper
- We use vegetable-based inks
- We work with suppliers certified to the green printing standard Imprim'vert
- We only use lamination where strictly necessary and, where possible, glues without solvent.

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
- We study the impacts of our point of sale material to understand where we can reduce the environmental footprint.

Developing key indicators

A pilot project conducted at the end of 2010 explored key indicators with three point of sale (POS) purchasing teams. These will measure the percentage of PoS direct suppliers that are certified, as well as the percentage of paper and cardboard that is certified. These key indicators will be implemented worldwide during 2011.

DATABANK

▶ PACKAGING

MORE IN THIS REPORT...

▶ RESPECT FOR THE
ENVIRONMENT▶ REDUCING WEIGHT AND
VOLUME

▶ REPLACING MATERIALS

▶ LIFECYCLE ANALYSIS

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▼ PACKAGING
 - > RESPECT FOR THE ENVIRONMENT
 - > REDUCING WEIGHT AND VOLUME
 - > REPLACING MATERIALS
 - > POINT OF SALE MATERIALS
 - > L'ORÉAL PARIS AND POS
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Production / Packaging / L'Oréal Paris and POS

L'Oréal Paris and POS

In 2008, L'Oréal Paris began a comprehensive process to look at how it could transform its merchandising. Following an in-depth study of its point of sale (POS) footprint and an eco-design process, there have been significant savings in materials, electricity consumption and a 46% reduction in carbon emissions.

2008: identifying the carbon footprint of POS displays

In 2008, the global carbon footprint of the worldwide merchandising activities of L'Oréal Paris was 44,730 tonnes of CO₂ equivalent.

L'Oréal Paris began the process with a joint carbon footprinting study with the French government agency l'ADEME and eco-design experts ECO₂ Initiative. This enabled L'Oréal Paris to identify the key environmental challenges related to POS which centre on use of materials (a ratio of 2:1 in favour of metal) and electricity used to light the cabinet.

The study showed that 57% of the carbon footprint comes from the manufacture of POS displays and 32% is due to in-store electrical consumption. Freight transport is responsible for 9% of emissions.



2009: an eco-design approach to reduce the carbon footprint of POS

Having completed the study to identify the carbon footprint of our POS displays, L'Oréal Paris communicated its findings internally and to POS manufacturers. L'Oréal Paris provided them with a carbon calculator tool and expert training to help realise the new vision for POS displays – reducing the quantities of materials used, considering the use of low-carbon alternative materials and reducing the amount of electricity used by displays in store.

Reduce

Reassess the design and composition of POS displays to minimise the amount of raw materials used.

Reuse

The larger POS displays are retrieved and reused for a replacement display or as part of another display.

Recycle

The component materials used should be chosen for their recyclability. Subsequently the supply chain and contracts with distributors should account for this, allowing recycling to take place at the end of the life span of the PLV.

Control electrical consumption

We can IMPROVE ENERGY EFFICIENCY of the lighting (LEDs, low power bulbs etc.) This approach has already been carried out on the PEARL POS displays, replacing the lighting with CCFL cold cathode tubes and reducing energy consumption by 20%.

Decarbonise

The carbon footprint can vary up to a factor of 4, depending upon which materials are used in the POS display.

We can replace materials with:

- other similar materials with a smaller carbon footprint
- materials of recycled origin or recyclable themselves.

PERFORMANCE

46% reduction

in carbon footprint of 'PEARL' point of sale displays by L'Oréal Paris

TARGET

75% reduction

in carbon footprint of all L'Oréal Paris point of sale displays by 2050

DATABANK

▶ PACKAGING

Alexandre Baquet, Director of Merchandising for L'Oréal Paris, said:

"The process of measuring our carbon footprint has helped us to identify our priorities for improvements in the materials we use and lighting. Since 2007, we've been making significant progress in reducing the electricity usage of our displays, but in 2009 we really broke the mould in terms of how we approach the issue.

"While maintaining the high quality of our displays, we reduced the thickness of the materials, changed the displays to incorporate wood and optimised the lighting in order to reduce the total number of bulbs used. There was an immediate impact on the volume and weight of materials used and electricity consumption.

"Contrary to received wisdom, reducing the environmental impact of our displays has also reduced our costs and stimulated innovation – the environmental impact has been improved while the unit price cost has lowered."

2010: PEARL – reducing our carbon footprint by 46%

In 2010, L'Oréal Paris redesigned its PEARL make-up display cabinet to achieve the following results:

- The back of the display cabinet, which was previously made of metal, has been replaced with wood. The total amount of metal used in the cabinet has been reduced by 50%
- The plastic drawers have been redesigned, and are now 50% thinner, without harming the aesthetics
- the unit now uses low-energy lamps, which have been repositioned to enable a 50% reduction in the number of bulbs needed without reducing brightness.

These changes have reduced the total carbon footprint of the display unit by 46%, reduced the cost per unit by 20%, and reduced in-store energy consumption by 50%.



Shafik Asal, co-founder of the ECO₂ Initiative, commented:

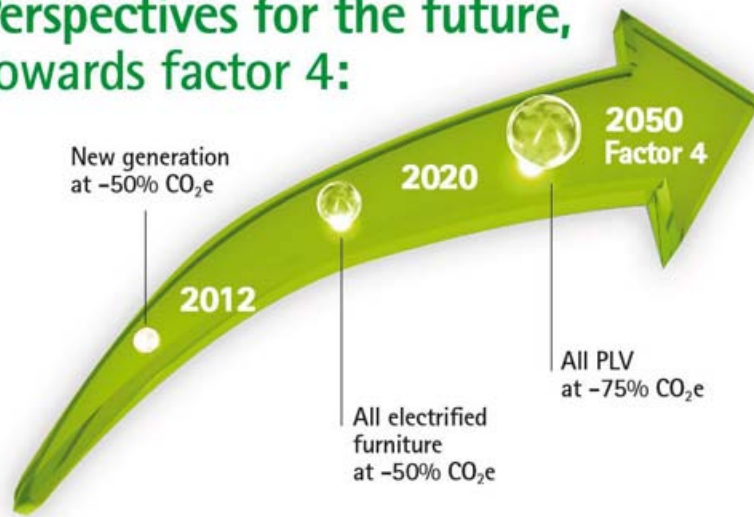
"Point of sale displays are made by sub-contractors and installed on third-party premises. As part of the design process, it's necessary to bring together a complex chain of buyers and suppliers, in which there may appear to be conflicting interests. However, by taking an intelligent approach to eco-design, it's possible to add both economic and environmental value."

Next steps: the POS of 2020 and end-of-life strategies

L'Oréal Paris is using the extremely positive results from the PEARL project and applying a similar eco-design approach to all new point-of-sale products to be developed in coming years. This approach will help L'Oréal Paris to achieve its goal of 'Factor 4': to reduce the carbon footprint of all POS displays by 75% by 2050.

To achieve this, it is important to look at optimising material usage and electricity consumption, but equally to consider making longer-lasting POS displays which can be recovered at the end of their life, remanufactured and reused in future models.

Perspectives for the future, towards factor 4:



Production / Sustainable buildings

Sustainable buildings



L'Oréal's US headquarters at Berkeley Heights, New Jersey, has achieved Gold LEED certification for the entire building, including the interior spaces.

L'Oréal's Sustainable Buildings Policy was established in January 2008 and applies to all buildings owned or operated by the group worldwide.

The principle is that all major construction projects of new buildings and significant renovation projects must comply with LEED (Leadership in Energy and Environmental Design) certification or a local equivalent (such as HQE in France, or other international standards such as CASBEE or BREEAM).

On top of such certification, our construction and renovation projects must meet our equivalent internal standards, detailed in a comprehensive guide. These govern the choice of locations, approaches to reducing energy consumption, use of green energy or renewable energies, water harvesting, use of renewable building materials, the quality and comfort of the interior spaces, and innovation.

Project	Certification confirmed	End of construction
L4 R&D Laboratory Chevilly - Paris, France	HQE	2007
China R&D Laboratory Pudong Shanghai	LEED Gold	2009
EPISKIN R&D Laboratory - Lyon, France	LEED Gold	2009
Distribution Centre - Vichy, France	HQE - AFIOLOG	2008
Distribution Centre - Mexico City, Mexico	LEED Gold	2009
Distribution Centre - Parbel, Miami, US	LEED existing building (in progress)	
Head Office Victoria - Melbourne, Australia	Green Star	2009
Head Office China - Shanghai, China		2009
Head Office Berkeley Heights - New Jersey, US	LEED Gold	2009
Head Office Suisse - Switzerland	Minergie	2010
Head Office OMEGA - St. Ouen, Paris, France		2010
Head Office Mexico - Mexico City, Mexico		2010
Head Office Chile & Academy		2010
Factory Franklin - New Jersey, US	LEED Silver	2009

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING EHS
- ▶ RECOGNISING EXCELLENCE
- ▶ HEALTH AND SAFETY
- ▶ CARBON AND ENERGY
- ▶ WATER
- ▶ WASTE AND RECYCLING
- ▶ 'MADE IN CHIMEX'
- ▶ SOURCING RAW MATERIALS
- ▶ SUPPLIER RELATIONS
- ▶ PACKAGING
- ▶ SUSTAINABLE BUILDINGS
- ▶ TRANSPORT

Existing buildings



With regard to our existing sites, and in the context of the group's objective to achieve a 50% reduction in CO₂ emissions, a worldwide programme of building audits was relaunched in 2009. The previous programme has been completed by two main objectives: to improve the energy efficiency of existing buildings (including reducing waste, recycling energy and improving systems); and to ensure air quality in indoor workspaces.

In 2010, 17 plants were audited (out of a total of 38). This approach will be extended to all L'Oréal-owned administrative centres and research campuses worldwide. The audit programme is helping to consolidate a map of energy consumption across all L'Oreal buildings, so that we can develop action plans to reduce energy use and maximise energy recovery.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING EHS

▶ RECOGNISING EXCELLENCE

▶ HEALTH AND SAFETY

▶ CARBON AND ENERGY

▶ WATER

▶ WASTE AND RECYCLING

▶ 'MADE IN CHIMEX'

▶ SOURCING RAW MATERIALS

▶ SUPPLIER RELATIONS

▶ PACKAGING

▶ SUSTAINABLE BUILDINGS

▼ TRANSPORT

[Production](#) / [Transport](#)

Transport



L'Oréal optimises its global production on a regional basis, placing operations teams as close as possible to the markets they serve. This allows each production site to be more responsive and more efficient in terms of logistics and transport.

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

L'Oréal's logistics network sees over four billion products a year move from factories to distribution centres to our customers all over the world.

New carbon reduction initiatives in 2010

With 58% of L'Oréal's transport use by road, where feasible our logistics operations use 'greener' forms of transport that still enable us to meet required lead times and costs. In 2010, we have focused on different methods and various modes of transport with lower GHG emissions:

Electric vehicles

In our efforts to find a solution for making deliveries in major cities, L'Oréal's Luxury Products division in France makes deliveries to Parisian clients in MODEC electric vehicles. This saves 12 tonnes of CO₂ a year.

Our work with GEFICO, a leader in logistics, combined with our experience using our first three electric lorries, have led to us using a fully electric vehicle which offers the same performance as our fuel vehicles.

We are looking to increase the percentage of electric vehicle deliveries within bigger cities. We are currently running a feasibility study which will allow us to develop a long term strategy for deliveries on a more international scale.

Transport between sites

Following the reorganisation of our logistics network when L'Oréal acquired Yves Saint Laurent, the Luxury Products Division reorganised the distribution of goods between our sites in the north of France. L'Oréal used vehicles with the latest energy saving features such as more efficient motors and tyres, which have resulted in a 28% saving in fuel consumption.

In Latin America, a greater number of road routes have been replaced with rail routes for transporting maritime containers from our factory in Mexico to the Veracruz port.

Additionally, the Consumer Products division has increased its use of rail transport from their factory in Rambouillet so that rail now accounts for 20% of tonnes transported per km.

Transport suppliers

L'Oréal has introduced two new criteria in selecting carriers and transport suppliers: a sustainability questionnaire and a sustainability indicator in the score cards used in the selection process.

DATABANK

▶ TONNES TRANSPORTED PER KILOMETRE

Reducing airfreight miles in New Zealand

L'Oréal's distribution centre is located in Auckland, at the top of North Island, where the majority of New Zealand's population is concentrated. It is a three hour ferry journey or 1200 km (two days by road) from the main cities of South Island.

Our Professional Products Division used to air freight all products to our South Island customers to meet 24 hour or less delivery times. Analysis of our CO₂ emissions showed that 71% of the total New Zealand emissions due to freight arose from delivery to customers in the South Island, which represent less than 10% of the group's New Zealand business. Wanting to balance our environmental responsibilities with customer care, we decided to seek feedback from our customers before deciding on a course of action. All the hair salons we consulted expressed their willingness for us to deliver by road (48 hours) rather than by air (24 hours), if this reduced CO₂ emissions. As a result, with the co-operation of our customers, L'Oréal reduced its transport CO₂ emissions by 68% in New Zealand.

Measuring transport GHGs

Carbon footprint measurement is complex and wide ranging, not least of all in our logistics operations.

To ensure that we can calculate and report carbon emissions indicators (including Tonne/Km and CO₂/Stock Keeping Unit) associated with our distribution network, we have adopted and are piloting a reporting tool and carbon footprinting methodology validated by ADEME, the French official body overseeing sustainability, which is compliant with the GHG International Protocol and supported by the WBCSD (World Business Council for Sustainable Development).

Starting from shipment characteristics (weight, volume, number of parcels), the tool maps the transport journey, including types of transport, and will help us with decision making around choices of transport and packaging reduction strategies.

It measures CO₂ emissions related to transport made (ie controlled and paid) by L'Oréal, including emissions linked to vehicle manufacturing; extraction, transport and transformation for liquid fuels; and combustion.

The tool is currently being refined and trialled in our logistics operations in Asia, and when fully implemented across the group, it will enable L'Oréal to determine more precisely the level of CO₂ emitted from transport operations. We will then be able to more accurately calculate the total footprint of our products and seek improvements in carbon emissions and achieve greater operational and cost efficiency.

In 2010, L'Oréal reports an estimated 2,239,128 Ktonnes, representing an increase of 2.6% compared to 2009. (Ktonnes = one thousand tonnes transported per km).

New car fleet policy in Russia

By working with Volkswagen, L'Oréal in Russia has also reduced the environmental impact of its car fleet. By changing the class of engines available, from Euro 3/Euro 4 to Euro 4/Euro 5, CO₂ emissions have been reduced by 7% compared to 2009 and fuel consumption will decrease from 8 litres per km to 6 litres per km.

Greener miles between France and Italy

Thanks to a multi-mode transport strategy operating between L'Oréal's factory in Rambouillet, France and Calvignasco, Italy, carbon emissions have been cut by 90% and transport costs reduced by 15%, through the combined use of rail and road.

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ CORPORATE CONSUMER RESPONSIBILITY
- ▶ ENGAGING EXTERNALLY
- ▶ RESPONSIBLE COMMUNICATIONS
- ▶ PRODUCT ACCESSIBILITY
- ▶ PRODUCT SAFETY



Expert opinion on meeting the needs of new lifestyles

LISTEN TO EXPERT OPINION



Tony Blackshaw
Senior Lecturer,
Sheffield Hallam University

Maria Jones
International Consumer
Affairs Director, L'Oréal

- ▶ [Engaging externally](#)
- ▶ [Report downloads](#)
- ▶ [Product safety](#)
- ▶ [Leave feedback](#)

Find out about our key themes

VIEWPOINTS

INTRODUCTION

CORPORATE CONSUMER RESPONSIBILITY

ENGAGING EXTERNALLY

RESPONSIBLE COMMUNICATIONS

PRODUCT ACCESSIBILITY

PRODUCT SAFETY

Consumption / Viewpoints

CONSUMPTION

How we develop sustainable consumer relations

"There is a sense that the world is changing and becoming more hybrid. There are different markets emerging and different ways of consuming. The world that we are living in is becoming increasingly uncertain. It's what you might call a 'liquid world' where people are confronted with many uncertainties and it seems that they look to the things that are consistent in their lives such as consumer products."

Tony Blackshaw, Senior Lecturer, Sheffield Hallam University

"No more can we say that the dominant market is the western world. That's why we are so conscious of the way in which we feed back information received from the many different countries where we sell our products. It's absolutely critical that we feed this information back robustly to our marketing people and to our research teams. Today, people want to retain their culture and don't want to be swallowed up by other countries. It is important for us to remember that."

Maria Jones, International Consumer Affairs Director, L'Oréal

THE EXPERTS



Tony Blackshaw
Senior Lecturer,
Sheffield Hallam University

Maria Jones
International Consumer
Affairs Director, L'Oréal

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Find out about our key themes

VIEWPOINTS

INTRODUCTION

CORPORATE CONSUMER RESPONSIBILITY

ENGAGING EXTERNALLY

RESPONSIBLE COMMUNICATIONS

PRODUCT ACCESSIBILITY

PRODUCT SAFETY

Consumption / Packaging / Introduction

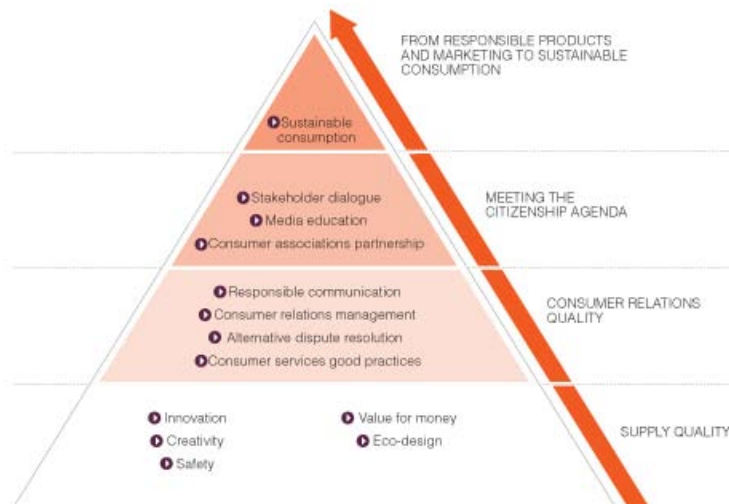
Introduction



L'Oréal's growth ambition is to double our consumer base and make our products available to one billion new consumers by 2020 in markets around the world. Companies cannot meet the challenge of sustainable consumption alone. We must involve and engage our consumers, who have a major role to play.

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.



DATABANK

UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

MORE IN THIS REPORT...

CORPORATE CONSUMER RESPONSIBILITY

Garnier: a history of engaging with consumers



After carrying out research which showed that only a small percentage of French consumers recycle product packaging in the bathroom, Garnier launched a practical and original solution in 2010, in partnership with sustainable packaging experts Eco-Emballages, to help spur people into action to consume responsibly.

The result of Garnier's initiative is a specially designed, recycling container for the bathroom, available free of charge. It has two compartments so that people can sort and carry items more easily from the bathroom to recycling, and avoid end-of-life packaging from going to landfill.

Garnier's campaign has raised awareness among consumers, and a significant percentage of calls to L'Oréal's customer advisers are requests for the container. In 2010, 15,000 were distributed free to consumers and Garnier widely promotes the offer on its website.

Labelling on Garnier products (including the Fructis range) reminds customers of the need to recycle and provides clear information on the product's footprint – the result of extensive studies into environmental impacts throughout the life cycle.

Luxury, new markets and sustainability



to L'Oréal China.

There are close parallels between sustainability and luxury. Both respond to key human aspirations including the desire for genuine origins and shared social identity. Growth economies, with increasing high net worth individuals, aspire to authentic luxury and to sustainable growth.

L'Oréal takes these fundamental legitimate calls into account with its own strategic objectives in new markets, recognising both the aspirations of consumers for a luxury born out of their own cultural sources rather than Western representations and also the challenges of sustainable consumption.

L'Oréal is the first cosmetics company to assess its sustainability approach in a transparent way, by publishing a Sustainable Development Report specific

In our Luxury Products division, Giorgio Armani skincare and make-up are increasingly the preferred choices among Asian consumers. Anti-ageing serum Crema Nera Extrema is one of the biggest successes, helping to increase sales of the brand sales by 76.7% in China.

VIEWPOINTS

INTRODUCTION

CORPORATE CONSUMER RESPONSIBILITY

ENGAGING EXTERNALLY

RESPONSIBLE COMMUNICATIONS

PRODUCT ACCESSIBILITY

PRODUCT SAFETY

[Consumption](#) / Corporate Consumer Responsibility

Corporate Consumer Responsibility



L'Oréal's seven Corporate Consumer Responsibility commitments are the basis for engaging with our consumers, sharing a vision of responsible, sustainable consumption then acting together to achieve it.

1. Innovative products and product efficacy

For L'Oréal, innovation and product efficacy go hand in hand, demonstrated through scientific and clinical proof. However, the quality of a shampoo mousse, for example, is perceived very differently by different cultures. For this reason, innovation at L'Oréal combines our research into diverse beauty customs and preferences with robust scientific knowledge and increasing use of [green chemistry principles](#).

Youth Code by L'Oréal Paris is a range of new anti-ageing products and the result of pioneering research in the science of genes.

2. Product safety

Irreproachable product safety is at the heart of every L'Oréal brand. We test our products rigorously and continually explore new techniques such as predictive research methods, which exploit scientific breakthroughs. [Read more about these approaches in the Innovation section.](#)

3. Sustainable marketing

According to Mintel research, consumers check whether packaging can be recycled after purchase, and that this is a motivation in future decisions to buy the same product. Our packaging and point of sale programme is a strategic priority, focused on recyclability, responsible sourcing of materials, weight and volume reductions, and use of recycled and renewable materials.

More than 90% of the wood fibre sourced for our packaging comes from certified sustainable sources and 700 of our products carry the Forest Stewardship Council (FSC) logo. [Read more about packaging in the Production section.](#)

4. 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. We adopted the French Union of Advertisers' (UDA) Charter in 2007 and once again report the actions we have taken.

5. Transparency and care

We aim to provide the best advice, support and education to our consumers. L'Oréal has 357 specialist Consumer Advisers in 54 countries where we have a subsidiary.

6. Availability of our products

L'Oréal aims to make its products as widely available as possible. [Read more in Product accessibility.](#)

7. 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. [Read more in Engaging externally.](#)

DATABANK

► UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

MORE IN THIS REPORT...

► RESPONSIBLE COMMUNICATIONS

The Body Shop



Global customer research commissioned by The Body Shop among 15,000 people in 21 markets confirmed the growing demand for natural and organic products, also showing the move towards personal and collective responsibility. 2010 launches by The Body Shop included Dreams Unlimited™, a new fragrance inspired by the personality and beliefs of the brand's founder, Dame Anita Roddick.

Garnier launches Bio Active



After four years of research, we launched Garnier Bio Active in 2010 – our first certified organic anti-wrinkle skincare. The products contain 95% ingredients of natural origin, and up to 20% organic ingredients, including samphire with anti-ageing properties.

Garnier Bio Active is designed using an eco-responsible approach at each stage of its development. Our production plants are ISO 14001 certified and our European factories are also Ecocert* certified to manufacture our organic products. Sound energy management at our plants has resulted in reduced water consumption, reduced energy and carbon emissions, and 99% of waste is recycled.

Bio Active packaging has been developed taking into account the environmental impact throughout the life cycle, for example, the boxes contain over 90% recycled fibre and the cardboard is FSC certified.

*Ecocert is an independent certification accredited by the government guaranteeing a strict traceability for natural and organic cosmetics.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ CORPORATE CONSUMER RESPONSIBILITY

▼ ENGAGING EXTERNALLY

▶ RESPONSIBLE COMMUNICATIONS

▶ PRODUCT ACCESSIBILITY

▶ PRODUCT SAFETY

[Consumption](#) / Engaging externally

Engaging externally

In 2010, L'Oréal took part in external initiatives to explore solutions and discuss the challenges of sustainable consumption and Corporate Consumer Responsibility (CCR).

These engagements involved a wide range of stakeholders and organisations representing consumers and public authorities:

At the European Business Summit held in June 2010, in Brussels, L'Oréal led a panel which included Commissioner John Dalli and Madame Monique Goyens, Director General of BEUC, the European Consumers Organisation.

Corporate responsibility and consumer engagement were also discussed at the French industry association MEDEF, which aims to share good practices, particularly among small and medium enterprises.

L'Oréal is actively engaged in projects with the French National Consumer Council (CNC), which are bringing together business, consumer associations and public authorities under the leadership of the Secretary of State for Consumer Affairs.

In 2010, CNC unanimously adopted three guidelines around the management of personal customer data, the provision of information for consumers related to nanotechnology in consumer goods, and environmental information on products.

L'Oréal is also actively engaged in a dialogue with consumer associations and NGOs on the topic of responsible communications.

Sustainability makes brands more 'meaningful' for consumers

In the second annual Brand Sustainable Futures report, corporate sustainability is closely linked to brand 'meaningfulness'. The survey, which was conducted with 30,000 consumers in nine countries, indicates that the more sustainable the brand is perceived to be, the more meaningful and trusted it becomes in the mind of consumers.

L'Oréal Paris was one of the most-improved companies in the survey compared to 2009, based on the survey score, which assesses the sustainable health of brands over time.

The survey reveals that social issues and sustainability still rank as major concerns among consumers worldwide. Furthermore the onus for action rests firmly with companies, with a significant 80% of consumers expecting business to act responsibly.

Also, an increasing majority (76%, up from 70% in 2009) place the responsibility for environmental and social issues on business rather than governments. Despite this, only 29% believe that brands are really working hard to resolve sustainability issues, and while 86% of consumers consider sustainability aspects when shopping, over half do not do so systematically or often.

The survey authors believe that this gap between intent and reality can be addressed by companies and brands who adopt clear and engaging communications, offer greater product incentives (such as price), and make their products widely available and accessible, which are all cited as key barriers to responsible consumption.

(Source: [Brand Sustainable Futures](#). Havas Media and MPG).

