

Eight commitments for sustainable growth

For L'Oréal, powerful convictions mean nothing without tangible commitments. The purpose of this section of the Annual Report is to set out again the key principles of the group's sustainable development approach. It provides an overview of L'Oréal's eight strong commitments for sustainable growth, followed by a presentation of the group's initiatives in corporate governance, ethics, philanthropy and protection of the environment.

Other chapters cover different aspects of L'Oréal's achievements in sustainable development. Information on diversity and solidarity is given in the Human Resources section (pages 94 to 97). Progress in sustainable and responsible innovation is described in the section devoted to Research and Development (pages 88 to 91), as well as in the Operations section (pages 92 and 93). And a special "Commitments" box offers an example of a concrete initiative in each operating division (Businesses section, pages 38 to 71).

Corporate Governance

L'Oréal's Board of Directors attaches great importance to the quality of corporate governance, closely monitors changes in best practices in this field, and strives to ensure constant progress is achieved.

Business Model

As an international group, L'Oréal is committed to achieving value-creating growth for the greatest number of stakeholders participating in its success. Despite the extremely difficult business environment caused by the economic crisis in 2008, the L'Oréal business model, based on innovation, quality and globalisation, demonstrated its resilience.

Safety, Health and Environment

L'Oréal aims for excellence in the realm of environmental performance. The group's policy is to reduce its environmental footprint through eco-efficiency and where possible achieve an absolute reduction in its impact. Between 2003 and 2008, L'Oréal reduced its energy consumption by 17%, direct CO₂ emissions by 23%, water consumption by 25% and waste generation⁽¹⁾ by 26% per finished product.

Research and Development

L'Oréal promotes sustainable innovation by incorporating the principles of sustainable development into its core Research and Development activities. For example, the group supports the development of green chemistry, systematically assesses the impact of raw materials on the environment and on biodiversity, and integrates raw materials from fair trade sources. In 2007, L'Oréal set up a Natural and Organic Centre of Excellence, one of whose key remits is to increase the use of more natural raw materials.

Environmental Policy—Results obtained between 2003 and 2008

Reduction in consumption and waste per finished product



Direct CO₂ emissions
-23%



Energy consumption
-17%



Water consumption
-25%



Waste reduction⁽¹⁾
-26%

(1) Excluding returnable packaging.



Product meeting: developing and sharing skills at L'Oréal in Paris (France).

Employee focus

The group wants to offer its employees the possibility of achieving personal fulfilment within a multicultural and stimulating community, rich in diversity and talents, to which everyone contributes with creativity and enthusiasm.

Relations with suppliers

The group is careful to ensure that working standards and human rights are strictly respected throughout the various stages of the supply chain. Every year, hundreds of audits are carried out by independent experts to verify that all our suppliers do indeed apply the terms of international conventions on employment rights.

A L'Oréal buyer with a supplier, specialised in manufacturing glass perfume bottles (France).



FIND OUT MORE

Each year in June, L'Oréal publishes a Sustainable Development Report, available at www.loreal.com, together with an abridged summary of this report.



Consumer Advice Centre (South Korea).

Relations with consumers

L'Oréal is committed to providing high-quality service and advice to its consumers through a network of 300 specialists in over 50 countries. The group has also committed to sustainable marketing by signing the Charter of the French Advertisers' Association (Union des annonceurs) for responsible advertising.

Corporate philanthropy

L'Oréal is determined to be an exemplary corporate citizen by promoting initiatives in favour of women and science, support for the most vulnerable, and education. Through the L'Oréal Corporate Foundation, the group is committed to two major international partnerships with UNESCO: "For Women in Science", and the preventive training programme "Hairdressers against AIDS". There are also a growing number of local support schemes in countries throughout the world.

Recognition for Commitment

L'Oréal's sustainability initiatives received widespread recognition in 2008:

- In January, the group was selected by the *Corporate Knights* magazine as one of the 100 most sustainable enterprises in the world.
- Jean-Paul Agon received the *Stanley C. Pace Leadership in Ethics Award* from the Ethics Resource Centre in recognition of the company's exemplary ethical leadership.
- The world's major rating agencies for corporate social responsibility ranked L'Oréal as a leader in its industry.
- Merrill Lynch named L'Oréal as a *Carbon Leader*, and its performance was acclaimed by the Carbon Disclosure Project.
- The group is listed on most of the Sustainable Development indexes (FTSE4Good, ASPI Eurozone and Ethibel).
- The group was ranked first in its industry by American stakeholders (Ceres Report).
- L'Oréal was ranked second by the French magazine *Challenges*, which studied the sustainable development performance of companies listed on the French Cac 40 index, and received the highest score for environmental performance.