

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

ENSURING SUSTAINABLE AND RESPONSIBLE GROWTH

L'Oréal's goal is to ensure sustainable and responsible growth. We are convinced that sustainable success is based on strong ethical principles, which provide a framework of values, shared by all employees, and guide our growth. It is also based on a genuine sense of responsibility towards the wider community.

THE SIX KEY PRINCIPLES OF OUR SUSTAINABLE DEVELOPMENT APPROACH

- > We are committed to ensuring growth which creates value for the largest possible number of those who contribute to our success.
- > We want to promote sustainable innovation by incorporating the principles of sustainable development into the heart of our Research and Development activities.
- > We want to offer our employees a safe, healthy and stimulating working environment, in which personal talent and merit are recognised, diversity is valued, private life is respected and the balance between professional life and personal life is taken into account.
- > We build strong and lasting partnerships with our customers and our suppliers, based on mutual trust and interest.
- > We are aware of the impact of our activities on the natural environment, including biodiversity, and are constantly striving to reduce it.
- > Finally, we are determined to be a genuinely good corporate citizen, making a positive contribution in the countries and communities in which we operate and in particular by fostering science, support for the vulnerable, and education.

Each year in June L'Oréal publishes a full Sustainable Development Report, available on www.loreal.com, which is followed by the publication of an abridged summary version.

This section of the Annual Report sets out the key principles of the group's sustainable development approach. It provides an insight into two major new developments in 2007: one in social responsibility with the creation of the L'Oréal Corporate Foundation, and the other in ethics with the publication of the new edition of the group's *Code of Business Ethics* and the appointment of a Director of Ethics.

Furthermore, the group's corporate governance policy is set out on pages 12 and 13 of this report. Information about achievements in environmental and safety matters is provided in the Operations section (pages 56 and 57). A number of initiatives taken in the field of diversity are presented in the Human Resources section (pages 58 to 61). Finally, some advances in sustainable and responsible innovation are set out in the Research and Development section (pages 52 to 55).

2007 HIGHLIGHTS

- > Appointment of a Director of Ethics, reporting directly to the Chief Executive Officer of the group. New edition of the *Code of Business Ethics*.
- > Creation of the L'Oréal Corporate Foundation.
- > Extension of the Unesco-L'Oréal "For Women in Science" national fellowship programme to 35 countries.
- > Active participation of L'Oréal in working groups on climate change, membership of the Global Business Leadership Platform on Climate Change of the United Nations Global Compact.
- > Leadership of the CSR Europe Diversity Laboratory.
- > Signing of the *Responsible Communication Charter* drawn up by the French advertisers' association (UDA).
- > Internal communication on sustainable development: awareness raising days, module included in induction seminars, wide circulation of abridged report.
- > Strategic partnership with the Women's Forum meeting in Deauville and co-initiation of the Sci Tech Girl project to raise young women's awareness of scientific and technical professions.



On October 18th, 2007, L'Oréal launched its new *Code of Business Ethics* worldwide, with each employee receiving a copy.

2007: NEW EDITION OF THE CODE OF BUSINESS ETHICS

L'Oréal has always aimed at being an exemplary company, not only in economic but also in ethical terms. The group has been built on strong values such as respect, integrity and excellence. L'Oréal's ethical approach is determined and pro-active, and develops in tandem with the group's growth.

In 2007, L'Oréal appointed a Director of Ethics, who reports directly to the Chief Executive Officer of the group. In October, a new edition of the *Code of Business Ethics* was issued simultaneously in all the countries in which the group has subsidiaries. The process of drawing up the *Code of Business Ethics* is an illustration of L'Oréal's respect for its remarkable diversity.

In order to create a universally acceptable document, employees from 22 countries took part in international working groups in Europe, North America, Latin America and Asia. The ethical dimension is considered in the appraisal of all managers, through two management skills criteria "Leading with human sensitivity" and "Achieves results with integrity", the later criteria being added at the end of 2007. The launch of the new code was accompanied by the creation of an intranet site dedicated to ethics which is available to all group employees.

EXTERNAL RECOGNITION

L'Oréal's sustainable development initiatives are widely recognised:

- > The strategic value advisor Innovest ranks L'Oréal as the leader in its sector for managing environmental, social and governance risks (ESG).
- > *Corporate Knights*, a Canadian magazine for responsible business, ranks the group as one of the 100 most sustainable corporations of the world. The ranking includes companies from 17 countries, covering all sectors of the economy.
- > L'Oréal is designated as one of the World's Most Ethical Companies by *Ethisphere Magazine*, published by the Ethisphere Council. Of more than 5,000 companies assessed over a 6-month period, fewer than a hundred were selected.
- > L'Oréal is ranked as a *Carbon Leader* by Merrill Lynch.
- > L'Oréal is included in most international sustainable development indices, such as ASPI Eurozone, FTSE4Good and Ethibel.

"We believe that our commitment to live up to these powerful values, and to demonstrate our high ethical standards in all that we do will ensure more than ever that L'Oréal is seen as an organisation which inspires trust and respect."

Sir Lindsay Owen-Jones and Jean-Paul Agon



CODE OF BUSINESS ETHICS

A new edition

The new *Code of Business Ethics* enables L'Oréal employees to anticipate and respond to the constantly changing expectations of stakeholders.

Issues such as competition law, fight against corruption, responsible marketing, diversity and privacy are considered from a decidedly practical and educational viewpoint.

To ensure it can be used by everyone, the *Code of Business Ethics* has been translated into 43 languages.



“Discovering and promoting talent. Supporting the efforts of those who stand up to their fate. Reaching out a helping hand to those made vulnerable by life. These are our Foundation’s ambitions.”