Kiehl's efforts to encourage recycling and upcycling

Among the measures taken by Kiehl's in 2010, the brand partnered with a manufacturer of eco-friendly materials to encourage customers to not only recycle their used Kiehl's bottles but to think about the inventive ways they can upcycle waste.

Leading by example, Kiehl's iconic Lab Coat, which has been worn by Kiehl's Customer Representatives since the brand's early days – is now to be made from Bionic® Yarn fabric, made with fibres derived from plastic bottles. Each of the new Lab Coats is constructed from 10 plastic bottles, and bottles recycled at Kiehl's will go towards this and other new, functional items. Kiehl's also offered its customers an exclusively designed, limited edition eco-tote bag manufactured from Bionic® Yarn, and customers participating in the Recycle and Be Rewarded programme will be eligible to receive the tote bag free of charge.

DATABANK

▶ UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

MORE IN THIS REPORT...

▶ RESPONSIBLE COMMUNICATIONS

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ CORPORATE CONSUMER RESPONSIBILITY
- ▶ ENGAGING EXTERNALLY
- ▼ RESPONSIBLE COMMUNICATIONS
- ▶ PRODUCT ACCESSIBILITY
- ▶ PRODUCT SAFETY

[Consumption](#) / Responsible communications

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.

Upholding the standards

All 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.

Contact with our consumers

In 2010, we handled well over 1.5 million post-sale contacts. As in previous years, just over 1% (16,210) were questions on sustainability topics.

Consumer questions on sustainability topics, 2010

Safety of Ingredients	Animal Testing	Social Affairs and Philanthropy	Responsible Advertising	Sustainable Packaging	Environment	Ethics	Total
9,584	2,731	2,101	1,025	515	227	27	16,210

DATABANK

- ▶ UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

MORE IN THIS REPORT...

- ▶ CODE OF BUSINESS ETHICS (PDF)

EXTERNAL LINKS...

- ▶ UDA (FRENCH UNION OF ADVERTISERS)
- ▶ INTERNATIONAL CHAMBER OF COMMERCE

Preventing skin cancer

Garnier is the only suncare brand that supports the European League Against Cancer. Since 2008, Garnier point of sale and communications have carried information symbols recommended by the European Commission.

Garnier's 'green' website

Garnier has implemented Watt Impact technology to reduce the energy impact of its website. Watt Impact enables Garnier to monitor the site's energy demand in real time and estimate its carbon footprint. It then purchases renewable energy to offset the impact.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ CORPORATE CONSUMER RESPONSIBILITY

▶ ENGAGING EXTERNALLY

▶ RESPONSIBLE COMMUNICATIONS

▶ **PRODUCT ACCESSIBILITY**

▶ PRODUCT SAFETY

[Consumption](#) / Product accessibility

Product accessibility



We want 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 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 does it come 'at any price'.

Our commitment to product accessibility and suitability for consumers in different parts of the world (for example, offering products in tubes rather than bottles, or in smaller-format containers and sachets) goes hand in hand with our commitment to performance, safety, and respect for people and the environment. As part of packaging eco-design, we carefully evaluate any environmental impacts of smaller formats, such as the potential increase in packaging material per volume of product.

Garnier offers mini-formats and mini-pricing adapted to the needs of consumers in South East Asian markets, including Garnier Light sachets in Thailand and Fructis shampoo sachets in India.

Increasing accessibility

In 2010, L'Oréal brands continued to offer accessible innovation to consumers. From our Consumer Products Division, Elseve Hydra Max shampoo by L'Oréal Paris, Caffeine Anti-dark Circles 2-in-1 Eye Roll-on from Garnier, and The Volum' Express Falsies Mascara from Maybelline New York, are all available at prices to reach the widest number of consumers.

L'Oréal Triple Active and Garnier Essentials have also gone from strength to strength, especially among young Asian consumers.

The Body Shop effectively doubled its brand presence in India in 2010, and now has 55 stores in 23 cities. The brand's naturally inspired, 100% vegetarian products offered at a price that is accessible to millions of people, together with its natural and ethical beauty values, resonate with Indian customers.

A hair salon for everyone



An accessible hair salon in Grenoble is the first of its kind in France. L'Oréal Professional provided half of the funding needed to create a salon fully adapted to the needs of all customers. It is equipped with audio loops, information in braille, wide-opening automatic doors, a ramp, adjustable chairs and sensory and tactile features.

DATABANK

▶ UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

Making products more accessible for visually impaired people

Approximately 4% of the world's population have some visual impairment. In 2010, Garnier added information in Braille notation (in French, English, German and Spanish) to its skin care products.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ CORPORATE CONSUMER RESPONSIBILITY

▶ ENGAGING EXTERNALLY

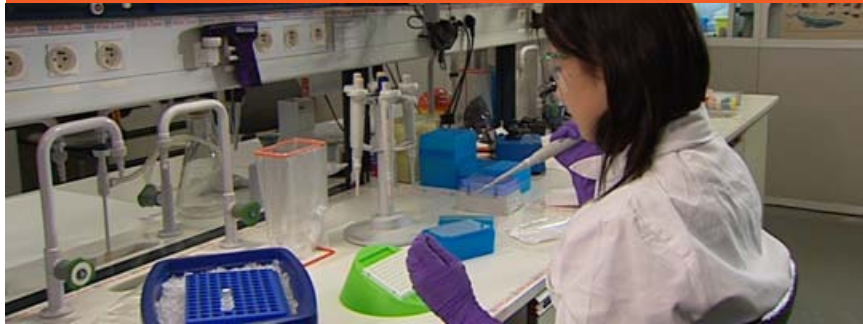
▶ RESPONSIBLE COMMUNICATIONS

▶ PRODUCT ACCESSIBILITY

▼ PRODUCT SAFETY

[Consumption](#) / Product safety

Product safety



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.

To capture data and monitor the experiences of consumers using our products, L'Oreal was the first cosmetics company to set up a worldwide Post-Marketing Surveillance network in the 1970s.

This is based on the methods used in the pharmaceutical industry and has an online, real-time database, enabling L'Oreal to detect even the slightest signs of intolerance and to take rapid action if necessary.

Read more about Ethical and safe products in the [Innovation section](#).

DATABANK

- ▶ UDA (FRENCH ASSOCIATION OF ADVERTISERS) COMMITMENTS

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ MANAGING OUR PEOPLE
- ▶ DIVERSITY MANAGEMENT
- ▶ DIALOGUE
- ▶ LEARNING AND DEVELOPMENT
- ▶ RECRUITMENT
- ▶ REWARD AND RECOGNITION



Expert opinion on assuring the future through diversity

LISTEN TO EXPERT OPINION



Valérie Gauthier
Professor, HEC

Olivier Lecocq
Human Resources & Organisation
Development Director,
L'Oréal Asia Pacific

- ▶ [Recruitment](#)
- ▶ [Report downloads](#)
- ▶ [Dialogue](#)
- ▶ [Leave feedback](#)

Find out about our key themes

VIEWPOINTS

INTRODUCTION

MANAGING OUR PEOPLE

DIVERSITY MANAGEMENT

DIALOGUE

LEARNING AND DEVELOPMENT

RECRUITMENT

REWARD AND RECOGNITION

Talent / Viewpoints

TALENT

How we create sustainable success through diversity

"The capacity to recruit internationally minded local talent enables global companies to develop strong insights, combining both international and local aspects. Within L'Oréal the tradition is to recruit younger people who go on to develop their whole career with the group. While it's probably harder for people who have already had a career to integrate into the L'Oréal culture, they are still very important because they tend to join at a stage in their career where they can add real value and influence the approach."

Valérie Gauthier, Professor, HEC

"We have a very important strategy and objective, to acquire one billion new customers. That relies on a much deeper understanding: where and how these new consumers live, how they use their products, and what beauty means for them now and in the future. You have to rebuild the key elements that will make the brand meaningful. In every single country that means having teams who work exceptionally hard to understand that diversity and all its components, and to really understand the expectations of today's men and women."

Olivier Lecocq, Human Resources & Organisation Development Director, L'Oréal Asia Pacific

THE EXPERTS



Valérie Gauthier
Professor, HEC

Olivier Lecocq
Human Resources & Organisation
Development Director,
L'Oréal Asia Pacific

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Find out about our key themes

▶ VIEWPOINTS

▼ INTRODUCTION

▶ MANAGING OUR PEOPLE

▶ DIVERSITY MANAGEMENT

▶ DIALOGUE

▶ LEARNING AND DEVELOPMENT

▶ RECRUITMENT

▶ REWARD AND RECOGNITION

[Talent](#) / Introduction

Introduction



Our culture is rich in talent and diversity and we encourage our people to contribute with creativity and enthusiasm. This is key to L'Oréal's ability to be a sustainable business and promote sustainable consumption.

Our approach

Recruiting and nurturing talent are crucial to help to grow our business and ensure our long-term success. Ensuring our employees feel fulfilled is a cornerstone of our approach. We support and encourage the development of our people all around the world.

Our Human Resources policy reflects our innovation-based strategy, a passion for our products and brands, and a shared belief in the beauty industry.

To achieve our objectives, we:

- [Recruit the best people](#) through university partnerships and innovative business games
- Tailor [personal and professional development](#) opportunities to individual needs
- Use [diversity](#) to drive business success
- Motivate our people through our global [development](#) system, as well as our [remuneration policy and profit-sharing](#) programmes
- Maintain active [dialogue](#) with our employees, so we can understand their perspectives and develop our policies continuously.

Best human capital initiative award

L'Oréal has won the Human Capital Trophy 2010 in France, in recognition of its investment in its employees. The award, organised by recruitment company Michael Page International, in association with eight other companies, recognises the best human capital initiatives of companies in the CAC 40 (the top 40 companies on the French stock exchange).

L'Oréal also won the 'Management of Employment' prize for its 2009 integration plan after acquiring YSL Beauté. The challenge was to integrate the new brand into the Luxury Products division in France without making any of the 1,300 employees redundant.

"It is an honour for us that L'Oréal is recognised for its actions in human capital. This award recognises our HR policy which has always placed people at the centre of our concerns."
Geoff Skingsley, Director General of Human Resources, L'Oréal.

66,619
employees globally

DATABANK

- ▶ 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

▶ VIEWPOINTS

▶ INTRODUCTION

▼ MANAGING OUR PEOPLE

▶ DIVERSITY MANAGEMENT

▶ DIALOGUE

▶ LEARNING AND DEVELOPMENT

▶ RECRUITMENT

▶ REWARD AND RECOGNITION

[Talent](#) / Managing our people

Managing our people



Building long-term, mutually beneficial relationships with our employees will ensure L'Oréal's sustainable growth and success.

We have a policy of proactive recruitment to expand L'Oréal's culture, talent and diversity.

We continue to focus on our long-term commitment to the group's future security by developing a skilled workforce by:

- Maintaining our management trainee scheme
- Continuing our international mobility policy to support our geographic expansion
- Strengthening our 'L'Oréal & Me' programme.

'L'Oréal & Me'



L'Oréal & Me is our global programme which aims to build a lasting mutual commitment between L'Oréal and all its employees. It reinforces transparency on decisions, strengthens dialogue between managers and their teams, and boosts employees' involvement in their career development.

While our HR teams continue to communicate the values, features and benefits of the programme, in 2010, we enhanced the L'Oréal & Me programme worldwide by launching new services. Online job boards in France and the USA highlight career opportunities, and the HR intranet portal is now available in all countries. This ensures that all employees can access the full range of web services we offer, including the online employee appraisal system, and the new digital learning platform, My Learning.

DATABANK

- ▶ 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

MORE IN THIS REPORT...

- ▶ LEARNING AND DEVELOPMENT

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING OUR PEOPLE

▼ DIVERSITY MANAGEMENT

> DIVERSITY
MANAGEMENT
FRAMEWORK> DIVERSITY
MANAGEMENT
TIMELINE

▶ DIALOGUE

▶ LEARNING AND
DEVELOPMENT

▶ RECRUITMENT

▶ REWARD AND
RECOGNITION[Talent](#) / Diversity management

Diversity management



Commitment, evaluation and sharing are fundamental to managing diversity at L'Oréal. We remain convinced that diversity is a core value and a global performance lever for the group.

At L'Oréal we believe individuality should be valued and diversity embraced. We want our workplace to reflect the diversity of our consumers and our markets, in terms of nationality, ethnicity, disability, gender, age and social background. Diverse teams allow for greater creativity, a better understanding of our consumers and products that measure up to their expectations.

We offer specific diversity training to increase manager awareness of non-discrimination, daily management of diversity and implementing the group's diversity policy.

Our goal is to be a worldwide leader in diversity management by 2020. This is aligned to our corporate strategy to reach a billion new consumers. We want to make global progress on diversity, focusing globally on gender, disability and socio-ethnic origins.

- 113 different nationalities are represented in our management teams
- 58% of our managers and 39% of Management Committee members are women
- 93% of our managers across Europe have undergone L'Oréal's one and a half day diversity training.

Diversifying our recruitment pools

We actively engage in partnerships with recruitment agencies and organisations such as France's National Institute for Deaf Youth, to diversify our candidate pools and improve integration into the workplace.

We have diversified our recruitment sources by co-organising and participating in Employment and Diversity Fairs and the 'Plan Espoir Banlieues' which helps candidates from disadvantaged areas to gain employment. Since 2008, more than 500 young professionals under 26 years old from disadvantaged areas have joined L'Oréal through internships, apprenticeships and jobs.

We have improved the employment rate of people with disabilities, to 5.44%, which is an increase of 1.94% since 2007.

L'Oréal accelerated the opening of inter-company day care centres close to its sites and provides over 170 crèches worldwide. The group is a founding member of the 'Crèches in Businesses Club', created in 2010 by the Ministry of Labour.

L'Oréal Canada recognised in the top family-friendly employers list for the second year running.

93%
of L'Oréal managers in France have received our one and a half day training programme in diversity.

DATABANK

- ▶ 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

MORE IN THIS REPORT...

- ▶ DIVERSITY TIMELINE
- ▶ CODE OF BUSINESS ETHICS (PDF)

Diversity initiatives



As part of sharing and promoting good practice, and to highlight concrete actions taken by our brands and businesses across the group, we celebrated the second year of our awards for disability initiatives ('Initiatives pour le Handicap') in November 2010.

Our Professional Products Division was recognised with the 'Grand Prix' award for its partnership project with France's National Institute for Deaf Youth, designed to assist 20 hearing impaired young people to access training and opportunities in hairdressing. The award also recognised the division's work in creating the country's first fully accessible hairdressing salon in Grenoble.

In Saiwai, Japan, our brand new labelling plant (which opened in October 2010), has also taken up the challenge by ensuring that its facilities are accessible and by employing a majority of differently abled people. The goal is to provide opportunities to perform well in an inclusive and supportive work environment.

As a founding member of the association ARPEJÉH (Assisting the Pursuit of Study Projects Undertaken by Young Disabled Pupils and Students), L'Oréal also invites young disabled students to attend discovery and immersion sessions within the business world. In 2009, we welcomed 11 disabled students for work experience.

Gender diversity

Committed to equal opportunities in the workplace for many years, L'Oréal seeks to guarantee gender balance in functions that are currently predominantly staffed by men or women, equality in terms of salary and training, and access for women to positions of responsibility. We signed a corporate agreement on Professional Gender Equality with all Trade Union organisations in France in 2008.

At the European level, L'Oréal is co-founder of the Arborus endowment fund created in early 2010 to promote and integrate professional gender equality on a pan-European basis. The group took part in the creation of the first Gender Equality European Standard, initiated by Arborus with the support of the European Commission. At an international level, L'Oréal participated in the creation of the first international certification for gender equality, initiated by Swiss Foundation the Gender Equality Project, in partnership with the World Economic Forum.

To proactively promote gender diversity, L'Oréal created the first Company Parent-Friendly Charter in 2008 in France with SOS Préma (a national parent support association) and sponsored by the Ministry of Labour. The initiative, in line with gender equality in the workplace, highlights our determination to encourage a work environment where working parents can better manage their professional and personal lives.

Moreover, in 2010 several L'Oréal subsidiaries offer access to day care centres. In 2002, L'Oréal Canada launched the L'Oréal Kids Care Centre which provides 36 places for L'Oréal employees' children. Since 2008, L'Oréal Germany's Day Care Centre provides space for 18 kids. In France, at the end of 2010, 87 places were available in the five multi-company day care centres that have been established near to L'Oréal. In addition, by the end of 2010, a multi-company recreational centre run by Filapi, will host 17 children (from age three upwards) on Wednesdays and during school holidays.

In addition, we wanted to address salary discrepancies between men and women and we have progressed significantly over the past two years. The gap is around than 3% in France.

Female representation in our business

- 63% of the worldwide workforce
- 61% of new recruits
- 58% of managers
- 45% of L'Oréal group brands are headed by women
- 39% of Management Committees
- 21.4% of the Executive Committee (since January 2011)
- 45% of new appointees to expatriate positions
- 34% of employees holding expatriate positions abroad
- 15 women were appointed to the post of Managing Director in 2010

Measuring our progress

Assessing and measuring our success is an important part of our policy. In 2010, we produced our first Diversity Overview Report, which includes over a hundred indicators. Dedicated to our employees, partners and other key stakeholders, this report is a basis not only for managing our policy, but also for dialogue with all those concerned.

Our Diversity Overview Report achieved a Grand Prix award at the 6th International Diversity Forum.
For 2011, the objective is to create our first international Diversity Overview Report.

Talent / Diversity Management / Diversity management framework

Diversity management framework

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

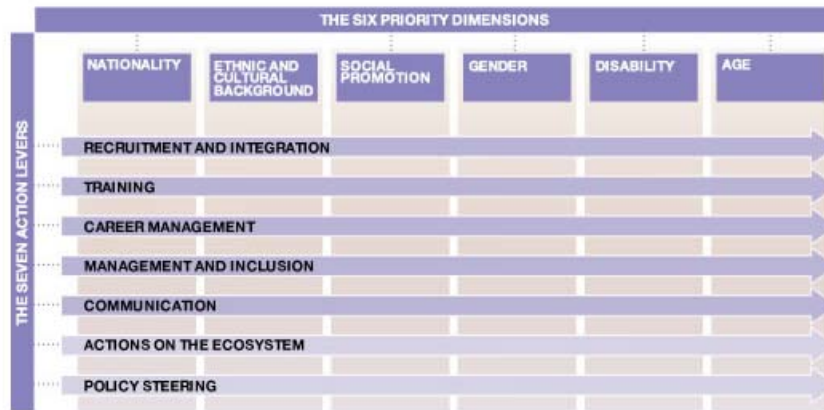
Our 2005-2010 ambitions

- Reflect the diversity of origins within our teams
- Promote gender equality within our teams
- Encourage the employment of people with disabilities
- Encourage work experience in anticipation of a longer work life
- Develop an inclusive managerial culture, respectful of all
- Promote the emergence of a diversity community or 'ecosystem'
- Deploy and evaluate the diversity policy.

Principles for action

- Respect our standards of excellence in terms of competencies and individual performance
- Attract candidates from outside our usual talent sources and identify profiles that will bring new perspectives
- Create a social dynamic and promote diversity externally, through working with our partners (suppliers, clients) and other stakeholders
- Measure and report our progress.

Our 2005-2010 framework



Policy and charters

Five years after establishing our formal group diversity policy, we remain committed to promoting diversity within the workplace as a key driver in our the group's performance.

We formalised our commitment to diversity when we became a signatory to the United Nation's Global Compact in 2003. We were also one of the first companies to sign the national Diversity Charter in France. Subsequently, we helped to create a national charter for Italy, Sweden and signed the seven existing Diversity Charters in Europe.

Furthermore, L'Oréal is committed to promoting specific dimensions of diversity, such as gender/parenthood, social background and age, by co-creating other commitments such as the Parent-Friendly Charter, and signing agreements with governments (such as the 'Plan Espoir Banlieues' in France in 2008), and with trade unions (such as the agreement for employment of senior employees in France).

We were one of the first companies to receive the 'Diversity Label' in 2009 from AFNOR, a French certification company, in recognition of the group's commitment to equal opportunities, promotion of diversity and prevention of discrimination.

In 2010, L'Oréal decided to join the first circle of founding member firms of Arborus (The European Fund for Professional Equality) and participated in the creation of the first Gender Equality European Standard, certified by Bureau Veritas.

"The goal of these initiatives is to create a European and worldwide corporate culture on the theme of equality between men and women and to equip companies with a wide range of steering tools."

Cristina Lunghi, Founder and President of Arborus

7 national Diversity Charters have been signed by L'Oréal

DATABANK

- ▶ 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

MORE IN THIS REPORT...

- ▶ DIVERSITY
- ▶ CODE OF BUSINESS ETHICS (PDF)

VIEWPOINTS

INTRODUCTION

MANAGING OUR PEOPLE

DIVERSITY MANAGEMENT

> DIVERSITY MANAGEMENT FRAMEWORK

> **DIVERSITY MANAGEMENT TIMELINE**

DIALOGUE

LEARNING AND DEVELOPMENT

RECRUITMENT

REWARD AND RECOGNITION

Talent / Diversity Management / Diversity management timeline

Diversity management timeline

Year	Milestones	Commitments made by L'Oréal	Structures created within L'Oréal or to which L'Oréal belongs	Awards and accreditations
1970	<ul style="list-style-type: none"> Schueler Month (France) 			
1983	<ul style="list-style-type: none"> End of career leave (France) 			
1993			<ul style="list-style-type: none"> 'Co-ordination, Insertion, Handicap' (France) 	
2000		<ul style="list-style-type: none"> L'Oréal Ethics Charter (1st edition, France) 		
2001	<ul style="list-style-type: none"> CEP Partnership Political Sciences (France) 			
2002	<ul style="list-style-type: none"> Operation SOS Racism – "ça va être possible" ("it will be possible") (France) Creation of company creches (36 places in Canada) 		<ul style="list-style-type: none"> Vice-Presidency Diversity USA 	
2003	<ul style="list-style-type: none"> Disabled audit (France) 	<ul style="list-style-type: none"> UN Global Compact 		
2004	<ul style="list-style-type: none"> Africagora Forums, Career in Africa (France, Belgium, UK) 	<ul style="list-style-type: none"> Diversity Charter (France) 		<ul style="list-style-type: none"> Global Diversity Award (USA)
2005	<ul style="list-style-type: none"> Formalisation of the Diversity Policy INED survey (France) 	<ul style="list-style-type: none"> Apprenticeship Charter (France) 	<ul style="list-style-type: none"> Global Diversity Management 	<ul style="list-style-type: none"> International Leadership Award Anti-Defamation League (USA)
2006	<ul style="list-style-type: none"> 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) Intergenerational training (Canada) 	<ul style="list-style-type: none"> Education Charter (France) 	<ul style="list-style-type: none"> Diversity Observatoires (24 in France) 	<ul style="list-style-type: none"> Diversity Innovation Award (Prague)
2007	<ul style="list-style-type: none"> Partnership Agreement – L'Oréal & Ville de Clichy (France) New management competence 'Leading with human sensitivity' Suppliers' convention "Together for Diversity" Employment & Diversity Forum (2nd edition, 25 recruitments: European Commission seal of approval) "A Minute for Diversity" (RMC, France) Henri IV Convention (France) "L'Oréal: Actions for Diversity" 2nd edition of "Respect Hors Série" 	<ul style="list-style-type: none"> Diversity Charter (Belgium) L'Oréal Ethics Charter (2nd edition) 	<ul style="list-style-type: none"> Creation of the Diversity Committee Creation of the Country Diversity Observatoires (two in Spain, two in Belgium) Global Diversity Network (30 subsidiaries) 1st European Diversity 	

	<ul style="list-style-type: none"> magazine (10,000 copies, France) ■ Seniors IF Audit (France) ■ B'A BA: teaching French to cleaning staff (France) 		Laboratory (CSR Europe)	
2008	<ul style="list-style-type: none"> ■ 1st national meeting of the Diversity Observatory (France) ■ Diversity training: 5,000 managers trained (worldwide) ■ 1st Seniors' Employment & Diversity Forum (France) ■ Diversity Trophy awarded to L'Oréal for the Seniors' Employment & Diversity Forum (France) ■ 1st Employment & Diversity Forum (Italy) ■ SNCF Train for Employment Forum (France), in partnership with The Body Shop ■ Participation in the second 'Employment and Disability Careers Fair' (Spain) ■ ESSEC Chair in Diversity & Performance (18 students, France) ■ POOL, L'Oréal recruitment site made anonymous (age, gender, nationality) ■ Intranet, Diversity USA ■ Disability: Partnership with LB Development (France) ■ Sponsorship of the French team at the Paralympic Games, Beijing ■ L'Oréal Belgium: Major sponsor of a new national recruitment site for people with disability ■ Creation of company creches (18 places in Germany) ■ CITITV Partnership – SOS Racism (France) ■ Creation of a set of diversity indicators for suppliers (France) ■ Participation in the 'Employment Equity Forum' (South Africa) ■ 1st Local Event – CSR Diversity Laboratory (Belgium) ■ Masters in Diversity at IEP (university) Lille (France) 	<ul style="list-style-type: none"> ■ Parenting Charter (France) ■ Diversity Charter (Germany) ■ National Commitment 'Espoir Banlieues' [Hope for inner cities] (France) ■ Agreement: Male/Female Equality (France) ■ Agreement: Work-Life balance (France) 	<ul style="list-style-type: none"> ■ AFMD (French Association of Managers of Diversity) – Founder & Vice-president ■ Parenting Observatory (France) ■ Disability: ARPEJEH Foundation (France) 	<ul style="list-style-type: none"> ■ L'Oréal – No. 1 in cosmetics sector for diversity (South Africa)
2009	<ul style="list-style-type: none"> ■ Seniors' Audit with Vigeo and the Ministry of Employment (France) ■ Comedd (Commission to measure and evaluate diversity and discrimination), France) ■ 1st digital edition of 'Hors série Respect' Magazine (France) ■ Diversity training set up in 16 countries. 6,200 managers trained ■ 1st Diversity appraisal (France) ■ Health Project RMC/BFM association (France) ■ Research Group – Diversity and Performance IMS (France) ■ L'Oréal Foundation and 'Sciences Po', France – 1st project for disabled students in a "grande école" (a leading university) (France) ■ PACS Audencia programme (France) (PACS - Partnership for Action for Skills and Society) ■ Brio Audencia programme to facilitate access to the "grandes écoles" (leading universities) for students from modest backgrounds (France) ■ L'Oréal Centenary: philanthropy project set up in 56 countries ■ Work-Life balance: expansion of flexible 	<ul style="list-style-type: none"> ■ Diversity Charter (Spain, Italy) ■ Diversity Label (France) ■ Seniors' agreement (France) 	<ul style="list-style-type: none"> ■ Diverseurope club: creation of networks among European subsidiaries ■ BCG Diversity Club – Women's Forum 	<ul style="list-style-type: none"> ■ Alpha Group award (Diversity reporting) (France) ■ Trophée de la Diversité for 'International Deployment and Communication' (France) ■ Award for the B'A-BA literacy programme

	<ul style="list-style-type: none"> working hours (Germany) ■ Professional equality diagnostic (Spain) ■ "Juntos, Podemos", ("Together, we can do it") integration programme for 15 disabled students (Spain) ■ 'L'Oréal Impulsa': six-month training programme in hairdressing for underprivileged young people (Spain) ■ Proceedings SOS Racism / Appeal: Definitive conviction for Garnier 			
2010	<ul style="list-style-type: none"> ■ Research Associations Forum (France) ■ Awards for 'Initiatives pour le Handicap' (Initiatives for disabled people), 2nd edition / 28 European countries ■ 1st Diversity Overview Report ■ Cooperation with the Arab World Institute (France) ■ Expansion of the Diversity project in Brazil and Japan ■ Extension of Diversity training programme beyond management grades in Europe ■ FILAPI Operation (France) ■ Membership of EPWN and WIN, European women's forums ■ Evolution and enhancement of diversity criteria AIDS-health / Sexual orientation (France) ■ Garnier skin care products carry Braille information and Sourdline® logo (service for the hearing impaired) ■ Carla Sarkozy/Lancôme Foundation (France) 	<ul style="list-style-type: none"> ■ Global Diversity Charter (draft) ■ Diversity Charter (Sweden) ■ Diversity Charter (Brazil, draft) ■ Disabled agreement/Convention (France) ■ Equality agreement (France, Spain) ■ Equality World Label (Gender Equality Project / Davos) 	<ul style="list-style-type: none"> ■ European Fund for Professional Equality – Arborus ■ Expansion of the Diversity Observatories (Italy / Germany) 	<ul style="list-style-type: none"> ■ L'Oréal Canada ranked "Best Diversity Employer" ■ L'Oréal South Africa Broad Based Black Employment Equity scorecard level 5

VIEWPOINTS

INTRODUCTION

MANAGING OUR PEOPLE

DIVERSITY MANAGEMENT

DIALOGUE

LEARNING AND DEVELOPMENT

RECRUITMENT

REWARD AND RECOGNITION

Talent / Dialogue

Dialogue



We encourage open dialogue and engagement between employees, their representatives and L'Oréal.

Employee feedback

We place great importance on open communication with our employees. We are keen to hear their views on L'Oréal and on issues that affect them.

L'Oréal has carried out a global employee opinion survey ('Pulse') since 2003. The last survey covered 28,000 employees in 28 countries and 150 taskforces are now turning the ideas generated into action around the business. These include time-management guidance, car-sharing schemes and individual 'Training Passports', along with many other initiatives. The survey will be repeated in 2011 and 2012 across the group.

Fostering labour relations

France: Labour relations at L'Oréal are based on mutual trust and respect. In France, there are 96 bodies representing the views and interests of our employees. These have 603 employee representatives and cover 1,183 areas of interest. Our employees have access to a wide range of forums and representation, including works councils and committees, union representatives, occupational health and safety committees, and the group committee. There are also informal forums for social dialogue (known as RIEDS in France). In France, L'Oréal has signed 25 internal agreements. (If the same agreement is signed by several different sites or legal entities in a given country, it is considered as a single agreement).

Other regions: In the rest of the world, the group has 937 employee representatives in 66 subsidiaries.

Dialogue at European level

Through L'Oréal's agreement with the French and European trade unions FECCIA and EMCEF, we established (in 1996) our European Works Council: Instance Européenne de Dialogue Social (IEDS/EWC). The agreement has been regularly updated, and in 2009 we introduced a new consultation procedure 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 and 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 IEDS/EWC informs discussions and formal meetings about our current situation and future prospects with IEDS representatives.

It has 30 members from the European countries that are part of the European Economic Area with more than 145 employees. The members receive regular training on economic and labour related issues. Today, the IEDS covers more than 30,000 employees and 26 countries, of which 16 are directly represented.

DATABANK

- ▶ 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

▶ VIEWPOINTS

▶ INTRODUCTION

▶ MANAGING OUR PEOPLE

▶ DIVERSITY MANAGEMENT

▶ DIALOGUE

▶ LEARNING AND DEVELOPMENT

▶ RECRUITMENT

▶ REWARD AND RECOGNITION

[Talent](#) / Learning and development

Learning and development



Learning is part of our everyday life. We aim to provide our employees with learning opportunities throughout their professional lives as part of ensuring L'Oréal's competitive edge.

An individual approach

'L'Oréal & Me' provides a new global framework for career reviews, which includes two reviews a year to identify and discuss career paths, personal development and compensation.

We ensure regular personal and professional development through a unique learning structure to offer tailored training to the workforce, whatever the function or the geographical region. The Learning for Development organisation is fully integrated into the business, maximises best practices worldwide and provides a consistent vision for the training programmes. Developing individuals to their full potential is key to ensuring sustainable competitive advantage. Since the group has a unique and dynamic career path management approach, the Learning for Development department has developed tools to help managers deal with transitions and the new responsibilities they are given.

International mobility

Geographic and career mobility are beneficial for both the individual, in terms of development and experience, and the group, in terms of growth and innovation. International mobility also reinforces our diversity policy as multicultural teams enable our brands to adapt to local demands.

At the end of 2010, 752 employees from 49 countries were on long-term international assignments in 57 different countries – a 13% increase on 2009. Of these employees, 34% were women and 15% were under the age of 30. At the end of 2010, L'Oréal transferred close to 40 employees transferred abroad to bring expertise to other countries, mainly for manufacturing projects, for short-term assignments of up to 12 months.

We have reviewed our international mobility policy so that it meets the needs of employees and the company. We have developed specific packages for junior employees and also for transfers between regions.

To support this ambitious acceleration of internationalisation, we provide our best talents with international programmes, developed in partnership with leading institutions, where they access the best educational resources around the world, combined with the expertise and experience-sharing of L'Oréal business leaders. These programmes also aim to convey the culture and values that are unique to L'Oréal and contribute to strategic alignment. As an emblematic seminar, "L'Oréal Insight" has in 2010, been seen by a record number of 195 young managers of 37 nationalities, showing the commitment of local HR directors to support the development of their talents. Overall, nearly 400 key people, from all countries across the group, have attended one of the main international corporate seminars in 2010.

My Learning

In 2010, with the ambition to "bring learning to all" our Learning for Development teams launched our 'My Learning' platform internationally in 18 languages, reaching 20,000 employees in 32 countries. We will extend this to 45,000 people in 56 countries in 2011.

By using a single platform across L'Oréal, we can ensure the sharing of group culture and expertise globally. My Learning will also support knowledge transfer within the company; employee orientation; corporate initiatives such as diversity and ethics; and will enable information to be disseminated quickly to employees.

"In the current economic environment characterised by rapidly accelerating change, managers and employees face increasing complexity. The ability to learn, which has always been at the heart of L'Oréal culture, is more than ever a true competitive advantage. We believe firmly that every one of our employees around the world should have equal access to continuous learning in order to gain, develop and extend their personal and professional competencies, and on top of this share the vision and passion for our metier. We believe that the My Learning programme will not only help us to continue to attract the best employees but also contribute to employee commitment, sense of belonging and loyalty"

Sylvie Dangelser L'Oréal's Learning For Development Corporate Director

In 2010, training represented the equivalent of 2.1% of our gross payroll costs, an increase of 28.5% compared with 2009; 72% of managers and 57% of all employees received training.

DATABANK

- ▶ NUMBER OF EMPLOYEES
- ▶ COMPOSITION OF WORKFORCE BY REGION
- ▶ NATIONALITIES IN

Through My Learning, employees can access training and resources in areas such as management, professional expertise, languages and IT. It has been created using a blend of innovative learning methods and tools ranging from distance learning to video demonstrations to meet the long-term training needs of every L'Oréal employee.

My Learning provides employees with an individualised development track which encompasses the training offer and the open access online modules appropriate to their role. 400 specific development tracks have been provided, focusing on the specific skills required to develop in line with the key job accountabilities.

Sharing knowledge, culture and values worldwide

Our Learning and Development strategy reflects the many different ways of learning through a mix of formal and informal methods. While we believe in sharing knowledge and 'learning by doing', we have captured some of our internal knowledge or "savoir faire", and created on the job learning cards to help employees to develop their skills on a daily basis.

To share our culture with all of our employees, even in the furthest countries, we also launched two e-learning modules in 2010:

- 'I-Discovery' – an interactive module for new joiners to discover our brands, our strategy and organisation, everywhere in the world
- 'Keys to L'Oreal' – a module, available in nine languages, which explains and shares the group's specific values on matters such as decision making or innovation.

Our Learning for Development teams have also developed new interactive e-learning resources that capture and share specific expertise in different departments. For example, in the Research & Innovation department, one of these resources allows people to identify the colour, shape and chemical components of hair fibres, while another helps researchers to understand all stages of product development and the role of teams at each stage.

As another example, in 2010, the Consumer Products Division launched an e-programme for Category Management Certification, which allows new Category Managers to gain theoretical and practical skills. The programme includes case studies and webinars with Category Management experts sharing their experiences. It is delivered by the Category Management Knowledge Group, a global leader in Category Management training. After successfully completing the programme, the participants receive a Category Management Certificate.

Engaging employees in sustainability

As we seek to embed sustainability in our daily activities, we engage with our employees to increase their awareness. As well as learning, they can develop their skills by getting involved in volunteering activities in the communities where we work.

Volunteers from L'Oréal USA worked at the Passaic River Park, Berkeley Heights, as part of our annual Employee Volunteer Day 2010. They removed an estimated ton of invasive plant species, repaired deer netting, picked up trash, spread wood chips and restored paths.

Read more about our volunteering in [Communities](#).

MANAGEMENT

- ▶ PERCENTAGE OF WOMEN IN WORKFORCE
- ▶ PERCENTAGE OF MANAGERS WHO ARE WOMEN
- ▶ PERCENTAGE OF MANAGEMENT COMMITTEE MEMBERS WHO ARE WOMEN
- ▶ OTHER DIVERSITY INDICATORS

VIEWPOINTS

INTRODUCTION

MANAGING OUR PEOPLE

DIVERSITY MANAGEMENT

DIALOGUE

LEARNING AND DEVELOPMENT

RECRUITMENT

REWARD AND RECOGNITION

Talent / Recruitment

Recruitment



We have an active recruitment and retention policy aimed at expanding the diversity and skills of our workforce.

A passionate quest for talent

Having weathered the difficult global economy of recent years, L'Oréal is in a strong position as an employer. We have realigned our strategy for the future, placing emphasis on growth and increasing market share, especially in our new markets.

In 2010/11 we are extending our recruitment policy to meet the competitive market for talent. Our recruitment objectives take account of the fact that candidates' relationships with the corporate world are changing. We are looking for candidates with courage, energy, resilience, intellectual speed and agility to help build the L'Oréal of the future.

We also want to provide individuals of the right calibre with the training and support to help grow the business over the next three to five years, as well as provide L'Oréal with the best leaders in the longer term.

Where our talent comes from

- University campus management – we have partnered with over 200 campuses and have links with student associations. We also reach potential high-calibre graduates with Brandstorm, a marketing competition for international students
- Online tools – REVEAL, our online business game, is open to students and graduates, with the purpose of sourcing prime, diverse talent from all over the world
- Internships – our EurOpportunity programme offers 6-12 month internships in Europe. It has sourced more than 100 interns over the last two years, with strong rates for hiring post-internship. In addition, the VIE (Volunteer for International Experience) programme began between L'Oréal Latin America and Paris and is now being extended to Asia
- MBA candidates – L'Oréal offers 60 jobs for international MBA recruits every year, providing a specific induction programme into the beauty business and the L'Oréal working culture.

Apprentices

In France, we train apprentices as it is an excellent way of offering people the chance to complement their studies with practical experience. We offer high quality professional training to young people of all levels, and since our apprenticeship programme started in 1993, we have welcomed 3,638 apprentices to our business.

Apprentices make up 4.76% of our workforce in France. They are supported by a network of over 2,000 mentors, who receive up to two days' training to help them fulfil their role.

Developing leaders

Our management training programmes provide us with a talent pipeline.

We maintained the number of our management trainees throughout the economic crisis, because L'Oréal always takes a long-term view. Economic growth allowed us to drive forward our 'Pépinière' management trainee scheme, which grew by 35% in 2010, and even doubled in some regions.

We are proactively building our recruitment plans for experienced candidates, to cater for our two to three year leadership needs, including the recruitment of senior proven talent to enrich and diversify our management pools.

In 2010, we also created a new regional function called Talent Sourcing Director to spot potential

REVEAL has won many awards, including the National Graduate Recruitment Awards 2010 in the UK, the Creative Excellence Awards 2010 in the US and the 8th Innovation in HR Awards in Spain.

DATABANK

- ▶ 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

MORE IN THIS REPORT...

- ▶ RECRUITING FOR DIVERSITY

AT L'ORÉAL...

- ▶ MEET US

managers and ensure the group has a strong enough pool of talent to meet our business growth ambitions.

REVEAL

Launched in 2010, REVEAL is a unique recruitment tool to source diverse candidate profiles which match the L'Oréal spirit. Through the online story and situations, participants can learn more about their own skills, explore L'Oréal's company culture, discover potential career opportunities, and get the chance to join the group at the end. It is a unique experience for any student preparing for working life, regardless of their academic background.

Over 2010, almost 60,000 people used REVEAL, and in future, we expect it to help us source 30% of our interns.

Brandstorm

Brandstorm is our unique, world class international marketing competition. The 18th competition took place in June 2010 in Paris, where 43 affiliates participated in a unique experience. 7,100 students from the best 220 academic institutes took part in a business challenge to develop a new beauty product range for men and the associated communications campaign. First prize went to the team from the Instituto Universitário de Lisboa, Portugal.

Each year, more than 150 creative profiles are sourced through Brandstorm to join our marketing teams worldwide.

L'Oréal ranked 11th most attractive employer in the world

L'Oréal was chosen by 130,000 students from top academic institutions all over the world as their most attractive employer, according to the Universum Global Talent Attraction Index. This is the first global index of employer attractiveness and highlights the world's most powerful employer brands, those companies that excel in talent attraction and retention. L'Oréal has moved up three places in the ranking among business students and is now ranked 11th worldwide and third in Europe.

VIEWPOINTS

INTRODUCTION

MANAGING OUR PEOPLE

DIVERSITY MANAGEMENT

DIALOGUE

LEARNING AND DEVELOPMENT

RECRUITMENT

REWARD AND RECOGNITION

Talent / Reward and recognition

Reward and recognition



At L'Oréal, we recognise our employees' achievements and reward them with competitive remuneration and a range of benefits.

Remuneration

At L'Oréal, our remuneration policy reflects our employees' contribution to our business success. Remuneration packages vary according to the job and level of responsibility. All countries have a remuneration policy based on a standard performance assessment system applied worldwide. The career advancement and salary of each employee is managed on an individual basis.

L'Oréal aims to offer competitive compensation packages in order to attract and retain the best people. Accordingly, almost all subsidiaries take part in an annual compensation survey. The compensation package is determined by the position, competencies, performance and potential of each individual.

In most of the countries in which we work, the salaries we pay to our employees are considerably higher than the legal minimum wage (on a national or sector level, and taking into account collective agreements). For example in Argentina, the minimum salary paid by L'Oréal is 96% higher than the minimum salary fixed at national level. This is also the case in China, where the minimum salary paid by L'Oréal is 82% higher than the minimum salary fixed at national level.

Profit sharing

L'Oréal believes that all our employees should share in the success they have helped to achieve. An annual bonus rewards performance, strengthens employees' sense of belonging and increases motivation. Employee profit-sharing totalled €185 million in 2010.

Employee benefits

L'Oréal offers benefits packages, which vary according to local practices and regulations, to enhance the wellbeing of employees and their families.

L'Oréal has an International Benefits Steering Committee to ensure coverage is offered consistently to all our employees. It has drafted a charter for a safe and long lasting investment of the assets allocated to pension programmes, which must be applied by all subsidiaries.

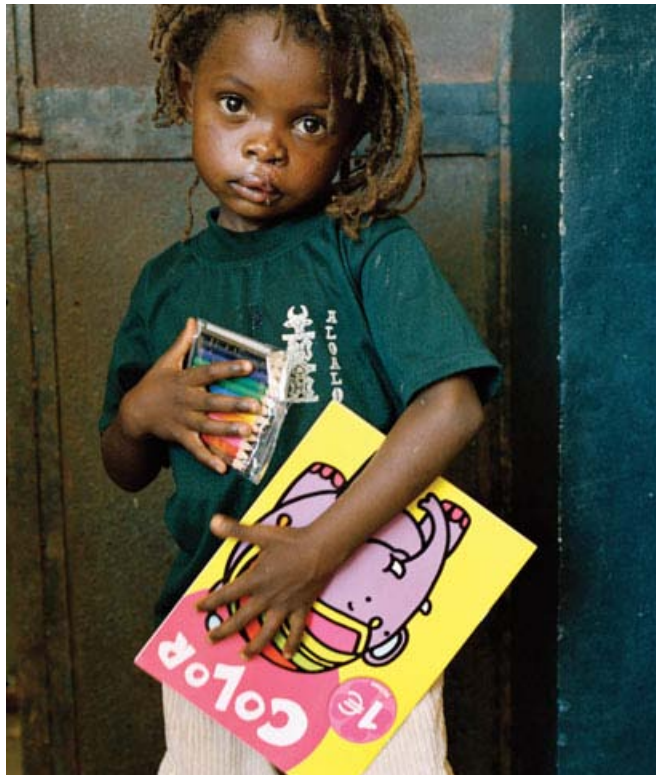
In 2010, we continued to review our pension programmes around the world and implemented new programmes in Chile and Pakistan. We also improved the existing programme in Poland. The total cost of our pension programmes was €438 million in 2010, compared with €422 million in 2009.

REVEAL has won many awards, including the National Graduate Recruitment Awards 2010 in the UK, the Creative Excellence Awards 2010 in the US and the 8th Innovation in HR Awards in Spain.

DATABANK

- ▶ 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

- ▶ VIEWPOINTS
- ▶ INTRODUCTION
- ▶ THE L'ORÉAL FOUNDATION
- ▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"
- ▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"
- ▶ HELPING VULNERABLE PEOPLE
- ▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION
- ▶ COMMUNITY PROJECTS AROUND THE WORLD



Expert opinion on building trust between global business and communities

LISTEN TO EXPERT OPINION



Mark Halle
Executive Director,
International Institute for
Sustainable Development

Loïc Armand
Senior VP External
Affairs, L'Oréal

- ▶ [The L'Oréal Foundation](#)
- ▶ [Report downloads](#)
- ▶ [Women in science](#)
- ▶ [Leave feedback](#)

Find out about our key themes

VIEWPOINTS

INTRODUCTION

THE L'ORÉAL FOUNDATION

L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

HELPING VULNERABLE PEOPLE

ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

COMMUNITY PROJECTS AROUND THE WORLD

Communities / Viewpoints

COMMUNITIES

How we assume sustainable citizenship

"It's important to develop a concept of consumer responsibility that creates a true link between business and consumers. This is the route to embedding responsible behaviours, citizenship and sustainability. Business needs to show, for its part, that it is making a serious, major effort in this area. Without that, it cannot ask consumers to share the responsibility and make life style changes that are needed to consume more sustainably."

Mark Halle, Executive Director, International Institute for Sustainable Development

"There can be no sustainable consumption without showing consumers what responsible production looks like. If businesses, and we at L'Oréal are among them, can develop an offer for consumers that is responsible in all senses of the term, then the enlightened consumer, armed with the right information, will be able to exercise their choice and finally make the vision of sustainable consumption into a reality."

Loïc Armand, Senior VP, External Affairs, L'Oréal

THE EXPERTS



Mark Halle
Executive Director, International
Institute for Sustainable Development

Loïc Armand
Senior VP External Affairs, L'Oréal

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Find out about our key themes

▶ VIEWPOINTS

▼ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / Introduction

Introduction



L'Oréal's commitment to philanthropy is a fundamental part of how the group operates and is based on the objectives of promoting science, helping vulnerable individuals and increasing access to education.

Philanthropy at L'Oréal

This commitment has a global reach, with L'Oréal brands and subsidiaries supporting hundreds of projects worldwide.

We are active in areas in which we can make the greatest contribution, and which reflect our purpose and values:

- Promotion of scientific research, particularly through the L'Oréal-UNESCO 'For Women in Science' programme, a joint initiative with UNESCO, now running for 13 years, and extending to 103 countries
- Restoring appearance, which is a recognised factor in building self-esteem and social wellbeing. The restorative surgery programme Opération Sourire, carried out with Médecins du Monde, illustrates this, as does the donation of personal care and beauty products by group brands
- Education and occupational integration, particularly in the beauty professions.

In 2010, L'Oréal invested €32.6 million in both large-scale international projects and hundreds of initiatives throughout the world. This represents an increase of more than 17% compared to 2009, and comprises €8.6 million from the L'Oréal Foundation (€6.1 million according to London Benchmarking Group methodology), €16.1 million in corporate donations, and €16.5 million from the group brands.

Highlights of 2010

2010 saw existing programmes developed and extended internationally, as well as several new partnerships initiated.

L'Oréal-UNESCO 'For Women in Science' expanded further with the launch of the first pan-Arab and pan-African regional awards. These ten scholarships have been created to encourage young researchers in areas of the world where L'Oréal is not present. Following the success of the first scholarships, the intention is to double the number of scholarships awarded in 2011.

[Read more](#)

L'Oréal-UNESCO 'Hairdressers Against AIDS' has also grown, with a successful launch in the US in 2010. This partnership programme with UNESCO started in 2005 and is sponsored by L'Oréal Professional Products Division.

[Read more](#)

L'Oréal continues to support initiatives designed to help individuals made vulnerable because of their appearance. In three years, more than 1,500 people have received surgery through Opération Sourire, run with Médecins du Monde in partnership with the L'Oréal corporate Foundation. In 2010, has helped to fund life-changing operations for 834 people in nine countries – an increase of 62% on 2009. L'Oréal has also developed initiatives to promote socio-aesthetics by funding workshops in beauty and self-esteem for vulnerable groups of people.

[Read more](#)

In 2010, L'Oréal donated almost €1 million and more than 500,000 of our products to people in need. In addition, we donated 7,000 personal care kits to survivors of the Haiti earthquake to help maintain hygiene and prevent the spread of disease.

€32.6 million

invested by L'Oréal in international social projects in 2010.

The L'Oréal Foundation is the second largest foundation in France in terms of funding, with a €40 million multiannual budget.

DATABANK

▶ COMMUNITY INVESTMENTS BY DOMAIN

▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

REPORT OF THE L'ORÉAL FOUNDATION

▶ PHILANTHROPY REPORT 2010

[Read more](#)

L'Oréal also supports many educational activities designed to help students from disadvantaged backgrounds and differently abled people. L'Oréal works closely with the prestigious French university Sciences Po to widen access to scientific studies.

[Read more](#)

In France, L'Oréal continues to work with the Nicolas Hulot Foundation for Nature and Mankind, to raise awareness and knowledge of environmental issues.

[Read more](#)

In 2010, the L'Oréal Foundation began a partnership with Babyloan, a French microcredit organisation that helps entrepreneurs in developing countries.

[Read more](#)

▶ VIEWPOINTS

▶ INTRODUCTION

▼ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / The L'Oréal Foundation

The L'Oréal Foundation



The L'Oréal Corporate Foundation was created in October 2007 and is the second largest organisation of its kind in France, with a €40 million budget over a five year period.

Science, solidarity, education

Its key role is to strengthen and maintain the company's commitment to social responsibility, while reflecting L'Oréal's values of scientific research, the transmission of knowledge, diversity and respect for others.

The Foundation 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 and occupational integration.

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 group's major social programmes, such as L'Oréal-UNESCO 'For Women in Science', and L'Oréal-UNESCO 'Hairdressers Against AIDS', while also continuing to support the life-changing work of Opération Sourire.

In the framework of the Beauty from the Heart programme, the Foundation supports free skincare and make-up workshops for women with cancer, teenagers suffering from psychiatric troubles, and socially excluded people. The Foundation also distributes Group brand products to people suffering from exclusion, violence or poverty.

Be proud, get involved, have fun

To mark the group's centenary in 2010, employees from all around the world took part in the first ever L'Oréal Citizen Day. This internal event was designed to involve as many employees as possible in the group's many solidarity projects around the world, inviting them to take part in fund-raising challenges and discovery programmes supported by the Foundation.

DATABANK

- ▶ COMMUNITY INVESTMENTS BY DOMAIN
- ▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

▶ VIEWPOINTS

▶ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▼ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / L'Oréal-UNESCO 'For Women in Science'

L'Oréal-UNESCO 'For Women in Science'



L'Oreal believes that there are too few women in scientific research, and that society would benefit from greater participation by women in this field. This is why the company promotes science and supports the cause of women through the L'Oréal-UNESCO 'For Women in Science' programme.