Béatrice Dautresme

Executive Vice-President, Corporate Communications and External Affairs of L'Oréal, Chief Executive Officer of the L'Oréal Corporate Foundation

BIRTH OF THE L'ORÉAL FOUNDATION

Created on October 9th, 2007, the L'Oréal Corporate Foundation marks a major step forward for the group, reflecting the joint determination of Sir Lindsay Owen-Jones and Jean-Paul Agon to make L'Oréal a true corporate citizen of the world. The Foundation's missions centre on three aims: encouraging education, promoting scientific research, and helping vulnerable people.

Initially, the Foundation's initiatives will be directed towards women, with the goal of promoting their role in society and their cultural diversity. This is the spirit underlying the Foundation's support for the *Women of the World* exhibition by Titouan Lamazou, at the Musée de l'Homme in Paris.

The Foundation also represents a Corporate project aimed at gradually involving group employees. To carry out its mission, it has been granted a budget of 40 million euros over five years, and operates with external governance—a guarantee of transparency and efficient management—as one-third of the members of the Board of Directors are from outside L'Oréal.

The creation of the Foundation means that existing core programmes such as “For Women in Science” and “Hairdressers against AIDS” can be extended and made permanent (see boxes).

But it also opens up the possibility of initiating new projects, particularly in scientific education and support for the vulnerable people.

In France, for example, the Foundation is partnering the samu-social for its pilot project *La Maison des Femmes*, a shelter where particularly vulnerable women can rebuild their lives. In the field of scientific education, it is also partnering the Cité des sciences et de l'industrie in Paris on a programme under which university-level students provide educational support to young people from underprivileged areas.

L'ORÉAL
FONDATION
D'ENTREPRISE



The fifth “For Women in Science” national fellowship programme in India.

“FOR WOMEN IN SCIENCE”

National fellowships set up in 16 new countries

The “For Women in Science” programme, created in partnership with Unesco, highlights the scientific excellence of women, and encourages new talents. Each year, the L'Oréal-Unesco awards are made to five eminent women researchers, with each scientist receiving \$100,000. Up to now, 47 major scientists have received this distinction, and become role models for the younger generation.

Fellowships to encourage scientific careers form another part of the “For Women in Science” programme.

Each year the international Unesco-L'Oréal fellowships enable 15 post-doctorate students to continue their research in the best laboratories in the world. To date, 105 young scientists were awarded fellowships.

The national fellowship programmes, set up in 2001 by L'Oréal subsidiaries to enable women students to continue their scientific studies, have now been extended to 35 countries and 340 doctorate students have benefited from the scheme. In 2007, sixteen new countries joined the programme, including France, Germany and Russia.



On December 1st, 2007, World AIDS Day, more than 400 Beijing hairdressers took part in *The Great AIDS Walk* in China.

“HAIRDRESSERS AGAINST AIDS”

Programme launched in 12 new countries

Set in motion in South Africa, the preventative education initiative “Hairdressers against AIDS” was launched in 2007 in 12 new countries, including India, Germany, Argentina, Canada, Mexico and Russia.

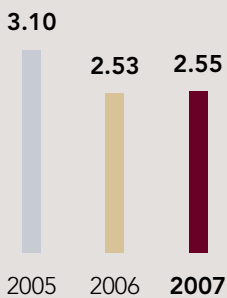
It makes use of the network of L’Oréal partner hairdressers to raise public awareness of the risks of the disease, and inform customers of ways of protecting themselves. A specific AIDS training module is taught by more than 3,000 instructors worldwide, through hairdresser training academies, hair salons, and professional conferences.

To mark World AIDS Day on December 1st, 2007, 2,500 hairdressers took part in events in France, 550 salons in Germany relayed the programme’s prevention messages, and more than 400 Beijing hairdressers took part in *The Great AIDS Walk* in China.

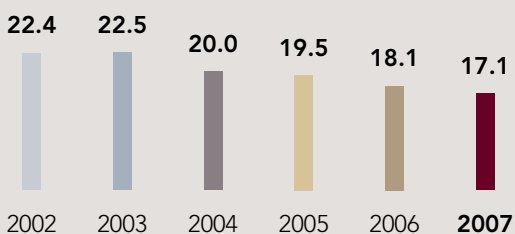
SAFETY, HEALTH AND ENVIRONMENT INDICATORS

	2006	2007	Change
Water consumption (litre/finished product equivalent)	0.696	0.649	-6.7%
Energy consumption (kWh/1,000 finished products equivalent)	176	169	-4.0%
Waste reuse and recycling index (in %)	91.2%	94.9%	+4.1%

> Change in environmental indicators (group factories and distribution centres)



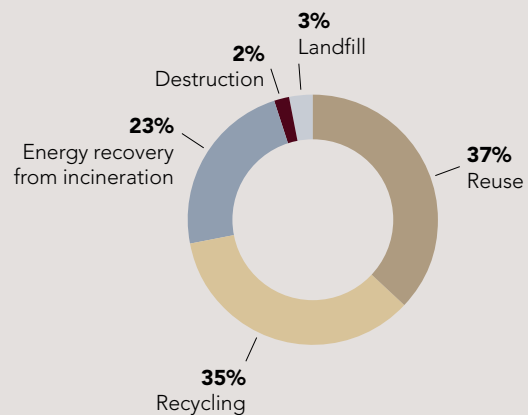
> Number of accidents resulting in sick leave per million hours worked for L’Oréal personnel (group factories and distribution centres)



> CO₂ emissions in grams per finished products equivalent (group factories and distribution centres)



L’Oréal has taken several “green energy” initiatives, for example at its plant at Burgos in Spain, where photovoltaic panels have been installed.



> Waste reuse and recycling in 2007 (group factories and distribution centres)