The world needs science... science needs women

Currently, just 29% of scientists worldwide are women (Statistical Institute of UNESCO, November 2009). For the last 13 years, L'Oreal has partnered with UNESCO to support women scientists and recognise the valuable contribution of their research.

Every year, five L'Oreal-UNESCO 'For Women in Science' research awards are given (one per continent) in recognition of scientific excellence, with the winners selected by an independent international jury chaired by three Nobel Prize winners.

Laureates of the 2010 L'Oréal-UNESCO Awards 'For Women in Science'

AFRICA and ARAB STATES

Professor Rashika El Ridi

Professor of Immunology, Department of Zoology, Faculty of Science, Cairo University, Egypt

For paving the way towards the development of a vaccine against the tropical parasitic disease bilharzia which affects over 200 million people.

ASIA / PACIFIC

Professor Lourdes J Cruz

Marine Science Institute, University of the Philippines Diliman, Quezon City, Philippines

For the discovery of conotoxins produced by certain marine snails that can serve as painkillers and pharmaceutical probes to study brain function.

EUROPE

Professor Anne Dejean-Assémat

Research Director INSERM, Director of the Laboratory of Nuclear Organization and Oncogenesis/INSERM U579, Pasteur Institute, Paris, France

For the elucidation of the molecular and cellular mechanisms at the origin of certain cancers in humans.

LATIN AMERICA

Professor Alejandra Bravo

Institute of Molecular Microbiology, Universidad Nacional Autonoma de Mexico, Cuernavaca, Mexico

For her understanding of the mechanism of a bacterial toxin that acts as an environmentally friendly insecticide.

Over 1,000 women have benefited from L'Oréal-UNESCO 'For Women in Science'

62 laureates in 28 countries

1,004 fellowships in 96 countries

DATABANK

▶ COMMUNITY INVESTMENTS BY DOMAIN

▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

EXTERNAL LINKS...

▶ 4WOMENINSCIENCE TWITTER

NORTH AMERICA

Professor Elaine Fuchs

Head of Laboratory of Cell Biology and Development, The Rockefeller University, New York, NY, USA

For the discovery of stem cells and key processes involved in skin development, maintenance and repair.

Nobel Prize winners

Two of the 2009 Nobel Prize winners are 2008 L'Oréal-UNESCO 'For Women in Science' Award Laureates: Professor Ada Yonath (Israel) and Professor Elizabeth Blackburn (USA), who received Nobel Prizes for Chemistry and Medicine respectively. This recognition helps to redress the fact that only 16 of the 546 Nobel Prizes awarded for science have gone to women.

Fellowships

Since 2000, L'Oréal-UNESCO 'For Women in Science' has awarded research fellowships to support young women in the pursuit of scientific careers.

Each year, 15 International Fellowships are awarded to young women whose projects have been accepted by leading research institutions outside their country of origin. Dozens of L'Oréal National Fellowships are awarded each year to young women doing research in their home country.

The L'Oréal-UNESCO 'For Women in Science' regional programme, launched in 2010, awards Fellowships to encourage young women pursuing research careers in countries where L'Oréal does not have a presence. In 2010, Fellowships were awarded to women from countries in Sub-Saharan Africa and countries in the Pan-Arab region (United Arab Emirates, Egypt, Tunisia, Kuwait and Saudi Arabia).

Agora – 'For Women in Science' community

Agora is an online platform dedicated to the exchange of ideas and is an integral part of L'Oréal-UNESCO 'For Women in Science'. It has become an important meeting place where members can talk about their scientific research, the role of women in science, their education and careers, and the global development of the programme.

For more information, visit the [Agora For Women in Science Community](#) website.

The L'Oréal Foundation, in partnership with Science Magazine, also published two booklets focused on women pursuing successful careers in science. [The 2010 booklets focused on women undertaking research in biology and the green sciences.](#)

▶ VIEWPOINTS

▶ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▼ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / L'Oréal-UNESCO 'Hairdressers Against AIDS'

L'Oréal-UNESCO 'Hairdressers Against AIDS'



The unique relationship between hairdressers and their clientele is at the heart of the Hairdressers Against AIDS initiative, which is now helping to raise awareness of the HIV virus in 26 countries around the world.

A unique approach

Developed in partnership with UNESCO, Hairdressers Against AIDS is a programme of preventative education promoted through L'Oréal Professional Products' extensive global network of instructors and training centres.

The programme aims to give hairdressing professionals the knowledge and confidence to talk to their customers about the risks of the disease, which kills over two million people every year.

More than a million hairdressers reached

"Communication and education is vital – and so is conversation. I am proud of the fact that the 'Hairdressers Against AIDS' programme has reached 1.3 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

'Use Your Voice, Use Your Power'

As well as providing a professional service, a hairdresser is often a confidante too, talking to customers about how they feel, their hopes and their worries.

As a trusting relationship develops, the hairdresser's rapport with their customers, and their ability to communicate with them, becomes a highly effective way of relaying information about issues such as HIV/AIDS and its prevention.

L'Oréal first recognised the power of the hairdresser's social role when it launched the programme in 2001. Four years later, in 2005, the L'Oréal Foundation formed a partnership with UNESCO to further promote HIV/AIDS awareness among the global hairdressing community.

The programme is also rooted in a general philosophy at L'Oréal of promoting health and hygiene.

The educational network of the L'Oréal Professional Products Division has been the driving force behind the initiative and now more than 5,000 trainers are working on the programme.

Over 1.3 million hairdressers worldwide have taken advantage of a bespoke HIV/AIDS training module, introduced as part of L'Oréal's hairdressers' curriculum. The module includes information about the risks of the disease and protection against it, as well as guidance for hairdressers on maintaining the highest standards of hygiene, and ensuring the comfort and safety of their clients and themselves.

Hairdressers Against AIDS is a rolling programme which will be extended on a country by country basis, with particular focus on regions where the disease is most prevalent.

1.3 million hairdressers have received HIV/AIDS awareness training since 2005.

Over 500,000 hairdressers receive the training every year.

5,000 L'Oréal trainers operating in 300 training centres in 30 countries.

By 2012, L'Oréal aims to reach **3 million** hairdressers in 50 countries.

DATABANK

- ▶ COMMUNITY INVESTMENTS BY DOMAIN
- ▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

EXTERNAL LINKS...

- ▶ HAIRDRESSERS AGAINST AIDS

The programme marks its tenth anniversary in 2011, with new awareness raising films, training kits and a refreshed communications campaign.

New York launch

Over 500 hairdressers took to the streets of New York on World AIDS Day in December 2010 to launch Hairdressers Against AIDS in the US. The goal was for the hairdressers to start 200 conversations with people, who would be asked to post videos, Tweet, Facebook and chat with at least ten friends, triggering one million conversations about AIDS.

There were live feeds to giant screens in New York Times Square, which reached an estimated 1.2 million people.

L'Oreal Professional Product Educators currently work with over 400,000 salon professionals a year in the US, with the HIV/ AIDS modules now part of this training process. And with each hairdresser seeing on average up to 12 clients a day, as many as 200,000,000 new people could become more aware of the issue every year.

Celebrity Calendar

To further extend the reach of the programme, and give hairdressers a talking point in their salons, a 2011 'Hairdressers against AIDS' Celebrity Calendar has also been produced.

This calendar showcases the hairstyles of 12 famous models including Diane Kruger, Vanessa Paradis, Monica Bellucci and Audrey Tautou, as captured by renowned photographer John Nollet.

Communication that makes a difference

"I do believe that beauty professionals can have an impact on society in a way that goes beyond aesthetics – by communicating openly about this serious disease, hairdressers can make a real difference on the lives of their clients and their communities."

John Nollet

▶ VIEWPOINTS

▶ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▼ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / Helping vulnerable people

Helping vulnerable people



Caring for an individual's appearance is at the heart of all L'Oréal's activity. Beauty is connected to self-esteem and a positive self-image, which is why L'Oréal supports programmes that help vulnerable and disadvantaged people, and those affected by illness.

Beauty nurtures self-esteem

Because beauty and self-confidence are so closely linked, the L'Oréal Foundation created the 'Beauty from the Heart' programme to help people made vulnerable by illness or negative life experiences. By using cosmetics and hygiene products, many women and young people can gradually regain their confidence and control of their self-image. In 2010, more than 150 workshops were conducted with financial support from the Foundation.

Giving meaning to beauty

For several years, L'Oréal has been carrying out an extensive research programme called 'The Sense of Beauty,' which aims to advance knowledge and research on the meaning and role of appearance.

This led to the publication of the book '*100,000 Years of Beauty*' in 2009. Written by 300 multidisciplinary researchers from 35 countries, this is an authoritative reference work charting humankind's quest for beauty.

In 2010, the L'Oréal Foundation began to disseminate much of this knowledge about beauty and, along with the Paris Descartes University, helped to stage the exhibition 'The Face in All its States'.

At the Women's Forum, a space for meetings, discussion and debate, the Foundation organised a meeting on the theme of appearance. It featured a talk by Aimee Mullins who, despite having both legs amputated below the knee as a child, overcame her disability to become both a model and an elite athlete.

In 2010, the Foundation also created a pilot course in the Anthropology of Beauty at the Institut d'Etudes Politiques in Paris. The course was facilitated by many of the authors who had worked on '*100,000 Years of Beauty*'.

Over the last three years, the L'Oréal Foundation has also funded a scholarship in 'The art of being and appearance' for young researchers in the humanities.

In 2010, the huge number and quality of applications led the Foundation to award two scholarships: one for a student investigating skin whitening during the Renaissance period, and the second for research into the significance of physical appearance and religion.

Opération Sourire

For the past three years, the L'Oréal Corporate Foundation has supported Opération Sourire (Operation Smile) a programme of reconstructive surgery run by Médecins du Monde.

Surgeons volunteer their expertise and time to help people who have been disfigured by disease, malnutrition or war, and help them to regain their dignity and identity, and integrate back into normal life.

L'Oréal currently works with children through missions in 12 African and Asian countries, and in 2010, 834 people were supported – 62% more than in 2009. In total, more than 1,500 have now been helped by the programme.

DATABANK

- ▶ COMMUNITY INVESTMENTS BY DOMAIN
- ▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

EXTERNAL LINKS...

- ▶ TAKE CARE OF YOURSELF
- ▶ LOOK GOOD... FEEL BETTER
- ▶ LA MAISON DES ADOLESCENTS
- ▶ MÉDECINS DU MONDE
- ▶ LA MAISON DES FEMMES
- ▶ EUROGIKI

The project also helps to fund the training of local surgeons and medical students, and funds crucial post-surgical care for children.

L'Oréal's support has also helped doctors and surgeons around the world who want to use their skills to make a real difference to people in developing countries.

In 2010, the funding allowed a team of Japanese doctors to carry out a mission to Dhaka, Bangladesh, while specialists from Germany have been able to strengthen existing efforts in Cambodia, working in the province Kampong Cham. A team of doctors was also able to carry out an exploratory mission to Pakistan, with a view to setting up a new operation in 2011.

Supporting people affected by illness

In 2001, L'Oréal was one of several major French cosmetic companies to found 'La Vie...de plus belle'. The organisation is sponsored by the anti-cancer group 'Ligue contre le cancer', and is a member of the international 'Look Good...Feel Better' network, which is active in 21 countries.

'La Vie... de plus belle' 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 21 hospitals and in 2010 organised 222 workshops for 1,822 women.

Supporting disadvantaged people

In 2007, the Foundation provided funding to Samusocial de Paris, a humanitarian emergency service, to help establish 'La Maison des Femmes' a refuge for women in need. The 14 residents can also participate in weekly self-esteem and image workshops. In 2010, 48 workshops were organised, contributing to the stability and wellbeing of the residents.

In 2010, L'Oréal also distributed more than 500,000 branded products to our charity partners, L'Agence du Don en Nature, Les Restaurants du Coeur and Samusocial de Paris, to support their work in helping disadvantaged people to rediscover a sense of wellbeing and self-esteem.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▶ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / Access to education and occupational integration

Access to education and occupational integration



L'Oréal seeks to promote socio-economic and cultural diversity through its support for education projects around the world.

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 (higher education establishments), and secondary school students in disadvantaged neighbourhoods. It also provides assistance to disabled students studying at the French university Sciences Po.

Public awareness of environmental issues

L'Oréal is a founding member of the Nicolas Hulot Foundation for Nature and Mankind, a non-profit organisation dedicated to educating the public about protecting the environment and the beauty of nature.

L'Oréal contributes to the Foundation's three operational programmes:

- Promoting nutrition and a healthy diet
- Preserving and restoring biodiversity
- Reducing energy consumption and tackling the challenges of climate change.

We also actively help with the Foundation's scientific work, support 150 field projects in 10 countries every year, raise public awareness of the need to preserve natural resources, and support the Nicolas Hulot School for environmental education.

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.

L'Oréal supports science at school

The L'Oréal Foundation actively supports a tutoring programme, facilitated by the Museum of Science and Industry in partnership with the Association of Prevention Site de la Villette (APSV).

Now in its fourth year, the programme supports children in middle and high school who might otherwise fall behind in science subjects. The programme, which includes a mentoring system with highly motivated and trained science students, takes place at weekends and school holidays, and has now helped nearly 4,000 school children.

Support for disabled students

Together, the prestigious French university Sciences Po and L'Oréal share a strong belief that diversity is an asset, and support the idea that both educational institutions and businesses should recruit from a broad base in order 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 students the tools to succeed in their studies. Sciences Po has developed a system whereby it can adapt teaching conditions to suit students' individual needs. They also offer a personalised student support service ensuring they have the space, access and equipment they need to reach their full potential. During 2010, seven students received grants for international mobility allowing them to go abroad as part of their studies.

DATABANK

- ▶ COMMUNITY INVESTMENTS BY DOMAIN
- ▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

EXTERNAL LINKS...

- ▶ NICOLAS HULOT FOUNDATION
- ▶ SCIENCES PO ACCESSIBLE
- ▶ ARPEJEH

Supporting entrepreneurs

L'Oréal is also helping people to set up their own businesses by encouraging entrepreneurship around the world, especially among young people and women starting businesses in the field of beauty.

In 2010, L'Oréal, in partnership with ADIE (Association for the Right to Economic Initiative) helped 25 young entrepreneurs create their own beauty and wellness businesses. The young people were unable to access funding from mainstream banking, so L'Oréal stepped in with financial and product support.

The L'Oréal Foundation has also signed a new partnership with the French micro-credit website Babyloan, helping women to develop their own beauty-based businesses. So far, 18 projects have been supported including beauty salons and boutiques selling perfume and cosmetics.

▶ VIEWPOINTS

▶ INTRODUCTION

▶ THE L'ORÉAL FOUNDATION

▶ L'ORÉAL-UNESCO "FOR WOMEN IN SCIENCE"

▶ L'ORÉAL-UNESCO "HAIRDRESSERS AGAINST AIDS"

▶ HELPING VULNERABLE PEOPLE

▶ ACCESS TO EDUCATION AND OCCUPATIONAL INTEGRATION

▼ COMMUNITY PROJECTS AROUND THE WORLD

[Communities](#) / Community projects around the world

Community projects around the world



L'Oréal supports a range of community projects around the world. Some are environmental, some are social, but all aim to deliver real benefits to people in the communities where we work.

L'Oréal Mother River Protection Fund, China

L'Oréal is one of the key supporters of The Mother River Protection Fund in China, which is helping to protect the environment of the Yangtze and Yellow Rivers, and which will eventually extend to other endangered areas throughout China.

The programme was initiated in 1999 by the Chinese government in order to solve some of the problems facing the rivers that were caused by population growth and increased industrial activity.

As part of its continuing commitment to sustainability and environmental welfare, L'Oréal is also sponsoring The Mother River Awards and funding several youth groups involved in environmental protection that are working on projects to help improve the rivers.

Hair for oil

Following the oil disaster in the Gulf of Mexico in 2010, L'Oréal brand Pureology, in partnership with eco organisations Global Green USA and A Matter of Trust, took practical action to help the efforts to limit damaging impacts. Hair has proven, effective absorption properties and Pureology encouraged hair salons all over the country to donate clean hair clippings. These were packed into recycled nylon stockings and sent to the Gulf where they were used to skim off and soak up surface oil.

Chimex

L'Oréal subsidiary Chimex was commended in the European Responsible Care Awards 2010 for its 'Harmonie' outreach project with local schools in the Parisian suburb of Le Thillay.

The project allowed school children to find out more about the science behind cosmetics, take part in a scientific experiment in a professional development laboratory, and learn more about the broad principles of sustainable development.

Chimex is already heavily involved in the eco-design of formulas and cosmetic ingredients, processes which are helping to minimise the company's environmental footprint.

Stop Sex Trafficking Campaign, The Body Shop, Indonesia

In 2010, Body Shop Indonesia won a coveted Millennium Development Goal (MDG) Award for its Stop Sex Trafficking Campaign.

According to UN research, this is one of the world's fastest growing crimes and the Body Shop's campaign is helping to support victims, as well as sponsoring a prevention programme and helping to increase public and media awareness of the crime.

This was the second consecutive year Body Shop had been awarded a MDG award, having also been honoured for its 2009 Stop Violence in The Home campaign.

Emergency relief

DATABANK

▶ COMMUNITY INVESTMENTS BY DOMAIN

▶ COMMUNITY INVESTMENTS BY GEOGRAPHICAL REGION

EXTERNAL LINKS...

▶ CITIZENS PROJECT

Following the earthquake that struck Haiti in January 2010, the group donated almost €1 million to the disaster appeal. L'Oréal also teamed up with the non-profit organisation CARE to provide victims with 7,000 personal care kits, consisting of products such as shampoos, shower gels, toothpaste and shaving foam.

This emergency assistance helped victims to cope with daily hygiene problems, which can cause the spread of many diseases.

100 Citizen Projects

In 2010, as part of the company's centenary celebrations and continued commitment to corporate responsibility, L'Oréal rolled out 100 Citizen Projects, sponsored by L'Oréal subsidiaries around the world.

All the projects are based on the three central pillars of the group's corporate philanthropy activities: education, encouraging self-esteem, and the promotion of scientific research:

Brazil: – L'Oréal is supporting the creation of a school that will train disadvantaged young people and help them find careers in the beauty industry.

Singapore: – the "Touching Colours" project aims to help 100 visually impaired people to become more independent in their daily lives, by teaching them about personal beauty habits and techniques.

Portugal: – 'Project Geracao – Generation Project' aims to encourage the professional placement of under-educated young people in deprived neighbourhoods.

Indonesia: – L'Oréal is organising and supporting scientific discovery programmes in ten underprivileged junior high schools.

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI



Databank

Facts and figures on L'Oréal's sustainability performance in 2010, covering every part of the value chain:

[Business](#)

[Innovation](#)

[Production](#)

[Consumption](#)

[Talent](#)

[Communities](#)

▼ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

[Databank / About this report](#)

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 2010.

[Scope of environment, health and safety data.](#)

[Scope of social affairs data.](#)

There have been no major 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 June 2010.

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](#).

▶ ABOUT THIS REPORT

▼ BUSINESS

> ETHICS

> ECONOMIC AFFAIRS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

[Databank / Business](#)

Introduction

In this section:

- [Ethics](#)
- [Economic affairs](#)

▶ ABOUT THIS REPORT

▼ BUSINESS
 > ETHICS
 > ECONOMIC AFFAIRS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Business / Ethics

Ethics

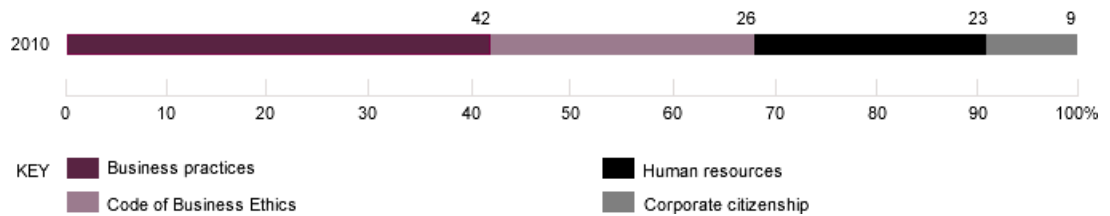
- ▶ Ethics Progress Report
- ▶ Ethics communications to employees, by theme
- ▶ Ethics training, by subject type
- ▶ Origin of ethical concerns submitted to the Group Director of Ethics
- ▶ Nature of ethical concerns submitted to the Group Director of Ethics
- ▶ Follow up of ethical concerns submitted to the Group Director of Ethics

The following is a progress report on our Ethics programme.

Building blocks	Objectives	Achievements to date	2010 achievements	2010 indicators	2011 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.	<p>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.</p> <p>Ethical competences in appraisal system The two ethical competences, "Act/Lead with human sensitivity" and "Obtain results with integrity" are included in the annual appraisal system for all staff.</p>	<p>Ethics Correspondents The Ethics Correspondents network, whose role is to help country Managers to implement L'Oréal's Ethics Programme, now extends to 93% of employees globally with 17 additional nominations in 2010.</p>	<p>30% of countries have carried out an evaluation of their ethical risks (+7% from 2009).</p> <p>93% of countries have integrated the two ethical competences into their annual appraisal systems (+23% from 2009).</p>	<p>Extending the Ethics Correspondents network with at least five nominations.</p> <p>Publication of 2 guidance documents: "The manager's guide" and "The way we buy" developed with the Direction of Buying: a Human Rights policy.</p>
Leadership and Communication	Promote ethics to L'Oréal employees and stakeholders.	<p>Ethics Day Every year, all employees worldwide are invited to take part in a day dedicated to ethics.</p> <p>Ethics intranet 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>Ethics Day CEO Webchat As part of our annual Ethics Day, we organised a live webchat with L'Oréal's CEO on the L'Oréal spirit. 15,000-17,000 employees watched this and asked nearly 800 questions.</p> <p>"L'ORÉAL FOR ETHICS" Excellence Bursary This Bursary, unique in Europe, supports students who wish to study business ethics.</p>	<p>96% of countries have communicated to employees on at least one ethics-related subject (+1% from 2009).</p> <p>60% of countries have communicated on five ethics-related subjects or more (+7% from 2009).</p> <p>See chart: Ethics communications by theme.</p>	<p>Further develop dialogue on ethics within Country Management Committees.</p> <p>Ethics Day 2011.</p>
Training	All employees to master the four ethical competences: - "Understand why ethics is important" - "Demonstrate a high level of personal integrity" - "Develop ethical reasoning"	<p>Ethics training included in the main corporate management courses and in the Managers' Induction Programme</p> <p>Ethics has been built into the six main corporate training courses and also into four courses (for purchasing, operations and HR). An ethics module has also been included in the "DISCOVERY" induction programme for all managers joining L'Oréal.</p>	<p>"Train the Trainers" programme</p> <p>This programme will help ensure additional local training programmes in countries through local trainers.</p>	<p>88% of countries have integrated ethics into their DISCOVERY programme (+10% from 2009, like for like).</p> <p>90% of countries have organised local training on at least one Ethics-related</p>	<p>Consolidation of existing training and integration of Ethics into other professional expertise courses.</p> <p>Two-day training course for all Ethics Correspondents.</p>

	<p>- "Implement the code of business ethics in one's daily activity".</p> <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>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>subject (+2% from 2009, like for like).</p> <p>55% of countries have organised local training on five ethics-related subjects or more (no change from 2009, like for like).</p> <p>See chart: Ethics communications by theme</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 Arabic, English, French, German, Greek, Hebrew, Hindi, Indonesian, Italian, Japanese, Korean, Mandarin, Polish, Portuguese, Russian and Spanish.</p>	<p>The Open Talk website was made available in five additional languages</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>
Monitoring	<p>Regularly assess the group's performance.</p>	<p>Country Reporting System</p> <p>Our Country Reporting Ethics, has been in existence since 2005.</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 Organisation and human rights are being respected.</p> <p>Country Feedback and 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>Ethics included in Internal Audit</p> <p>Certain related ethics risks are now systematically covered during internal audit mission.</p> <p>Country Feedback and 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>Questions on ethics are included in internal audits.</p>	<p>100% Country Reporting Ethics response rate (no change from 2009)</p>	<p>Training course for Ethics Correspondents on Country Reporting to improve quality and local use of data.</p> <p>on Launch of the second social responsibility audit programme within the group's plants and distribution centres.</p>

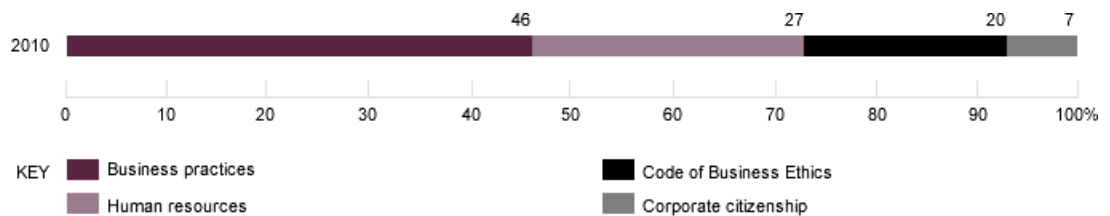
Ethics communications to employees, by theme



	2009	2010
Business Practices	38%	42%
Code of Business Ethics	29%	26%
Human Resources	22%	23%
Corporate Citizenship	11%	9%

↑ Back to top

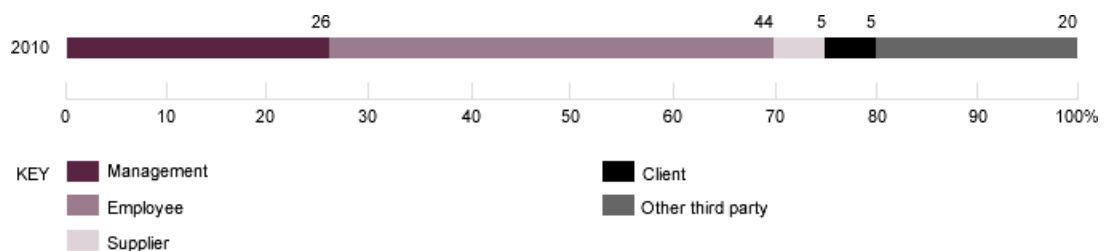
Ethics training, by subject type



	2009	2010
Business practices	44%	46%
Human resources	24%	27%
Code of Business Ethics	24%	20%
Corporate citizenship	8%	7%

↑ Back to top

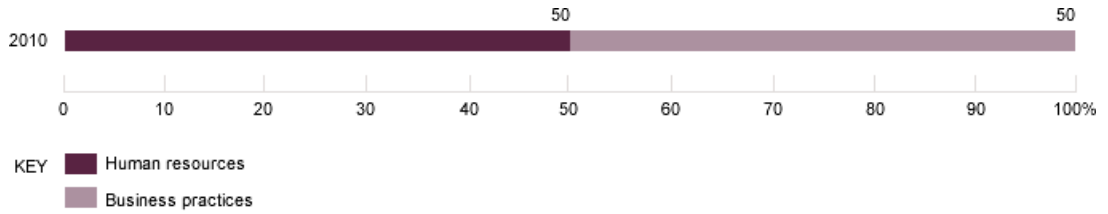
Origin of ethical concerns submitted to the Group Director of Ethics



	2009	2010
Employee	30%	44%
Management	53%	26%
Other third party	10%	20%
Supplier	5%	5%
Client	2%	5%

↑ Back to top

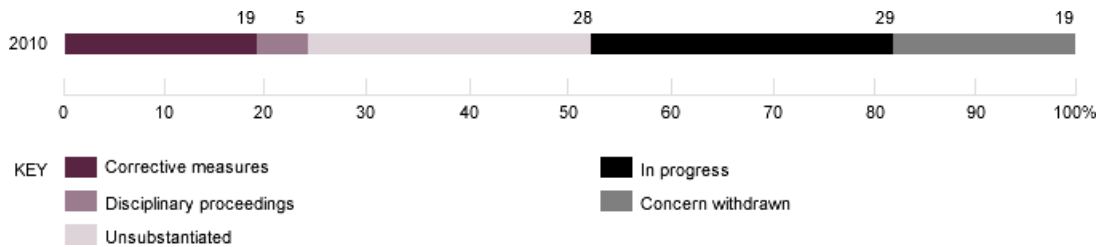
Nature of ethical questions to the Group Director of Ethics



	2009	2010
Human resources	61%	50%
Business practices	39%	50%

↑ Back to top

Follow up of ethical concerns submitted to the Group Director of Ethics



	2009	2010
Corrective measures	36%	19%
Disciplinary proceedings	5%	5%
Unsubstantiated	21%	28%
In progress	36%	29%
Concern withdrawn	2%	19%

↑ Back to top

▶ ABOUT THIS REPORT

▼ BUSINESS
 > ETHICS
 > ECONOMIC AFFAIRS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

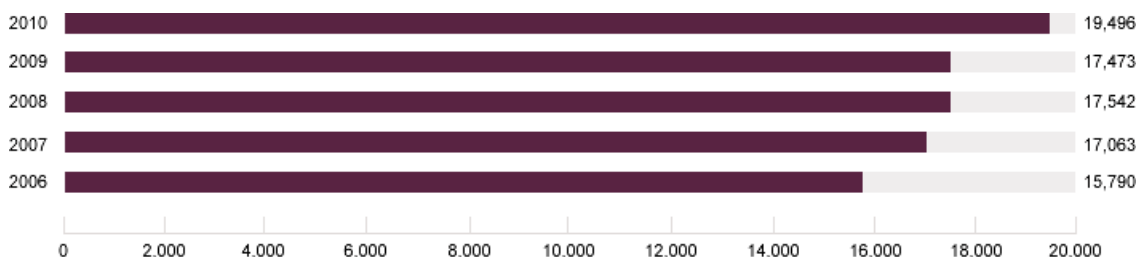
▶ GRI

Databank / Business / Economic affairs

Economic affairs

- ▶ Consolidated sales, 2006–10
- ▶ Consolidated sales, by branch
- ▶ Consolidated sales of the cosmetics branch, by division
- ▶ Consolidated sales of the cosmetics branch, by business segment
- ▶ Consolidated sales of the cosmetics branch, by geographic zone
- ▶ Operating profit
- ▶ Net profit, 2006–10
- ▶ Investment in L'Oréal shares
- ▶ Dividend per share
- ▶ Breakdown of share ownership

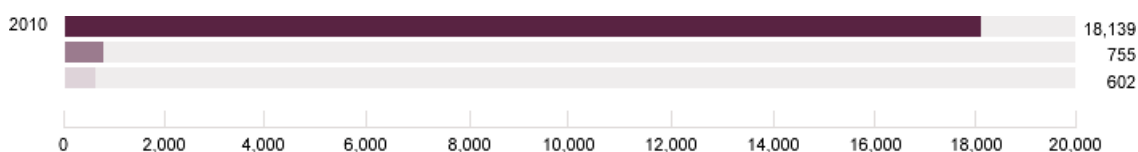
Consolidated sales, 2006–10 (€ millions)



	2006	2007	2008	2009	2010
Consolidated sales	15,790	17,063	17,542	17,473	19,496

↑ Back to top

Consolidated sales, by branch (€ millions) ¹



KEY ■ Cosmetics ■ The Body Shop ■ Dermatology⁽²⁾

	2009	2010
Cosmetics	16,257	18,139
The Body Shop	726	755
Dermatology ²	489	602

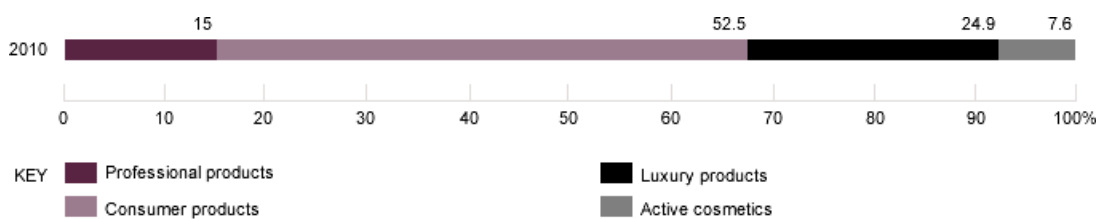
Notes:

(1) Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets, restructuring costs and competition disputes in 2010. See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Reference Document (pages 26 to 28).

(2) Group share, i.e. 50%.

↑ Back to top

Consolidated sales of the cosmetics branch, by division



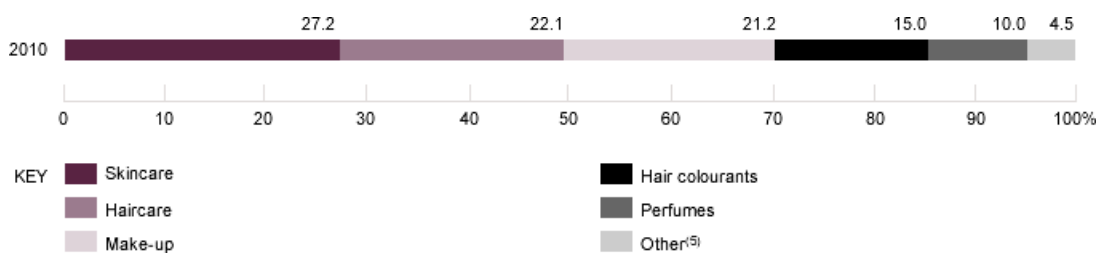
	2009	2010
Professional Products	14.7%	15.0%
Consumer Products	52.6%	52.5%
Luxury Products ⁽³⁾	25.1%	24.9%
Active Cosmetics ⁽⁴⁾	7.6%	7.6%

Notes:

(3/4) On January 1st, 2010, the Roger&Gallet activity was transferred from the Luxury Products Division to the Active Cosmetics Division.

[↑ Back to top](#)

Consolidated sales of the cosmetics branch, by business segment



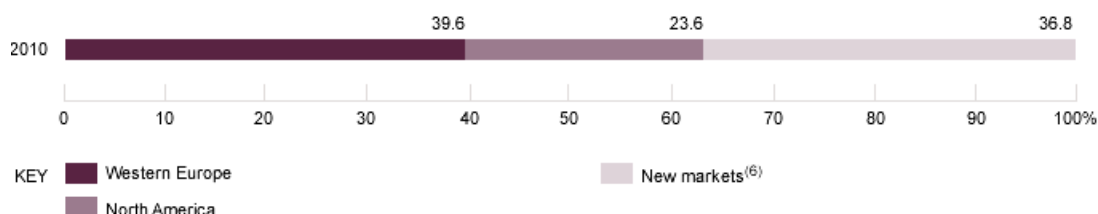
	2009	2010
Skincare	27.0%	27.2%
Haircare	22.7%	22.1%
Make-up	21.0%	21.2%
Hair colourants	15.0%	15.0%
Perfumes	10.5%	10.0%
Other ⁽⁵⁾	3.8%	4.5%

Notes:

(5) "Other" includes in particular sales made by American distributors with brands outside of the group.

[↑ Back to top](#)

Consolidated sales of the cosmetics branch, by geographic zone



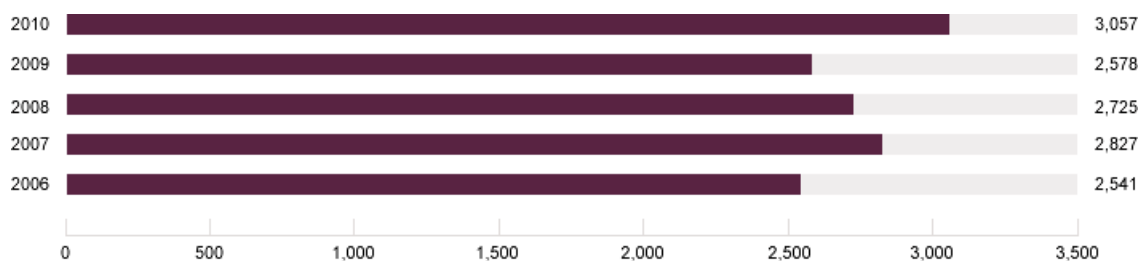
	2009	2010
Western Europe	43.3%	39.6%
North America	23.4%	23.6%
New markets ⁽⁶⁾	33.3%	36.8%

Notes:

(6) Of which: Asia Pacific - 47.9%; Eastern Europe - 20.9%; Latin America - 22.8%; Africa, Middle East - 8.4%.

[↑ Back to top](#)

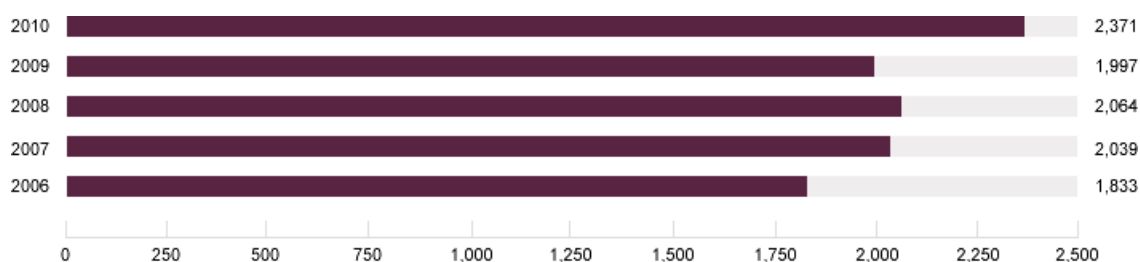
Operating profit (€ millions)



2006	2007	2008	2009	2010
2,541	2,827	2,725	2,578	3,057

[↑ Back to top](#)

Net profit, 2006–10 (€ millions)



2006	2007	2008	2009	2010
1,833	2,039	2,064	1,997	2,371

Notes:

Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets, restructuring costs and competition disputes in 2010. See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Reference Document (pages 26 to 28).

[↑ Back to top](#)

Investment in L'Oréal shares

Over 5 years	Over 10 years	Over 20 years
Initial capital multiplied by 1.47 in 5 years Total shareholder return: 7.76%	Initial capital multiplied by 1.08 in 10 years Total shareholder return: 0.52%	Initial capital multiplied by 16.28 in 20 years Total shareholder return: 14.61%
During the same period, the CAC 40 decreased by -0.74% per year ⁽⁷⁾	During the same period, the CAC 40 decreased by -1.23% per year ⁽⁷⁾	During the same period, the CAC 40 increased by +7.86% per year ⁽⁷⁾
Purchase of 239 shares at €62.80 ⁽⁸⁾ on 31st December 2005: €15,009.20	Purchase of 164 shares at €91.30 ⁽⁸⁾ on 31st December 2000: €14,973.20	Purchase of 209 shares at €71.80 ⁽⁸⁾ on 31st December 1990: €15,006.20
Valuation at 31st December 2010, including reinvestment of dividends (265 shares at €83.08): €22,016.20.	Valuation at 31st December 2010, including reinvestment of dividends (194 shares at €83.08): €16,117.52.	Valuation at 31st December 2010, including reinvestment of dividends (2,941 shares at €83.08): €244,338.28.

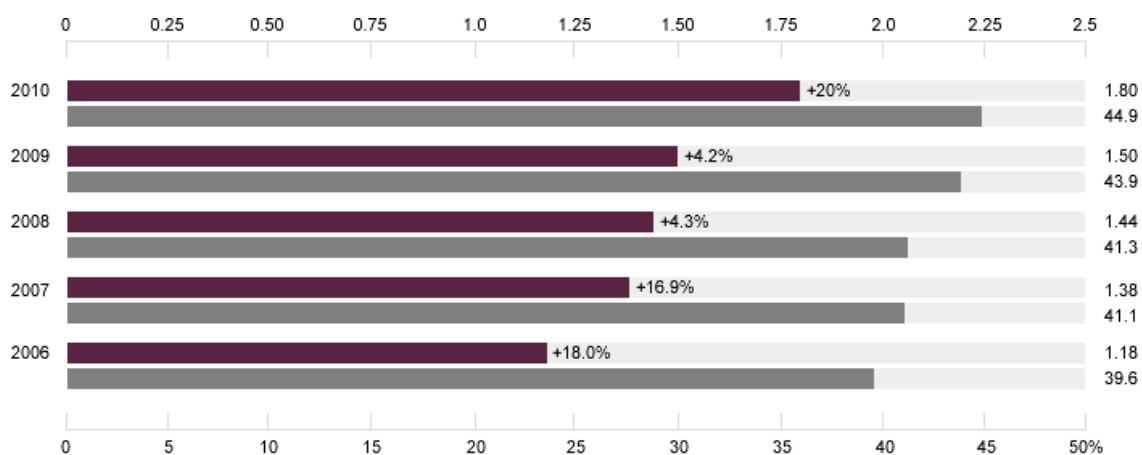
Notes:

(7) Reinvested dividends; source: Datastream.

(8) Non-adjusted share price.

↑ Back to top

Dividend per share (€)



KEY ■ Dividend per share in euros
■ Dividend distribution rate 2006-2010 as % of profit

	2005	2006	2007	2008	2009	2010
Dividend per share in Euros	1.00	1.18	1.38	1.44	1.50	1.80
Dividend per share in Euros	38.5%	39.6%	41.1%	41.3%	43.9%	44.9%

Notes:

Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets, restructuring costs and competition disputes in 2010. See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Reference Document (pages 26 to 28).

↑ Back to top

Breakdown of share ownership

	2010
Mrs Bettencourt and her family	30.9%
Nestlé	29.7%
International institutional investors	21.8%
French institutional investors	9.3%
Individual shareholders	5.7%
Treasury stock	5.7%
Employees ⁽⁸⁾	0.7%

Notes:

(8) In L'Oréal's employees savings plan.

[↑ Back to top](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▼ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

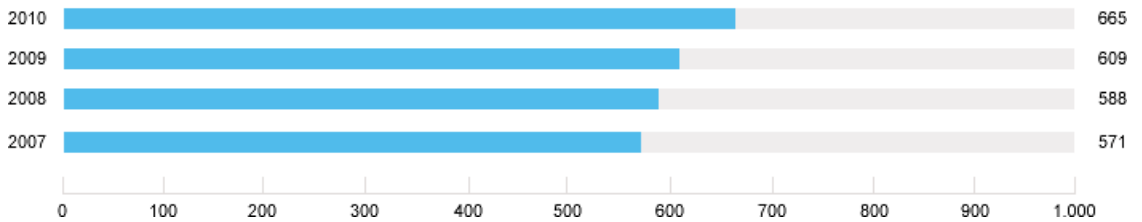
▶ GRI

Databank / Innovation

Innovation

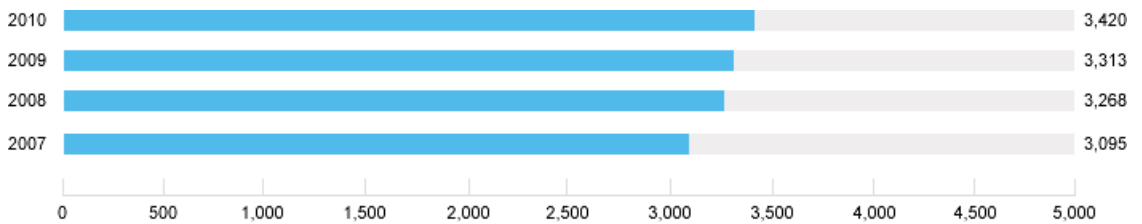
- ▶ Research and innovation budget
- ▶ Research employees
- ▶ Number of patents

Research and innovation budget (€ millions)



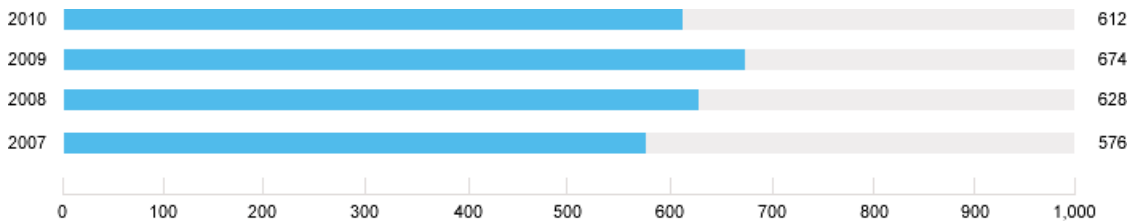
	2007	2008	2009	2010
Research and innovation budget (€ millions)	571	588	609	665

Research employees



	2007	2008	2009	2010
Research employees	3,095	3,268	3,313	3,420

Number of patents registered (cosmetics and dermatological research)



	2007	2008	2009	2010
Number of patents registered	576	628	674	612

↑ Back to top

[▶ ABOUT THIS REPORT](#)[▶ BUSINESS](#)[▶ INNOVATION](#)[▼ PRODUCTION](#)[> HEALTH AND SAFETY](#)[> GREENHOUSE GAS EMISSIONS](#)[> ENERGY](#)[> VOLATILE ORGANIC COMPOUNDS](#)[> SULPHUR DIOXIDE](#)[> WATER](#)[> WASTE AND RECYCLING](#)[> SUPPLIER AUDITS](#)[> PACKAGING](#)[> TRANSPORT](#)[> EMPLOYEE TRAVEL](#)[> ENVIRONMENTAL INCIDENTS](#)[▶ CONSUMPTION](#)[▶ TALENT](#)[▶ COMMUNITIES](#)[▶ ASSURANCE](#)[▶ GRI](#)[Databank / Production](#)

Production

This section provides information on L'Oréal's progress and performance in 2009 in environment, health and safety (EHS):

- [Health and safety](#)
- [Greenhouse gas emissions](#)
- [Energy](#)
- [Volatile organic compounds \(VOCs\)](#)
- [Sulphur dioxide \(SO₂\)](#)
- [Water](#)
- [Waste and recycling](#)
- [Supplier audits](#)
- [Packaging](#)
- [Transport](#)
- [Employee travel](#)
- [Environmental incidents](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Health & Safety

Health & Safety

Industrial sites

Reduction targets

By end 2011

- TFc (Conventional Frequency Rate) < 1.0
- TFe (Enlarged Frequency Rate) < 1.7
- MESUR > 250
- Safety Culture Rate (based on Safety Improvement Opportunities) > 650

By end 2015

- Revised target of TFc < 0.60, representing an 86% improvement compared to 2005. Our original long-term target was a TFc of < 1.0 by 2015, equivalent to an improvement of 70%
- TFe < 1.3.

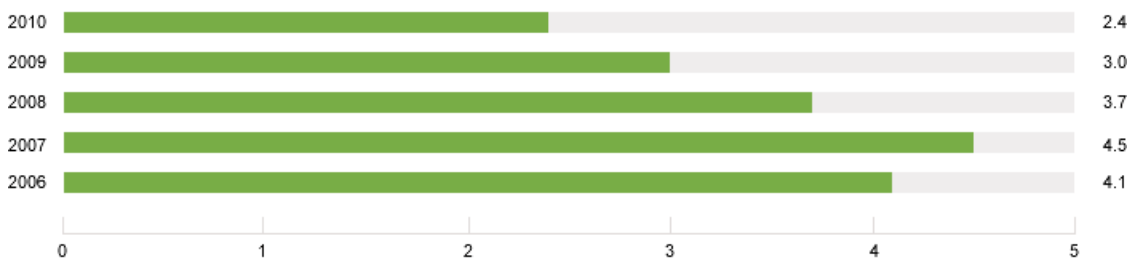
See definitions below.

Performance summary

Our overall accident rate (TFc) improved by 23% compared to 2009, beating our 2010 target of = 1.7 per million hours worked.

- 12 factories and four distribution centres reached or passed the threshold of one million hours worked without a lost time accident and four factories reached three million hours (L'Oréal and temporary workers)
- 61 sites out of 110 had zero accidents (for both conventional and enlarged accident frequency rates)
- 76 sites out of 110 had a conventional accident frequency rate of zero
- There was significant continuing improvement in our distribution centres, which matched our factories' record in 2010
- Lost time accidents were recorded for 47 employees (2009: 65) and 21 temporary workers (2009: 18)
- There were 95 enlarged case accidents recorded (2009: 117).

TFc (Conventional Frequency Rate) - Factories and distribution centres - Number of lost time accidents per million hours worked

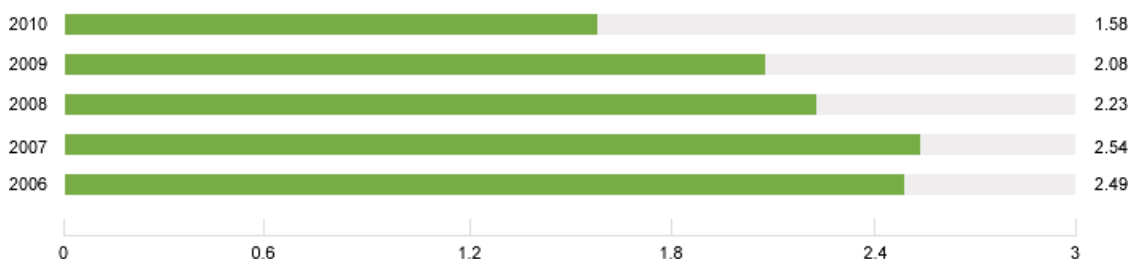


2006	2007	2008	2009	2010
2.49	2.54	2.23	2.08	1.58

Our TFc of 1.58 represents a 23% improvement compared to 2009 and 36.8% compared to 2006.

↑ Back to top

TFe (Enlarged Frequency Rate) - Factories and distribution centres - Number of lost time accidents (L'Oréal and temporary workers) + number of light duty cases (L'Oréal employees) per million hours worked

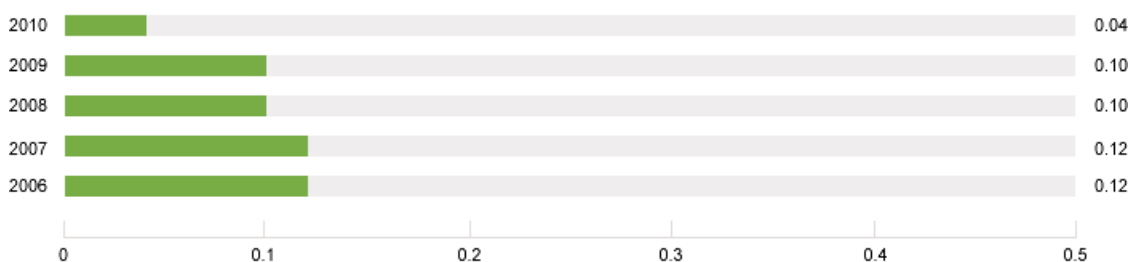


2006	2007	2008	2009	2010
4.1	4.5	3.7	3	2.4

Our TFe of 2.4 represents a 20% improvement compared to 2009 and 41.5% compared to 2006.

[↑ Back to top](#)

TFg (Severity Rate) - Factories and distribution centres - Number of calendar days lost as a result of lost time accidents (L'Oréal employees) per 1 000 hours worked



2006	2007	2008	2009	2010
0.12	0.12	0.1	0.1	0.04

Our TFg of 0.04 represents a 60% improvement compared to 2009 and more than 66% compared to 2006.
The accident severity rate in our distribution centres improved by 73% compared to 2009.

[↑ Back to top](#)

Administrative sites

L'Oréal has approximately 100 major administrative sites, each with a few hundred to several thousand people.

In 2010, the safety indicators established for more than 58 of these sites showed a marked improvement. We are continuing to extend the reach of our EHS programme and reporting in our administrative sites.

Performance summary

- 34 administrative sites out of 58 achieved zero accidents (for both conventional and enlarged accident frequency rates)
- 35 out of 58 sites had a conventional accident frequency rate of zero
- Lost time accidents were recorded for 129 employees and two temporary workers.

	2010	In comparison to 2009	Since 2008
TFc - Conventional Frequency Rate	2.4	-22.5% (3.1)	-30% (3.4)
TFe - Enlarged Frequency Rate	2.3	-23% (3)	-32% (3.4)
TFg - Severity Rate	0.06	-15% (0.07)	0% (0.06)

[↑ Back to top](#)

Definitions

MESUR (Managing Effective Safety Using Recognition & Realignment)

This indicator, introduced in 2009, 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.

Safety Culture Index

A frequency rate based on the number of SIOs (Safety Improvement Opportunities identified by operatives) reported by each site. The closure of these SIOs is also tracked.

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Greenhouse gas emissions

Greenhouse gas emissions

- ▶ CO₂ emission scope 1 (on site)
- ▶ CO₂ emission scope 2 (off site)
- ▶ Total CO₂ emission scopes 1 & 2 (g per FG)
- ▶ Total CO₂ emission scopes 1 & 2 (thousands of tonnes)

Summary

- Achieved an absolute reduction of 8.7% compared to 2009 and an absolute reduction of 27.8% since 2005 (scope 1 and 2).

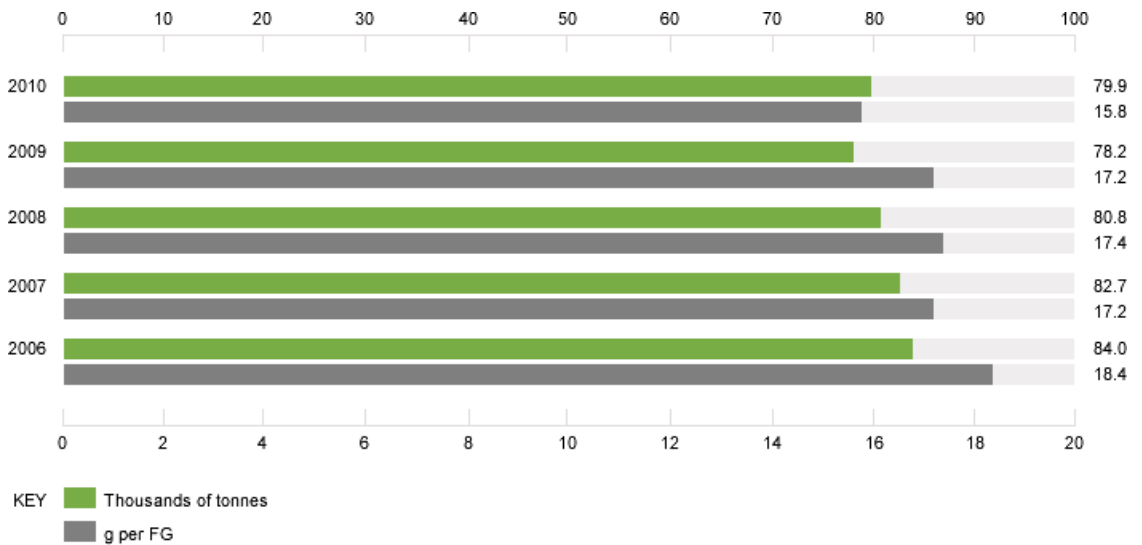
2011 targets for industrial sites

- Reduce total CO₂ emissions by 10% in absolute terms, compared to 2010.

2015 targets

- Reduce CO₂ by 50% (base year 2005).

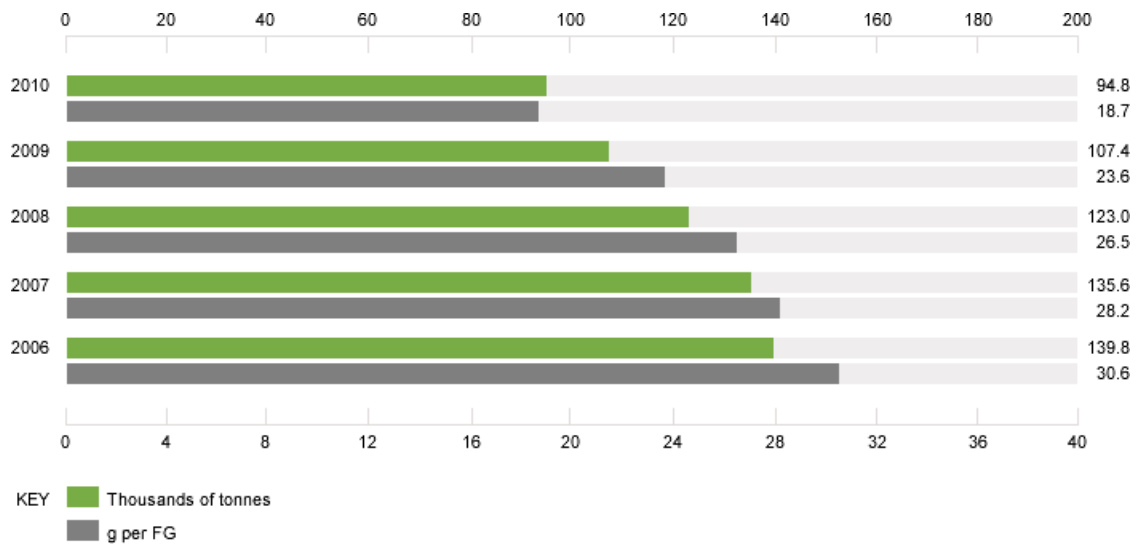
CO₂ emission scope 1 (on site)



	2005	2006	2007	2008	2009	2010
Thousands of tonnes	92.8	86.6	86.4	83.8	83.3	79.9
g per FG	20.8	19.0	18.0	18.1	18.3	15.8

⬆ Back to top

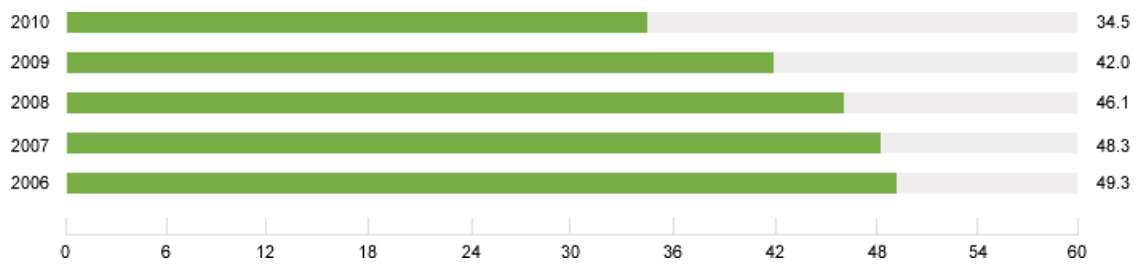
CO₂ emission scope 2 (off site)



	2005	2006	2007	2008	2009	2010
Thousands of tonnes	146.1	138.8	146.0	129.9	108.1	94.8
g per FG	32.8	30.4	30.4	28.0	23.7	18.7

↑ Back to top

Total CO₂ emission scopes 1 & 2 (g per FG)

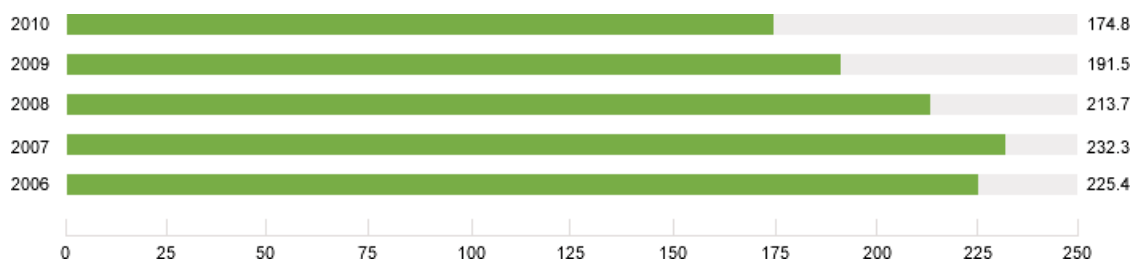


	2006	2007	2008	2009	2010
g per FG	49.3	48.3	46.1	42.0	34.5

The emission factor of fossil fuels has been reviewed this year and has changed from 0.185 to 0.202 for gas.

↑ Back to top

Total CO₂ emission scopes 1 & 2 (thousands of tonnes)



	2006	2007	2008	2009	2010
Thousands of tonnes	225.4	232.3	213.7	191.5	174.8

The emission factor of fossil fuels has been reviewed this year and has changed from 0.185 to 0.202 for gas.

[↑ Back to top](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Energy

Energy

- ▶ Total energy used
- ▶ Breakdown by energy source

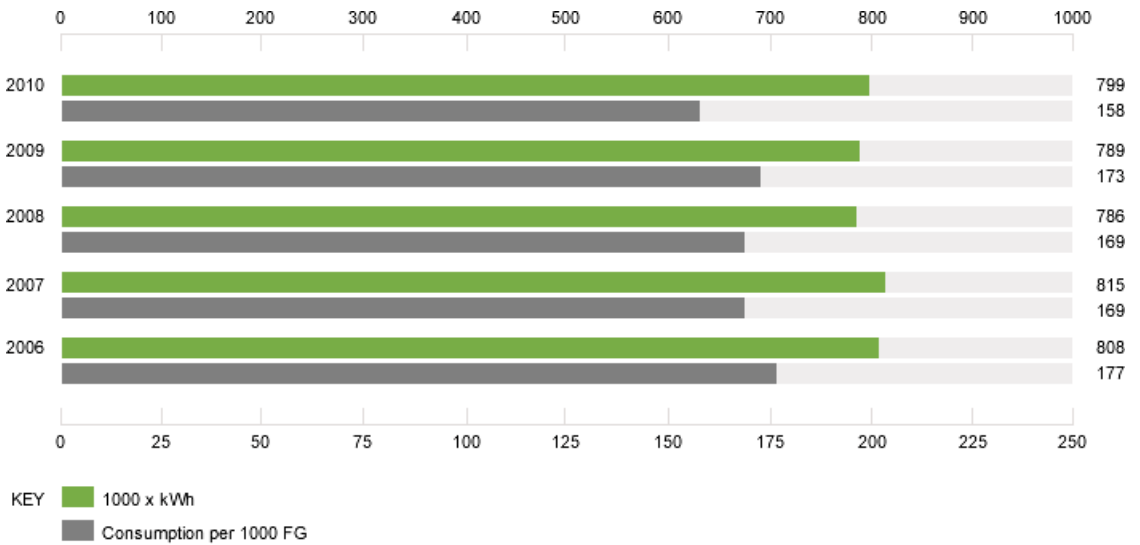
Summary

- Total energy consumption per 1,000 finished product reduced by 9.1% compared to 2009
- Our total energy use increased by 1% compared to 2009 but has decreased by 1.2% compared to 2006
- We have also increased our eco-efficiency by 10.8% since 2006.

2011 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



	2006	2007	2008	2009	2010
1,000 x kWh	808	815	786	791	799
Consumption per 1,000 FG	177	169	169	174	158

⬆ Back to top

Breakdown by energy source

Sources	2006	2007	2008	2009	2010	
Electricity	374	378	362	371	374	47%
Gas	380	401	393	376	374	47%
Fuel	54	36	30	27	18	2%
Vapour	-	-	-	16	23	3%
Geothermy	-	-	-	0	1	0%
Thermal solar	-	-	-	0	1	0%
Other non-fossil energy	-	-	-	1	9	9%
Total	808	815	785	791	800	100%

[↑ Back to top](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Volatile organic compounds (VOCs)

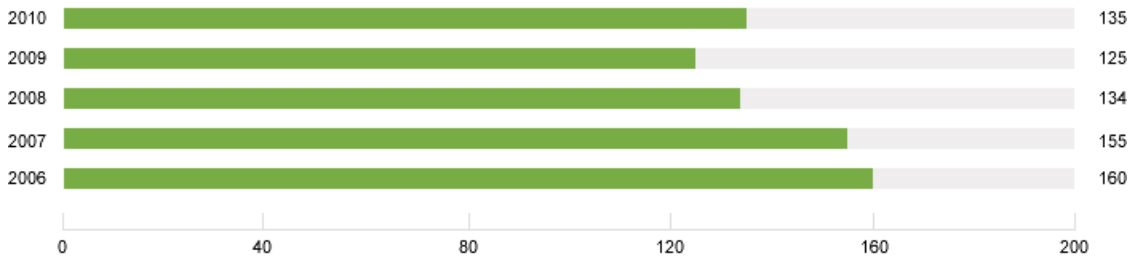
Volatile organic compounds (VOCs)

- ▶ VOC emissions
- ▶ Estimated VOC emissions by source

At L'Oréal, VOC emissions arise mainly from raw materials, the filling of aerosol products, evaporation from mixing products, wastewater treatment processes, and from inkjet inks used in printing.

In 2010, VOCs increased by 8.5%. We are pursuing a range of initiatives to control and reduce our emissions.

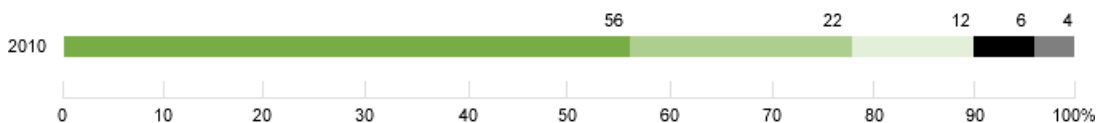
VOC emissions (tonnes)



Year	2006	2007	2008	2009	2010
VOC emissions (tonnes)	160	155	134	125	135

⬆ Back to top

Estimated VOC emissions by source



- KEY
- Production of finished goods excluding propellant
 - Propellant filling
 - Raw material production
 - Wastewater basin emissions
 - Raw material storage tank emission

Type of emission	2010
Production of finished goods excluding propellant	56%
Propellant filling	22%
Raw material production	12%
Wastewater basin emissions	6%
Raw material storage tank emissions	4%

⬆ Back to top

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Sulphur dioxide (SO₂)

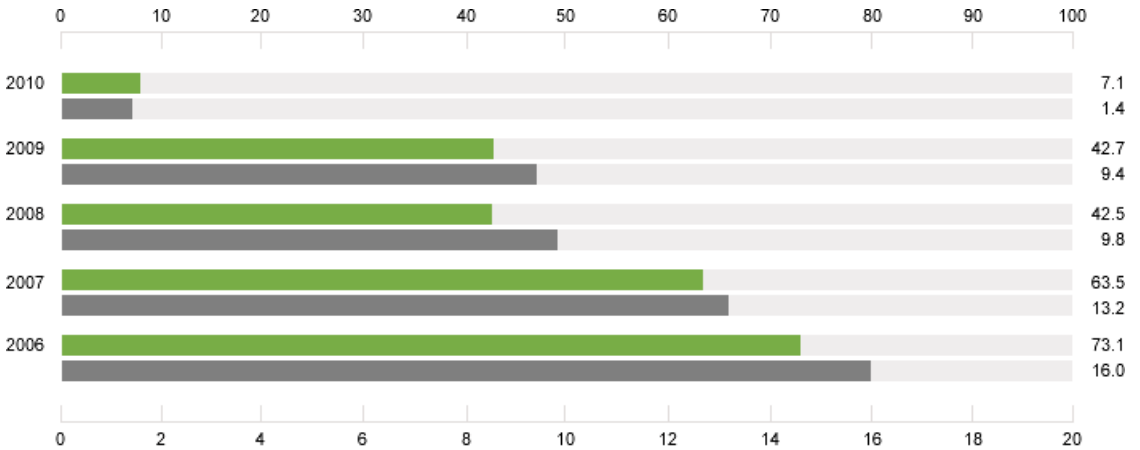
Sulphur dioxide (SO₂)

Our SO₂ emissions arise solely from the use of fuel oil for heating. We continue to convert our sites from fuel oil to natural gas wherever possible. Where natural gas is not available, we try to obtain fuel oil with the lowest possible level of sulphur content.

L'Oréal has not set a specific goal for SO₂, but we have reported significant reductions over several years as a result of our energy efficiency measures.

In 2010, total SO₂ emissions decreased by 83.3%, and SO₂ emissions per finished product decreased by 85%.

Sulphur dioxide (SO₂)



KEY ■ Tonnes
■ mg per FG

	2006	2007	2008	2009	2010
Tonnes	73.1	63.5	45.5	42.7	7.1
mg per FG	16	13.2	9.8	9.4	1.4

⬆ Back to top

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

≥ WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Water

Water

- ▶ Water consumption (factories and distribution centres)
- ▶ 2010 use of water
- ▶ Wastewater
- ▶ COD after treatment

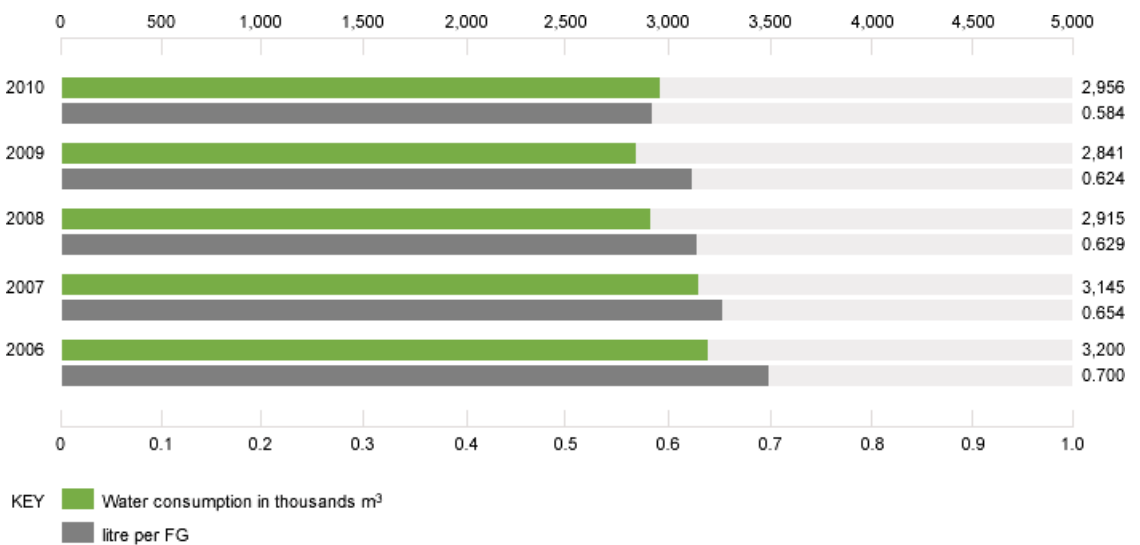
Summary

- Water consumption per finished product reduced by 16.5% since 2006 and by more than 6% compared to 2009
- Absolute water consumption reduced by 7.6% since 2006
- Absolute water consumption increased by just over 4% compared to 2009, at the same time as production output rose by 11.1% compared to the previous year.

2011 targets for industrial sites:

Reduce water consumption (litre per finished product) by 10% compared to 2010.

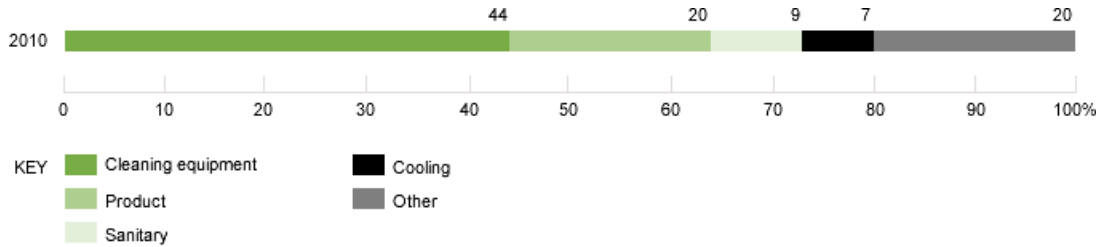
Water consumption (factories and distribution centres)



	2005	2006	2007	2008	2009	2010
Water consumption in thousands m ³	3,217	3,200	3,144	2,915	2,841	2,956
litre per FG	0.723	0.700	0.654	0.629	0.624	0.584

↑ Back to top

2010 use of water



	2010
Cleaning equipment	44%
Product	20%
Sanitary	9%
Cooling	7%
Other	20%

↑ Back to top

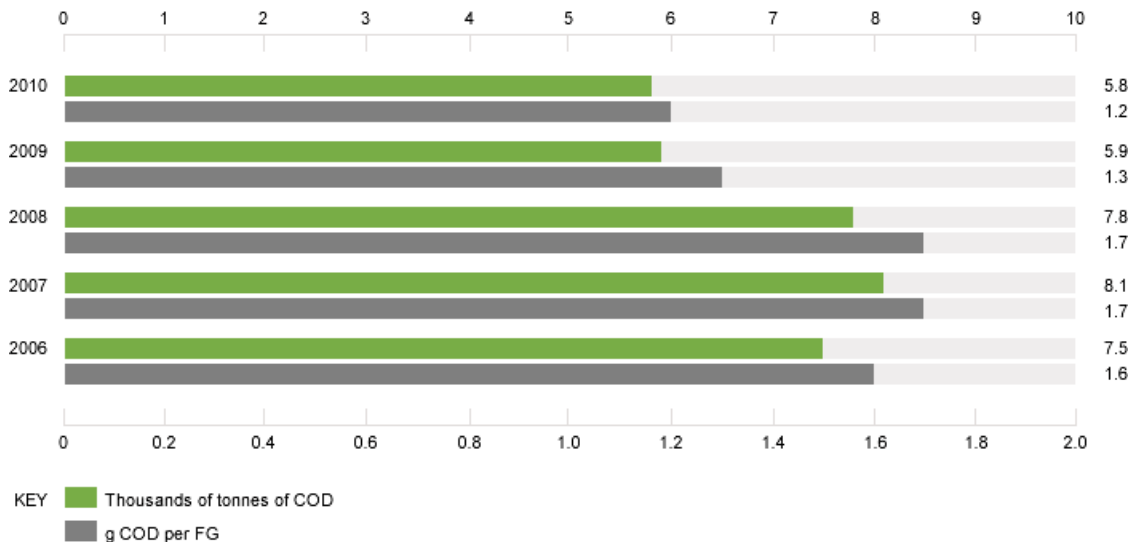
Wastewater

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 1.3% in 2010.

- Wastewater quality after on-site treatment improved by 11.2% to 1.2g chemical oxygen demand (COD) per finished product
- COD of wastewater before treatment improved by 4% (with a factor of 17.5kg COD per tonne of bulk product).

COD content after water treatment



	2006	2007	2008	2009	2010
Thousands of tonnes of DCO	7.5	8.1	7.8	5.9	5.8
g DCO per FG	1.6	1.7	1.7	1.3	1.2

↑ Back to top

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> **WASTE AND RECYCLING**

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Waste and recycling

Waste and recycling

- ▶ Transportable wastes including returnable packaging (factories and distribution centres)
- ▶ Transportable wastes without returnable packaging (factories and distribution centres)
- ▶ 2010 waste treatment
- ▶ Transportable wastes (in thousands of tonnes)

Summary

- Waste generated with returnable packaging, per unit of finished product reduced, by 7.4%
- Waste recovery index = 96.1%.

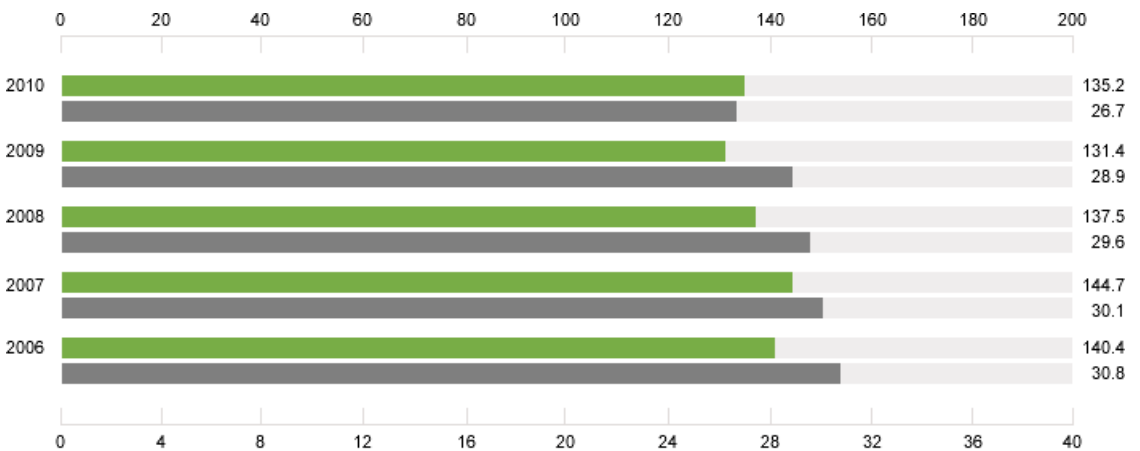
2011 targets for industrial sites

Water consumption (litre per finished product) reduced by 10% compared to 2010.

2015 targets

Waste reduced by 50% (grams per finished product) compared to 2005.

Transportable wastes including returnable packaging (factories and distribution centres)

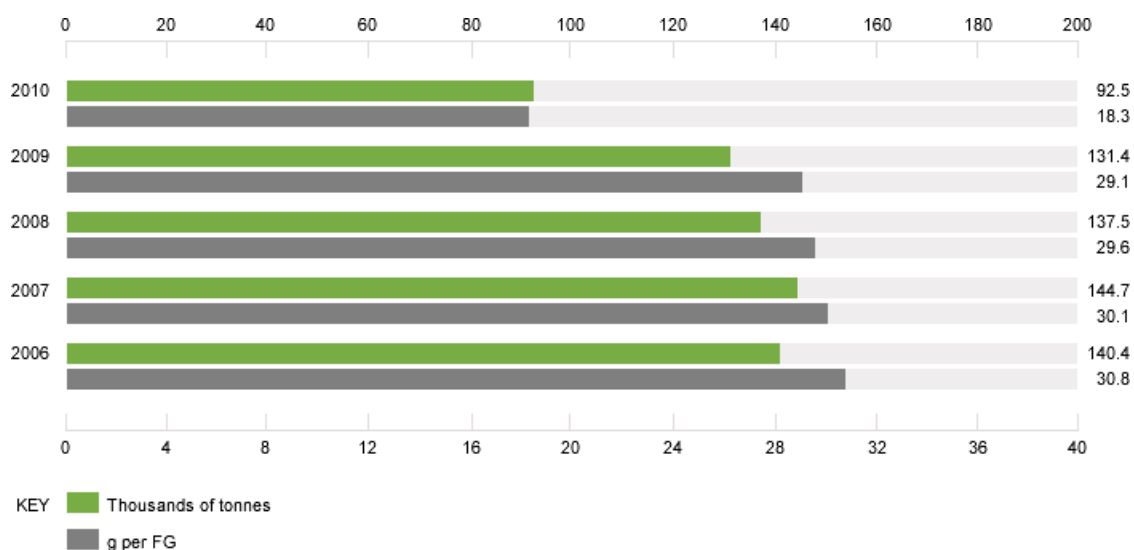


KEY ■ Thousands of tonnes
■ g per FG

	2005	2006	2007	2008	2009	2010
Thousands of tonnes	143.2	140.4	144.7	137.5	131.4	135.2
g per FG	32.2	30.8	30.1	29.7	28.9	26.7

↑ Back to top

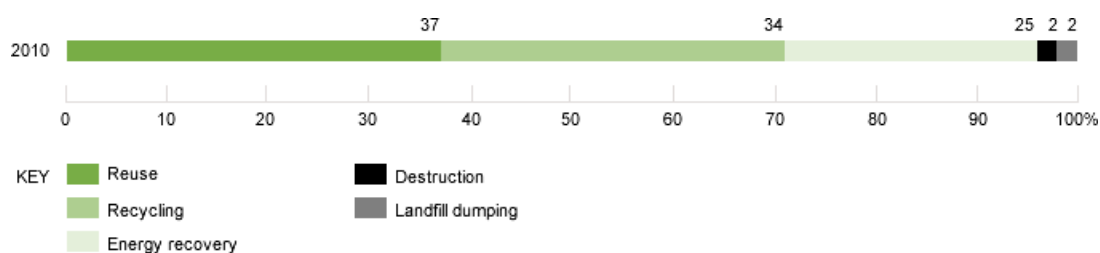
Transportable wastes without returnable packaging (factories and distribution centres)



	2005	2006	2007	2008	2009	2010
Thousands of tonnes	105.9	104.1	103.4	99.3	95.3	92.5
g per FG	23.8	22.8	21.5	21.4	20.9	18.3

↑ Back to top

2010 waste treatment



	2010
Reuse	37%
Recycling	34%
Energy recovery	25%
Destruction	2%
Landfill dumping	2%

↑ Back to top

Transportable wastes (in thousands of tonnes)

Type of wastes	2006	2007	2008	2009	2010	
Common solid wastes	53	51	49	47	63	47%
Returnable packaging	36	41	38	36	43	32%
Sludges	9	11	11	10	11	8%
Other special wastes	42	42	39	38	18	13%
Total	140	145	137	131	135	100%

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

- > HEALTH AND SAFETY
- > GREENHOUSE GAS EMISSIONS
- > ENERGY
- > VOLATILE ORGANIC COMPOUNDS
- > SULPHUR DIOXIDE
- > WATER
- > WASTE AND RECYCLING
- > SUPPLIER AUDITS
- > PACKAGING
- > TRANSPORT
- > EMPLOYEE TRAVEL
- > ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Production / Supplier audits

Supplier audits

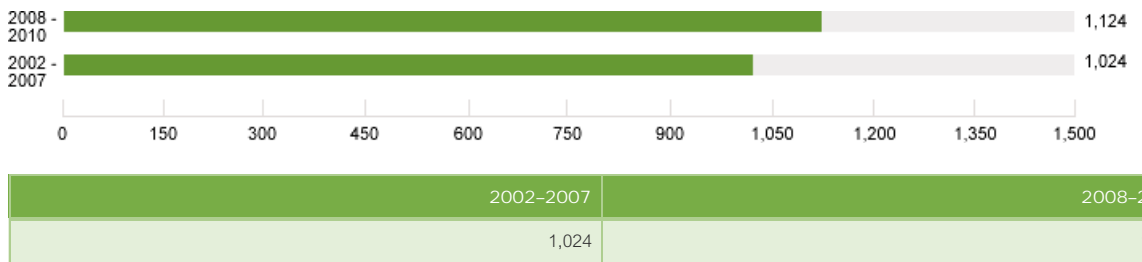
- ▶ Geographical distribution of L'Oréal Social Responsibility audits
- ▶ Number of Social Responsibility audits (2002–10)
- ▶ Audit results (2010)
- ▶ Audits by purchasing category
- ▶ Main non-conformities

Geographical distribution of L'Oréal Social Responsibility audits

Zones	2006	2007	2008	2009	2010
Europe	78	221	80	86	119
North America	58	21	2	5	2
South America	43	106	128	36	84
African and Middle East	24	26	24	4	23
Asia	103	211	454	305	339
Total	306	585	688	436	567

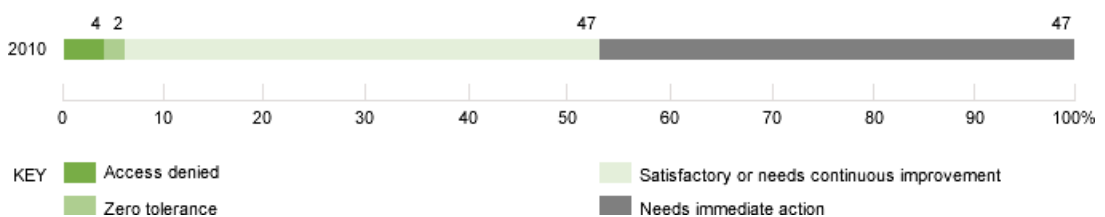
⬆ Back to top

Number of Social Responsibility audits (2002–10)



⬆ Back to top

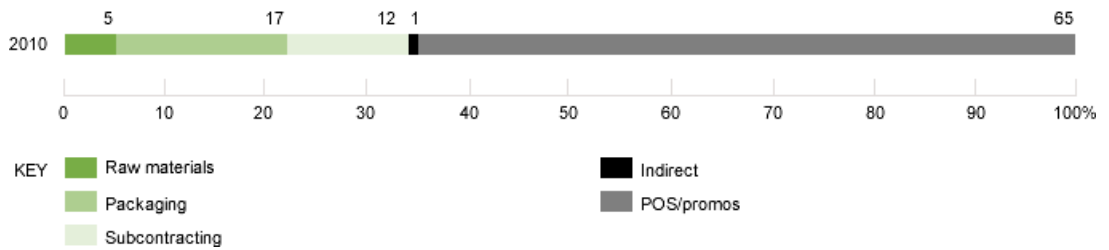
Audit results (2010)



	2010
Access denied	4%
Zero tolerance	2%
Satisfactory or needs continuous improvement	47%
Needs immediate action	47%

↑ Back to top

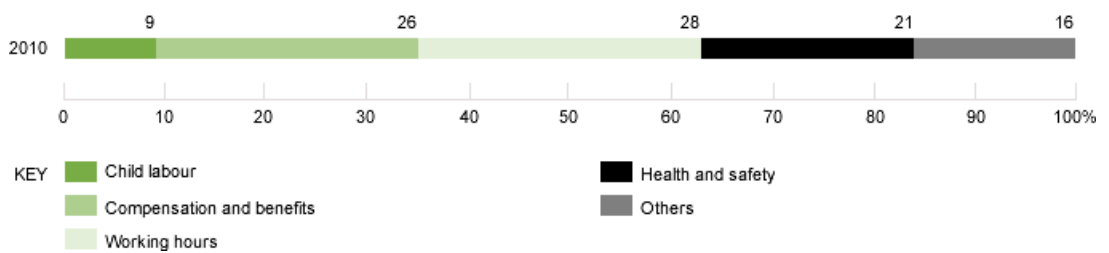
Audits by purchasing category



	2010
Raw materials	5%
Packaging	17%
Subcontracting	12%
Indirect	1%
POS/promos	65%

↑ Back to top

Main non-conformities



	2010
Child labour	9%
Compensation and benefits	26%
Working hours	28%
Health and safety	21%
Others	16%

↑ Back to top

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

[Databank](#) / [Production](#) / Packaging

Packaging

In 2010, efforts by L'Oréal brands worldwide have enabled us to save a further 590 tonnes of plastic in our bottles. In 2009, an additional 720 tonnes of packaging material was saved.

Packaging reductions

Year	Reduction
2008	800 tonnes
2009	720 tonnes
2010	590 tonnes

Garnier has committed to reduce the weight of its packaging by 15% by 2012. As of 2010, Garnier has achieved a reduction of 8% compared to 2008.

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▼ PRODUCTION

> HEALTH AND SAFETY

> GREENHOUSE GAS EMISSIONS

> ENERGY

> VOLATILE ORGANIC COMPOUNDS

> SULPHUR DIOXIDE

> WATER

> WASTE AND RECYCLING

> SUPPLIER AUDITS

> PACKAGING

> TRANSPORT

> EMPLOYEE TRAVEL

> ENVIRONMENTAL INCIDENTS

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

[Databank](#) / [Production](#) / Transport

Transport

Summary

- Compared to 2009, total Ktonnes* rose by 2.6%, despite the global economic downturn – and helped by continued growth in Asia and Latin America
- Road use decreased significantly (compared to 58.1% in 2009) and sea transport increased (compared to 37% in 2009), linked to the growth of markets in Asia and Latin America, compared to Europe and North America
- Despite our efforts to reduce the use of air transport, the economic boom in Asia, especially in Luxury Products, obliged us to increase use of air transport slightly (from 1.9% in 2009)
- We continued our efforts to increase the use of rail transport, resulting in a slight increase to this figure (compared to 3% in 2009), despite growth in markets outside Europe and North America
- The average distance to distribute our products to our consumers decreased significantly, related to our drive to move production closer to consumers.

Tonnes transported per kilometre

Road	51.8%	1,159,347 Ktonnes
Sea	42.5%	951,981 Ktonnes
Air	2.3%	51,663 Ktonnes
Rail	3.4%	76,135 Ktonnes
Total		2,239,126 Ktonnes

Ktonne = one thousand tonnes transported per kilometre.
Estimated figures. Excluding The Body Shop.

[▶ ABOUT THIS REPORT](#)
[▶ BUSINESS](#)
[▶ INNOVATION](#)
[▼ PRODUCTION](#)
[> HEALTH AND SAFETY](#)
[> GREENHOUSE GAS EMISSIONS](#)
[> ENERGY](#)
[> VOLATILE ORGANIC COMPOUNDS](#)
[> SULPHUR DIOXIDE](#)
[> WATER](#)
[> WASTE AND RECYCLING](#)
[> SUPPLIER AUDITS](#)
[> PACKAGING](#)
[> TRANSPORT](#)
[> EMPLOYEE TRAVEL](#)
[> ENVIRONMENTAL INCIDENTS](#)
[▶ CONSUMPTION](#)
[▶ TALENT](#)
[▶ COMMUNITIES](#)
[▶ ASSURANCE](#)
[▶ GRI](#)
[Databank / Production / Employee travel](#)

Employee travel

As a result of environmentally aware policies, we have continuously reduced the average emissions of our company cars over the last few years.

Average emissions for L'Oreal company cars (g/CO₂)

Year	g/CO ₂
2006	187
2007	177
2008	162
2009	151
2010	139.5

Preference is given to fuel-efficient 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.

Our business travel policy favours videoconferencing wherever feasible and we continue to develop state-of-the-art facilities in all our major operations. We continue to explore local IT solutions to make conferencing available to the largest number of employees possible across the group. When it is essential for our employees to travel to fulfil their roles, we give preference to rail over air transport.

[▶ ABOUT THIS REPORT](#)[▶ BUSINESS](#)[▶ INNOVATION](#)[▼ PRODUCTION](#)[> HEALTH AND SAFETY](#)[> GREENHOUSE GAS EMISSIONS](#)[> ENERGY](#)[> VOLATILE ORGANIC COMPOUNDS](#)[> SULPHUR DIOXIDE](#)[> WATER](#)[> WASTE AND RECYCLING](#)[> SUPPLIER AUDITS](#)[> PACKAGING](#)[> TRANSPORT](#)[> EMPLOYEE TRAVEL](#)[> ENVIRONMENTAL INCIDENTS](#)[▶ CONSUMPTION](#)[▶ TALENT](#)[▶ COMMUNITIES](#)[▶ ASSURANCE](#)[▶ GRI](#)[Databank](#) / [Production](#) / Environmental incidents

Environmental incidents

Spills and remediation

We had no significant spills in 2010.

Complaints and notices

We had three complaints from neighbours and five administrative notices.

The neighbourhood complaints related to noise, a tree on a L'Oréal site which fell into neighbouring land and discharge of effluent.

We take every complaint extremely seriously and co-operate fully with relevant parties to resolve them. All the above complaints and notices have been resolved or are in the process of being resolved.

Fines

We had no significant fines at any of our worldwide sites in 2010.

Our Burgos factory in Spain received a minor fine (€300) for exceeding a norm governing the discharge of effluent. An action plan to investigate the incident and prevent recurrence is in progress.

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▼ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

Databank / Consumption

Consumption

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 2011
1. Code of Business Ethics	Internal and stakeholder communication	An entire section of our <u>Code of Business Ethics</u> is dedicated to responsible advertising and marketing. We have also implemented two new initiatives: We have posted 'The L'Oréal Spirit' on all our global websites. This document highlights our ethical commitments including responsible advertising; organised an Ethics Day in all our subsidiaries where employees can raise any ethics-related questions in a live web chat with our CEO.	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. During the web chat, there were more than 12,000 discussions a day.	Continue action 1.
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: Establish a quarterly indicator to measure consumer satisfaction.
3. Certifications – external validation of brand communications and explanation of logos	Advertising, communication, point of sale, packaging, website. Further information at www.ushuaia-bio.fr and www.mixa-bio.fr .	Following the launch of Bio Mixa in 2009 and Garnier Bio Active and Narta Bio, 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.		Given the complexity of launching an eco-label certified product, the launch of two certified Ushuaia shower gels is still being explored.
4. Ensure local consumer awareness when we relocate our production sites	Print media and packaging	Continue the partnership with the Association of European Cancer Leagues (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 French state education department, have been sent to teachers, reaching more than 360,000 pupils.		Continue action 4.
5. Raising awareness of socially and environmentally responsible activities through a specific Garnier website	<u>Website</u>	Provide information for consumers and other stakeholders on Garnier's progress in sustainable development. The site includes details and examples of Garnier's social and environmental activities.		30,000 visits in one year to the website pages dedicated to Garnier's partnership work with Eco-Emballages.

Commitment 2: Promote responsible behaviour to consumers.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2011
1. Ensure hairdressers and their clients are aware of three topics developed by the Professional Products division in France	Website, press campaign, events	<p>Our "Hairdressers against AIDS" programme, in partnership with UNESCO, has reached 50,000 hairdressers in France.</p> <p>We continue to participate in the "sustainable development and hairdressing" salons' initiative and 150 salons have obtained a professional certificate to mark salon sustainability.</p> <p>In partnership with the local council in Grenoble, we are supporting a hair salon for differently abled people.</p>		Continue these three initiatives.
2. Generate public awareness of the lack of women in science	Events, press, non-advertising films, public relations	<p>Ongoing activity through the L'Oréal website: 4womeninscience-press.com.</p> <p>In France, we have developed a strong network of female scientists through the ceremony during the Festival of Science that brings together approximately 140 high-school girls.</p> <p>Facebook page and a hub on the internet business directory 'Viadeo'.</p>		Continue action 2.
3. Generate consumer awareness of the need to sort waste packaging	Packaging, website	<p>Continue the partnership between Garnier and the packaging waste company Eco-Emballages.</p> <p>In 2010, we held a press conference and presentation on Garnier/Eco-Emballages' partnership and the importance of waste sorting and recycling in the home to help consumers on a daily basis.</p> <p>15,000 free copies of the Garnier/Eco-Emballages bathroom recycling container were distributed on the Garnier website and locally through waste-sorting representatives.</p>		Continue action 3: Organise a competition called Bath fiction, organised with 'Société Bath', with the aim of drawing on the theme of 'bathroom waste sorting of tomorrow'.
4. Ensure consumers and young children are aware of the dangers of overexposure to the sun through the Garnier brand.	Press, print, films and website (www.garnier.com)	<p>Continued partnership with "European Association of the Leagues against Cancer" (ECL).</p> <p>For the fourth year, we ran our '1.2.3' programme, which aims to teach children aged 8-10 about responsible behaviour in the sun. 20,000 kits, designed in collaboration with the state education department, have been sent to teachers, reaching more than 600,000 pupils.</p>		Continue action 4.
5. Raise public awareness about disability	Printed communications, website, public relations	<p>L'Oréal Paris continued to support the "Handicap Première Chance" programme. L'Oréal will fund studies in business and beauty for 8 disabled students, and the Casino group will provide them with managerial work experience in a large distribution company.</p> <p>In May 2010, Garnier made product information accessible for people with hearing impairments (8% of the population) through an online service 'Sourdline®' and we affix the logo on our products.</p>		<p>Continue action 5.</p> <p>Make Sourdline® available for products across our brands.</p> <p>Extend the 'Handicap Première' programme to other partners with new promotions for professional studies.</p>

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. Information to consumers about their rights regarding personal data.	Website	<p>The objective is to improve our practices based on the results of the audit conducted in 2009 by the French National Commission for Information and Civil Liberties (CNIL). This includes information to consumers about their rights and providing a contact in each group brand for information and cancellation of their personal data.</p> <p>In 2010, all L'Oréal websites in France include the statements about the conditions of use of personal information and consumer rights and obligations.</p>		<p>Securing a contract for the main transfer of data between L'Oréal and its external partners or subsidiaries outside the European Union.</p> <p>Continue to raise awareness among marketing staff regarding the responsible use of personal data through specific training programmes.</p>

Commitment 4: Incorporate environmental criteria in the selection of communication methods.

Actions	Type of communication involved	Objective and achievements	Indicators	Plans for 2011
1. Information to consumers about their rights regarding personal data	Media and non-media	<p>A formally written international procedure verified an external auditing company.</p> <p>An international procedure for approving communication materials referring to the Ecocert certification was implemented.</p> <p>The legal department worked in collaboration with the Director of Sustainable Development and the international marketing department on Garnier's responsible communication and sustainable development.</p>	100% of employees working in areas which use the Ecocert certification (for example, marketing, packaging) have followed the international procedure.	Continue action 1: Implement the decisions following the external audit conducted in 2010. Continue to raise employee awareness of responsible communications.

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 2011
1. Membership of eco-organisations		L'Oréal is a founding member of two eco-organisations – Eco-Emballages and Ecofolio – and sits on their board of directors. We are 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	<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>Development of a series of products in the Pureology brand such as utensils made from acetate.</p> <p>L'Oréal Professional now use FSC-certified hair colour charts and paper bags.</p> <p>At the World Fair for Beauty in November 2010, we used recycled bags and promotional items, organic cotton, leaflets printed on FSC paper.</p>		Continue action 2: L'Oréal Professional: replace synthetic hair products with products made from natural, renewable sources.
3. Reduce the environmental impact of point of sale	Point of sale material	The Gemey-Maybelline brand has 80% of its Monoprix point of sale promotional furniture in FSC-certified wood and cardboard.	80% of point of Gemey-Maybelline Monoprix point of sale promotional furniture has FSC certified	Continue action 3. Target 100% FSC certified paper for point

communication.		For Garnier's launch of its Bio range, the store has 100% of its point of sale furniture made from FSC wood and communications with unleaded ink. 60% of the Ambre Solaire furniture had been recovered, refurbished and reused from the previous year.	wood and cardboard.	of sale communications for Garnier L'Oréal Paris, Lascad, Gemey-Maybelline
4. Reduce the environmental impact of printed material in the Public Products division in France	Printed communication, public relations	In the Consumer Products division in France, we created a common platform for printing material: - 100% of press files were FSC certified or recycled. - 60% minimum Imprim'Vert, chlorine-free vegetable-based inks. - 100% of TV tapes replaced by digital items.	100% of press files for Garnier, L'Oréal Paris, LaScad on paper with a minimum of 60% recycled content or FSC-certified, printed with chlorine-free vegetable-based inks.	Continue action 4. In partnership with Wattimpact, Garnier'è is developing a 'green' certified website using electricity from renewable sources.
5.Reduce the environmental impact of printed material in the Active Cosmetics Division in France	Printed communication, website	In the Active Cosmetics Division France for Vichy Sanoflore, we achieved 100% of press files printed on FSC certified paper with vegetable ink. We established an extranet site for journalists allow them to access press releases and visual brand products. For Sanoflore products, information will be printed directly on the packaging.		Information printed directly on packaging on all Sanoflore products except aromatherapy and essential oils because of legal constraints of consumer information.

[↑ Back to top](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▼ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

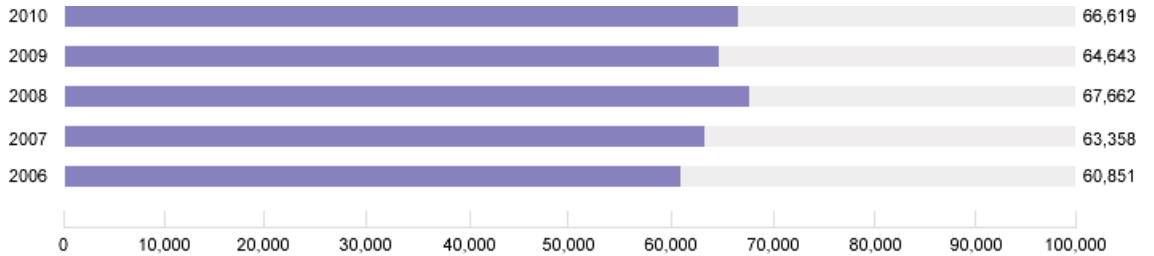
Databank / Talent

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



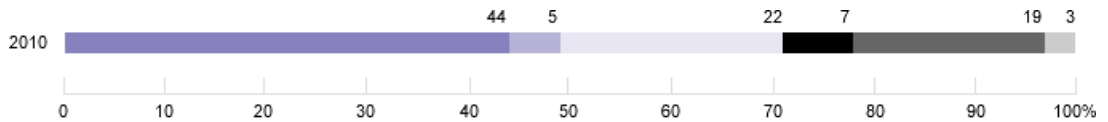
	2006	2007	2008	2009	2010
	60,851	63,358	67,662	64,643	66,619

Notes:

In 2010, L'Oréal's workforce numbered 66,619 employees, including 1,674 employees of the Galderma joint venture and 8,806 employees of The Body Shop.

↑ Back to top

Composition of workforce by region

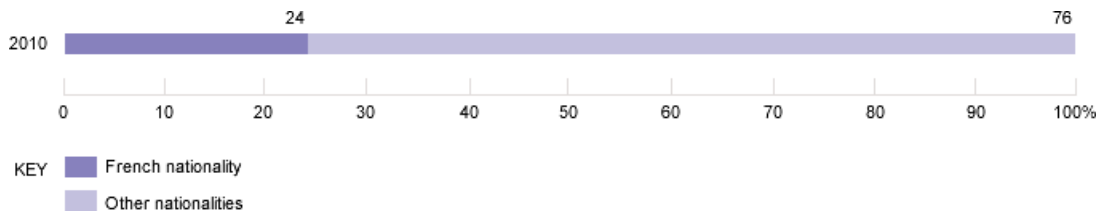


- KEY
- West Europe
 - Latin America
 - East Europe
 - Asia
 - North America
 - Other regions

	2010
France	18%
West Europe	26%
East Europe	5%
North America	22%
Latin America	7%
Asia	19%
Other regions	3%

↑ Back to top

Nationalities in management

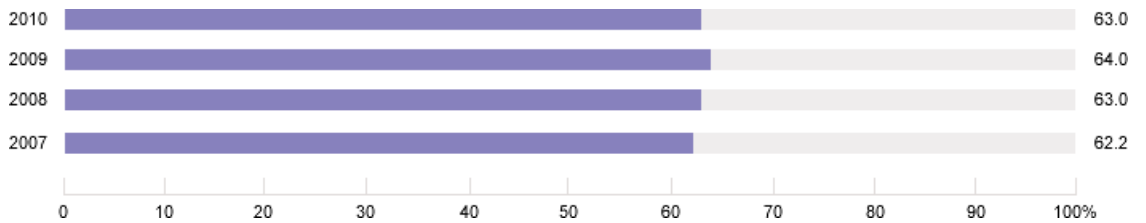


	2010
French nationality	24%
Other nationalities	76%

Notes:
There are 113 different nationalities in L'Oréal management grades.

↑ Back to top

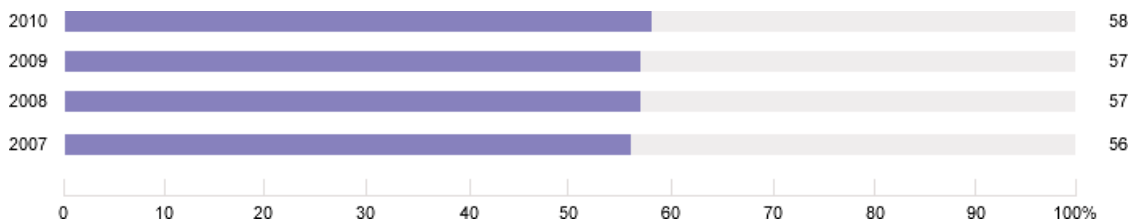
Percentage of women in workforce



	2008	2009	2010
Percentage of women in workforce	63%	64%	63%

↑ Back to top

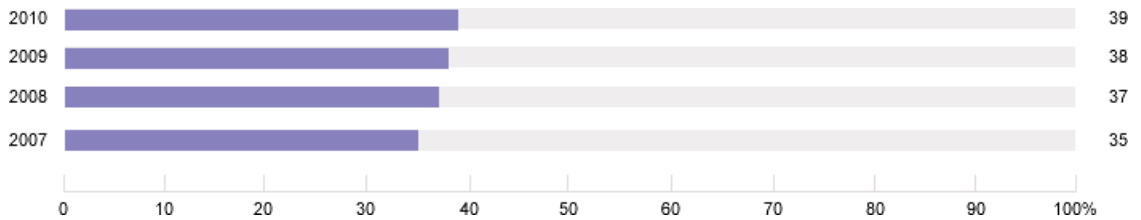
Percentage of managers who are women



2007	2008	2009	2010
56%	57%	57%	58%

↑ Back to top

Percentage of Management Committee members who are women



2007	2008	2009	2010
35%	37%	38%	39%

↑ Back to top

Other key diversity indicators

Female representation

- 58% of managers
- 61% of new recruits
- 63% of the worldwide workforce
- 49% of Operations employees
- 39% of Management Committees
- 21.4% of the Executive Committee (since January 2011)
- 15 women were appointed to the post of Managing Director in 2010
- 45% of L'Oréal Group brands are headed by women
- 34% of employees holding expatriate positions abroad
- 45% of new appointees to expatriate positions
- 14 women were appointed to the Managing Board in our larger countries

Childcare

Places in inter-company crèches:

- 87 places in France
- 18 places in Germany
- 67 places in Canada
- 17 places in the Filapi recreation centre in France

Age

L'Oréal France, end 2010:

- Average age: 42.3
- Percentage of employees over 50: 20%

Representation of ethnic groups

L'Oréal USA, end 2010:

- 22.6% of managers
- 29.4% of employees
- 18.1% of directors*

*The director level is an increase over 2009 from 17.5% to 18.1%

Research and Innovation:

- 39.6% of managers are ethnic minorities
- 44.0% of employees are ethnic minorities

L'Oréal South Africa, end 2010:

- Level 5 in the 'Broad Based Black Employment Equity' (BBBEE) scorecard – an increase of 2% compared to 2008. Level 1 = highest score.

Public commitments

- Seven existing national Diversity Charters signed by L'Oréal (France, Germany, Spain, Italy, Belgium, Austria, Sweden)
- Three Corporate Agreements signed in France (Professional Equality, Work-Life Balance, Older Persons Employment)

Percentage of managers who have received diversity training

- 100% in France (4,000 individuals)
- 93% in Europe (7,230 individuals)

[↑ Back to top](#)

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▶ GRI

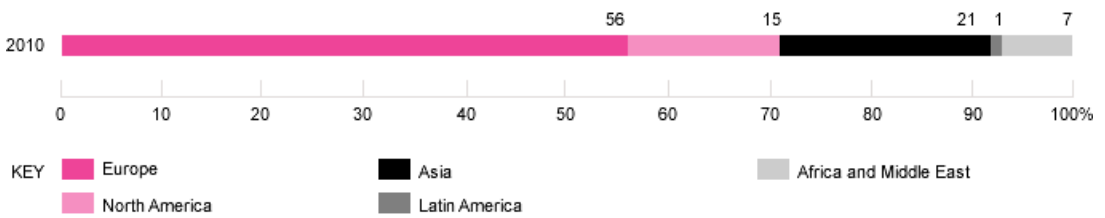
Databank / Communities

Communities

- ▶ Community investments by geographic location
- ▶ Community investments by domain

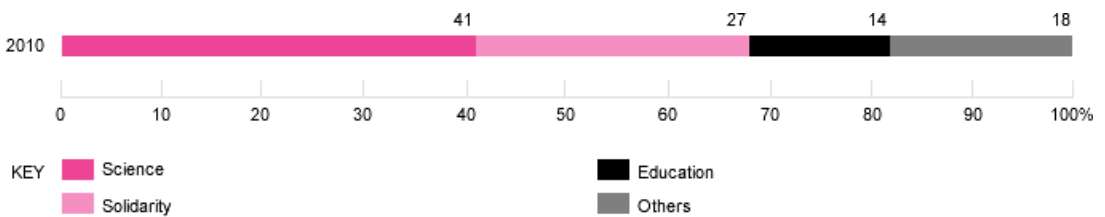
In 2010, L'Oréal invested €32.6 million in both large scale international projects and hundreds of initiatives throughout the world. This represents an increase of more than 17% compared to 2009, and comprises €8.6 million from the L'Oréal Foundation (€6.1 million according to London Benchmarking Group methodology), €16.1 million in corporate donations and €16.5 million from the group brands.

Community investments by geographic location (% of total)



2010	
Europe	56%
North America	15%
Asia	21%
Latin America	1%
Africa and Middle East	7%

Community investments by domain (% of total)



2010	
Science	41%
Solidarity	27%
Education	14%
Others	18%

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▼ ASSURANCE

> ENVIRONMENT, HEALTH & SAFETY

> SOCIAL AFFAIRS

▶ GRI

[Databank](#) / Assurance statements

Assurance statements

This section contains assurance statements relating to the following 2010 data:

- [Environment, health and safety](#)
- [Social affairs](#)

[▶ ABOUT THIS REPORT](#)[▶ BUSINESS](#)[▶ INNOVATION](#)[▶ PRODUCTION](#)[▶ CONSUMPTION](#)[▶ TALENT](#)[▶ COMMUNITIES](#)[▼ ASSURANCE](#)[> ENVIRONMENT, HEALTH
& SAFETY](#)[> SOCIAL AFFAIRS](#)[▶ GRI](#)[Databank / Assurance Statements / Verification statement - 2010 EHS indicators](#)

Verification statement - 2010 EHS indicators

Scope and methodology

Environmental Resources Management (ERM) was solicited by L'Oréal to verify the data relative to environment, health and safety, which is to be published in this Sustainable Development Report.

Our objective 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, three distribution warehouses and one administrative site and research centre located in France, Mexico, the USA, China and South-Africa has been audited.

The approach was to find the sources of the information and to interview the heads of the departments concerned on the audited sites.

Findings

Our review has shown that, for the sample examined, data collection and processing have provided us with information which is globally precise and reliable.

New indicators were added in 2010, namely the level of safety culture and the MESUR frequency rate. The data allowing the calculation of both new indicators were found to be reliable.

Some inaccuracies or omissions were noted for each of the visited sites, but with no significant impact on the scale of consolidated data for the group:

- Two sites had not reported several first aid injuries as non loss time accidents
- Two sites did not count several loss working days, taken into account in the calculation of the Severity Rate
- A notification from the authorities, issued in December 2010, about non-compliant wastewater discharge and associated non-compliances was not reported at the time of the audit.

Opinion

We believe that the EHS data published in this report and presented in the text, the schedules and the graphics for 2010 give an honest, transparent and reasonable image of the EHS performance of manufacturing sites, distribution warehouses and administrative activities.

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 2011.

Vincent Sauvaire

General Manager

ERM-France

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▼ ASSURANCE

> ENVIRONMENT, HEALTH
& SAFETY

> SOCIAL AFFAIRS

▶ GRI

[Databank](#) / [Assurance Statements](#) / [Social affairs](#)

Social affairs

REVIEW REPORT BY ONE OF THE STATUTORY AUDITORS ON THE PROCEDURES USED TO COMPILE CERTAIN SOCIAL DATA PUBLISHED IN THE GROUP SUSTAINABLE DEVELOPMENT REPORT

(Year ended December 31, 2010)

This is a free translation into English of the Statutory Auditor's review report issued in French and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

General Direction
L'OREAL 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) 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, and 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 with pension programmes in excess of basic social security requirements, 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), number of employees and executive staff trained, amount allocated to the World Profit Sharing program (WPS), number of employees' representatives.

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 six countries (Belgium, Bulgaria, France, Serbia and Japan) and in respect of the aforementioned indicators, except for the two specific indicators related to retirement (total cost of the retirement programmes, % of countries with pension programmes in excess of basic social security requirements) that are managed 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 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, May 9, 2011

Statutory Auditor
PricewaterhouseCoopers Audit

Etienne Boris, Sylvain Lambert
Sustainable Development Practice

▶ ABOUT THIS REPORT

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ ASSURANCE

▼ GRI

Databank / GRI Index

GRI Index

We have aligned this report with the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines, and the GRI Context 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
 AR1: Link to Annual Report Volume 1 AR2: Link to Annual Report Volume 2
 "Additional" indicators are shown in a lighter text colour; 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"> From Chairman & CEO 	<input checked="" type="checkbox"/>
1.2 Description of key impacts, risks and opportunities.	<ul style="list-style-type: none"> About L'Oréal Sustainability strategy Sustainability topics 	<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 	<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: Businesses (pg 32-67) AR2: 2010 Consolidated Financial Statements (pg 19, 21) 	<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 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"> About L'Oréal AR1: Businesses (pg 33) AR2: 2010 Consolidated Financial Statements (pg 58-63) 	<input checked="" type="checkbox"/>
2.6 Nature of ownership and legal form.	<ul style="list-style-type: none"> Corporate governance AR1: Corporate Governance (pg 9-13) 	<input checked="" type="checkbox"/>
2.7 Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	<ul style="list-style-type: none"> About L'Oréal AR1: Businesses (pg 28-33) AR2: 2010 Consolidated Financial Statements (pg 19, 58-63) 	<input checked="" type="checkbox"/>
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 » Economic affairs Databank » Talent AR1: L'Oréal Financial Highlights (pg 14-15) AR2: 2010 Consolidated Financial Statements (pg 4-8, 37) 	<input checked="" type="checkbox"/>
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: 2010 Consolidated Financial Statements (pg 17-18) 	<input checked="" type="checkbox"/>
2.10 Awards received in the reporting period.	<ul style="list-style-type: none"> Ratings and awards 	<input checked="" type="checkbox"/>

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 <p>Data from our joint venture with Galderma is included in the data</p>	■
3.7 State any specific limitations on the scope or boundary of the report.	<ul style="list-style-type: none"> ■ About this report <p>Data from our joint venture with Galderma is included in the data</p>	■
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 <p>Data from our joint venture with Galderma is included in the data</p>	■
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.	<p>This information accompanies the data within the Databank sections</p>	■
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).	<p>Restatements are explained within the Databank sections beneath the relevant charts</p>	■
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	<p>There were no significant changes during the reporting period</p>	■

GRI Content Index

Element	Links/Notes	Status
3.12 Table identifying the location of the Standard Disclosures in the report.	<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 	■

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 9-13) ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 110-126) 	■
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 ■ AR1: Board of Directors, Executive Committee (pg 9-13) ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 124) 	■
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"> ■ Corporate Governance ■ AR1: Board of Directors, Executive Committee (pg 9-13) 	■

4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	<ul style="list-style-type: none"> ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 110-121) ■ Shareholder relations ■ Dialogue ■ AR1: Stock market and shareholders (pg 80) 	■
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"> ■ AR2: Remuneration of the members of the Board of Directors and corporate officers. (pg 81-84) ■ Managing EHS 	■
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	<p>Our Chief Executive's performance is measured on both financial and non-financial performance.</p> <ul style="list-style-type: none"> ■ AR1: Board of Directors, Executive Committee (pg 9-11) ■ AR2: 2010 Report of the Chairman of the Board of Directors of L'Oréal (pg 110-111, 122) 	■
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.	<ul style="list-style-type: none"> ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 110-121, 122-123) 	■
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 ■ Ethics ■ AR1: L'Oréal's commitments (pg 17) 	■
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"> ■ From our Chairman & CEO ■ Corporate governance ■ Ethics ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 75-80, 122-123) 	■
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 ■ AR2: Report of the Chairman of the Board of Directors of L'Oréal (pg 75-80) 	■

Commitments to External Initiatives

Element	Links/Notes	Status	
4.11	<p>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.</p>	<ul style="list-style-type: none"> ■ AR2: Management Report of the Board of Directors (pg 75-80) ■ Sustainability strategy 	■
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"> ■ UN Global Compact ■ Ethics ■ Active engagement ■ Managing EHS ■ Supplier relations ■ Diversity management ■ Dialogue ■ Responsible communications 	■
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 ■ Ratings and awards ■ Health and safety ■ Diversity management ■ Responsible communications ■ Databank » Consumption ■ L'Oréal-UNESCO 'For Women in Science' ■ L'Oréal-UNESCO 'Hairdressers Against AIDS' 	■

Stakeholder Engagement

Element	Links/Notes	Status	
4.14	<p>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.</p>	<ul style="list-style-type: none"> ■ Active engagement 	■
4.15	Basis for identification and selection of stakeholders with whom to engage.	<ul style="list-style-type: none"> ■ Sustainability topics ■ Active engagement ■ Supplier relations ■ Dialogue ■ Engaging externally 	■

4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	<ul style="list-style-type: none"> ▪ Communities (Introduction) ▪ Active engagement ▪ Shareholder relations ▪ Dialogue ▪ Supplier relations ▪ Consumption (Introduction) 	■
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 	■

5. Management Approach and Performance Indicators

Economic

Economic Performance

Element	Links/Notes	Status
DMA EC Disclosure on Management Approach EC	<p>Our approach to managing economic performance is covered in our Annual Report 2010:</p> <ul style="list-style-type: none"> ▪ Annual Report Volume 1 ▪ Annual Report Volume 2 <p>A brief summary of financial performance is also provided in:</p> <ul style="list-style-type: none"> ▪ Economic affairs ▪ Databank » Economic affairs 	■
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 ▪ Databank » Communities ▪ AR2: Consolidated financial statements (pg 4-63) 	■
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	<p>We outline the implications and other risks and opportunities for our organisation's activities due to climate change, but these are not quantified in financial terms.</p> <ul style="list-style-type: none"> ▪ Managing EHS ▪ Carbon and energy 	■
EC3 Coverage of the organization's defined benefit plan obligations.	<ul style="list-style-type: none"> ▪ Reward and recognition ▪ AR2: 2010 Consolidated financial statements (pg 15-16, 42, 85-86) 	■
EC4 Significant financial assistance received from government.		□

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 ▪ AR2: 2010 Consolidated financial statements (pg 94-96) 	■
EC6 Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	<ul style="list-style-type: none"> ▪ Engaging with suppliers 	■
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 	■

Indirect Economic Impacts

Element	Links/Notes	Status
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	<ul style="list-style-type: none"> ▪ Communities ▪ Databank » Communities 	■
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	<ul style="list-style-type: none"> ▪ Economic affairs ▪ Supplier relations ▪ Product accessibility ▪ Communities 	■

Environmental

Materials

Element	Links/Notes	Status
DMA EC Disclosure on Management Approach EN	<p>Our approach to environmental management is covered in the Production section. An overview of our approach can be found in the following section:</p> <ul style="list-style-type: none"> ▪ Managing EHS ▪ UN Global Compact (Environment) 	■

Performance and targets can be found in the following section:

- [Databank » Production](#)

EN1 Materials used by weight or volume.

- [Sourcing raw materials](#)
- [Packaging](#)
- [Raw materials](#)



EN2 Percentage of materials used that are recycled input materials.

- [Packaging](#)



Energy

Element	Links/Notes	Status
EN3 Direct energy consumption by primary energy source.	Our energy consumption is reported in the following section: <ul style="list-style-type: none"> ▪ Databank » Energy <p>The direct energy consumption for our factories and distribution centres is measured in gigajoules as follows: Gas: 1,344,932 GJ Fuel oil: 64,394 GJ Total: 1,409,326 GJ</p>	<input checked="" type="checkbox"/>
EN4 Indirect energy consumption by primary source.	Our energy consumption is reported in the following section: <ul style="list-style-type: none"> ▪ Databank » Energy <p>The indirect energy consumption for our factories and distribution centres is measured in gigajoules as follows: Electricity: 1,345,683 GJ Steam: 82,560 GJ Total: 1,428,243 GJ Across the group, 20% of total electricity consumption comes from renewable sources.</p>	<input checked="" type="checkbox"/>
EN5 Energy saved due to conservation and efficiency improvements.	Our efficiency improvements are reported in the following sections, however we do not report the total amount of energy saved: <ul style="list-style-type: none"> ▪ Carbon and energy ▪ 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.	We report initiatives to provide energy-efficient or renewable energy-based products in the following sections, however overall reductions in energy requirements are not reported: <ul style="list-style-type: none"> ▪ Carbon and energy ▪ Packaging ▪ Product accessibility ▪ Databank » Packaging ▪ Databank » Consumption 	<input type="checkbox"/>
EN7 Initiatives to reduce indirect energy consumption and reductions achieved.	Initiatives to reduce indirect energy consumption can be found in the following sections, however we do not report the total amount of energy saved: <ul style="list-style-type: none"> ▪ Transport ▪ Sustainable buildings ▪ Databank » Transport ▪ Databank » Employee travel 	<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.	No water sources are significantly affected by withdrawal of water	<input checked="" type="checkbox"/>
EN10 Percentage and total volume of water recycled and reused.	We do not report the percentage and total volume of water recycled and reused. However, our approach to managing water is reported in the following section: <ul style="list-style-type: none"> ▪ Water 	<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.	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 type="checkbox"/>
EN13 Habitats protected or restored.	<ul style="list-style-type: none"> ▪ Managing EHS ▪ Biodiversity challenges ▪ Natural ingredients 	<input checked="" type="checkbox"/>
EN14 Strategies, current actions, and future plans for managing	<ul style="list-style-type: none"> ▪ Sustainability topics » Biodiversity (PDF) 	<input checked="" type="checkbox"/>

impacts on biodiversity.

- [Managing EHS](#)
- [Biodiversity challenges](#)
- [Natural ingredients](#)
- [Towards fair access to raw materials](#)
- [Supplier relations](#)
- [Aquatic systems](#)
- [Sourcing raw materials](#)
- [Packaging](#)

EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

There are no indications of IUCN Red List species and national conservation list species being at risk due to our operations



- [Biodiversity challenges](#)

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 » Transport ▪ Databank » Employee travel 	<input type="checkbox"/>
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	<p>Initiatives to reduce greenhouse gas emissions can be found in the following sections:</p> <ul style="list-style-type: none"> ▪ Production ▪ Carbon and energy ▪ Packaging ▪ Transport ▪ Databank » Production ▪ Ratings and awards 	<input checked="" type="checkbox"/>
EN19 Emissions of ozone-depleting substances by weight.	This is not a material issue.	<input checked="" type="checkbox"/>
EN20 NOx, SOx and other significant air emissions by type and weight.	<ul style="list-style-type: none"> ▪ Databank » Volatile organic compounds (VOCs) ▪ Databank » Sulphur dioxide (SO₂) 	<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 strategy ▪ Sustainability topics ▪ Packaging ▪ Product accessibility ▪ Corporate Consumer Responsibility 	<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 LA	<p>Our management approach to labour aspects is covered in the Talent section:</p> <ul style="list-style-type: none"> ▪ Sustainability topics ▪ UN Global Compact (Labour) ▪ Health and safety ▪ Talent ▪ Databank » Talent 	<input checked="" type="checkbox"/>
LA1	<p>Total workforce by employment type, employment contract and region.</p> <p>We report the total workforce by region.</p> <ul style="list-style-type: none"> ▪ Databank » Talent 	<input checked="" type="checkbox"/>
LA2	<p>Total number and rate of employee turnover by age group, gender and region.</p>	<input type="checkbox"/>
LA3	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.</p>	<input type="checkbox"/>

Labor/Management Relations

Element	Links/Notes	Status
LA4	<p>Percentage of employees covered by collective bargaining agreements.</p> <p>We report on labour relations in the following section:</p> <ul style="list-style-type: none"> ▪ Dialogue 	<input checked="" type="checkbox"/>
LA5	<p>Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.</p>	<input type="checkbox"/>

Occupational Health and Safety

Element	Links/Notes	Status
LA6	<p>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.</p>	<input type="checkbox"/>
LA7	<p>Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.</p> <p>Data can be found in the following section. However, we do not report this information by region and we do not report on absentee rates as there is no international officially recognised definition of absenteeism:</p> <ul style="list-style-type: none"> ▪ Health and safety ▪ Databank » Health and safety <p>We had no work-related fatalities during the year.</p>	<input checked="" type="checkbox"/>
LA8	<p>Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.</p> <ul style="list-style-type: none"> ▪ Health and safety 	<input checked="" type="checkbox"/>
LA9	<p>Health and safety topics covered in formal agreements with trade unions.</p>	<input type="checkbox"/>

Training and Education

Element	Links/Notes	Status
LA10	<p>Average hours of training per year per employee by employee category.</p> <p>We report on employee training in the following section, however we do not report overall hours of training per year per employee by employee category:</p> <ul style="list-style-type: none"> ▪ Learning and development 	<input checked="" type="checkbox"/>
LA11	<p>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</p> <ul style="list-style-type: none"> ▪ Sustainability topics ▪ Ethics ▪ Learning and development 	<input checked="" type="checkbox"/>
LA12	<p>Percentage of employees receiving regular performance and career development reviews.</p> <p>Currently we do not report the percentage of employees receiving regular reviews. This topic is reported in the following section:</p> <ul style="list-style-type: none"> ▪ Reward and recognition 	<input checked="" type="checkbox"/>

Diversity and Opportunity

Element	Links/Notes	Status
LA13	<p>Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.</p> <p>We do not report the breakdown of these categories.</p> <ul style="list-style-type: none"> ▪ Corporate governance ▪ Databank » Talent 	<input checked="" type="checkbox"/>
LA14	<p>Ratio of basic salary of men to women by employee category.</p> <p>We do not report the ratio but our approach to remuneration is covered in the following section:</p> <ul style="list-style-type: none"> ▪ Reward and recognition 	<input checked="" type="checkbox"/>

Social: Human Rights

Strategy and Management

Element	Links/Notes	Status
DMA HR	<ul style="list-style-type: none"> ▪ UN Global Compact (Human rights and Labour) ▪ Ethics 	<input checked="" type="checkbox"/>

- [Human rights](#)
- [Code of Business Ethics](#)
- [Social audit programme](#)

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	All significant investment agreements include human rights clauses and have undergone screening on human rights	<input type="checkbox"/>
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	We do not report the percentage of significant suppliers and contractors that have undergone screening on human rights. However, relevant information can be found in the following sections: <ul style="list-style-type: none"> ▪ Human rights ▪ Social audit programme ▪ Databank » Supplier audits 	<input 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.	We do not report the total hours of employee training on policies and procedures concerning human rights. However, relevant information can be found in the following section: <ul style="list-style-type: none"> ▪ Ethics ▪ Human rights ▪ Databank » Ethics 	<input type="checkbox"/>

Non-Discrimination

Element	Links/Notes	Status	
HR4	Total number of incidents of discrimination and actions taken.	We do not report the total number of incidents of discrimination and actions taken. However, relevant information can be found in the following sections: <ul style="list-style-type: none"> ▪ UN Global Compact (Labour and Human rights) ▪ Diversity management 	<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.	L'Oréal sites and facilities: We do not consider the right to exercise freedom of association and collective bargaining to be at significant risk but monitor this issue closely. <p>Further information can be found in the following section:</p> <ul style="list-style-type: none"> ▪ UN Global Compact (Labour) 	<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.	L'Oréal sites and facilities: We do not consider there to be significant risk of incidents of child labour but monitor this issue closely. <p>Relevant information can be found in the following sections:</p> <ul style="list-style-type: none"> ▪ UN Global Compact (Labour) ▪ 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.	L'Oréal sites and facilities: We do not consider there to be significant risk of incidents of compulsory labour but monitor this issue closely. <ul style="list-style-type: none"> ▪ UN Global Compact (Labour) ▪ Human rights 	<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.	There have been no incidents of violations involving rights of indigenous people	<input checked="" type="checkbox"/>

Social: Society

Community

Element	Links/Notes	Status	
DMA	Disclosure on Management Approach SO	Our management approach to society aspects is covered in	<input checked="" type="checkbox"/>

SO		the following sections: <ul style="list-style-type: none"> ▪ Business ▪ Ethics ▪ Anti-corruption ▪ UN Global Compact (Anti-corruption) ▪ Code of Business Ethics ▪ Communities 	
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"> ▪ Raw materials ▪ Biodiversity challenges ▪ Towards fair access to raw materials ▪ Supplier relations ▪ Sourcing raw materials ▪ Labour relations 	<input checked="" type="checkbox"/>

Corruption

Element	Links/Notes	Status	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	100% of our operations are analysed for risks related to corruption. We have a clear position on anti-corruption as reported in the following sections: <ul style="list-style-type: none"> ▪ Ethics ▪ Anti-corruption ▪ UN Global Compact (Anti-corruption) 	<input checked="" type="checkbox"/>
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	We do not report the percentage of employees trained. However, we report the percentage of countries that have integrated Ethics training into their induction and local training programmes. We cover training on anti-corruption in the following sections: <ul style="list-style-type: none"> ▪ Code of Business Ethics ▪ Anti-corruption ▪ UN Global Compact 	<input checked="" type="checkbox"/>
SO4	Actions taken in response to incidents of corruption.	We do not report on the actions taken in response to incidents of corruption. However, we report on our monitoring in the following section: <ul style="list-style-type: none"> ▪ Anti-corruption 	<input checked="" 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.	<ul style="list-style-type: none"> ▪ AR2: 2010 Consolidated Financial Statements (pg. 46) 	<input checked="" 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 PR	Disclosure on Management Approach PR	Our management approach to product responsibility aspects can be found within the relevant sections: <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 ▪ Ethical, safe products 	<input checked="" type="checkbox"/>
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	<input type="checkbox"/>	

Products and Service Labeling

Element	Links/Notes	Status
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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 checked="" 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 ■ Databank » 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 ■ Code of Business Ethics 	<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. <p>We do not report figures on customer privacy. However, the management of personal customer data is reported in the following section:</p> <ul style="list-style-type: none"> ■ Engaging externally 	<input checked="" 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"/>

▶ BUSINESS

▶ INNOVATION

▶ PRODUCTION

▶ CONSUMPTION

▶ TALENT

▶ COMMUNITIES

▶ DATABANK

Contact

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