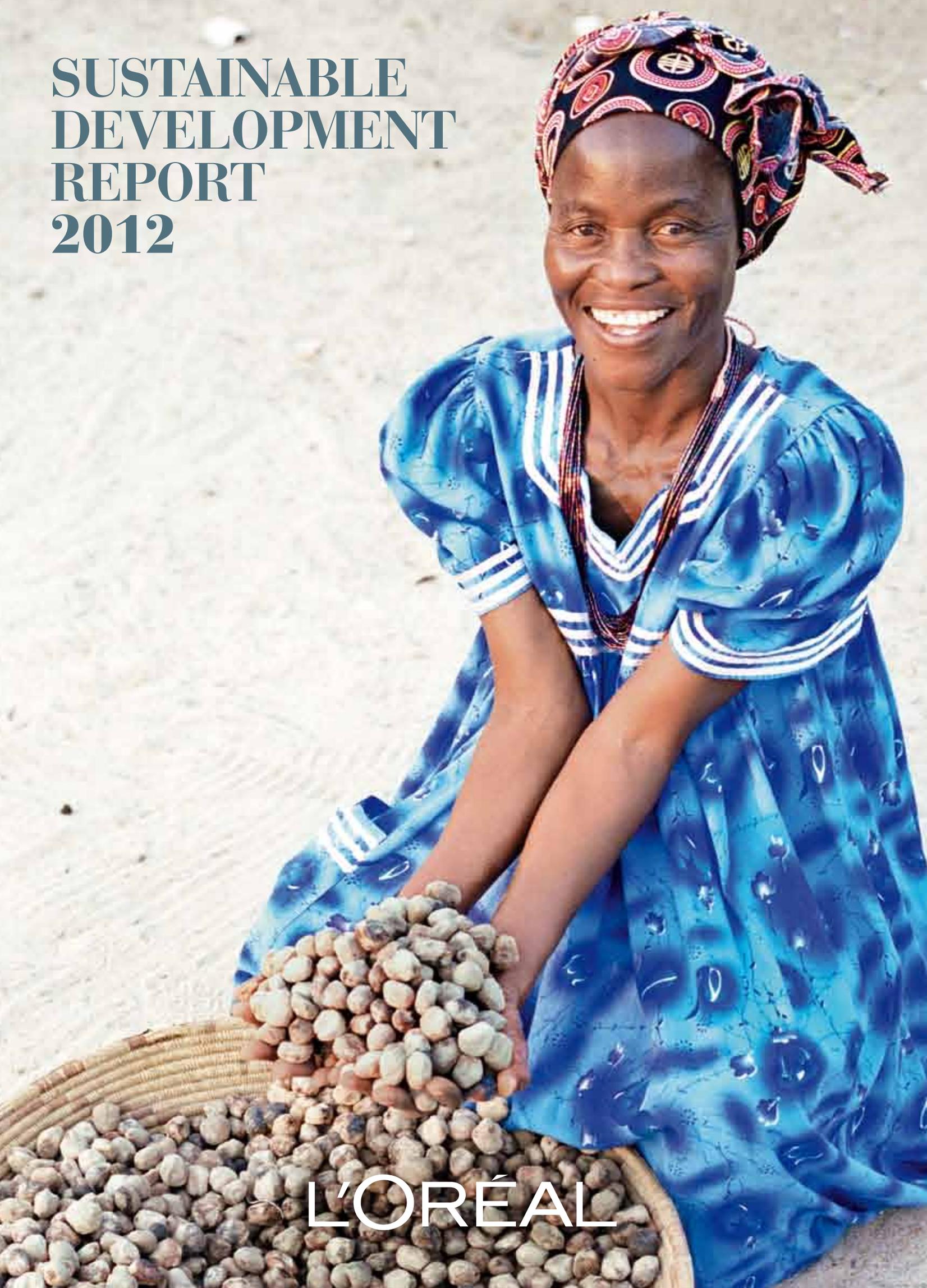


SUSTAINABLE DEVELOPMENT REPORT 2012



L'ORÉAL

L'ORÉAL
PROFESSIONNEL

REDKEN
5TH AVENUE NYC

KÉRASTASE
PARIS

MATRIX
IMAGINE ALL YOU CAN BE

Because you're worth it.

L'ORÉAL
PARIS

Take care.
GARNIER

MAYBELLINE
NEW YORK

SOFTSHEEN|CARSON
LABORATORIES ADVANCED RESEARCH
AFRICAN HAIR AND SKIN

essie

LANCÔME
PARIS

GIORGIO ARMANI

YVES SAINT LAURENT

BIOThERM

Kiehl's
SINCE 1851

RALPH LAUREN
FRAGRANCES

shu uemura

DIESEL

cacharel

HR
HELENA RUBINSTEIN

clarisonic

VIKTOR & ROLF

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE



innéov
ADVANCED RESEARCH NESTLÉ & L'ORÉAL



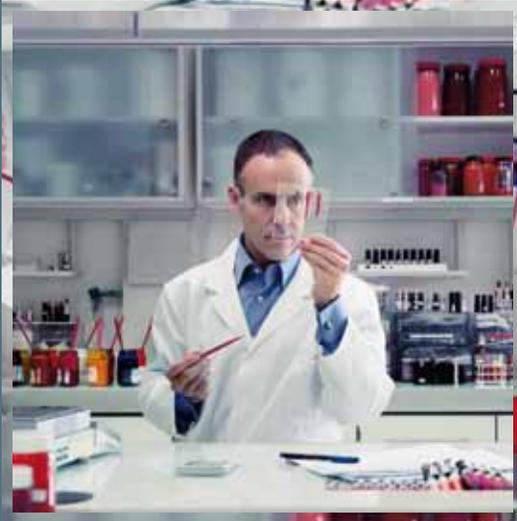
MORE INFORMATION ONLINE/

When you see this pictogram, go to the "Sustainable Development" section of the www.loreal.com website for further information (expert data sheets, videos, interviews, etc.).

MESSAGE FROM THE CHAIRMAN AND CEO
page 2

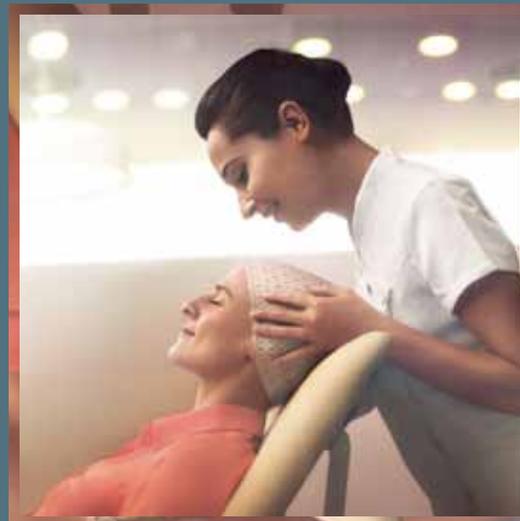
INTERVIEW WITH THE EXECUTIVE VICE-PRESIDENT COMMUNICATION,
SUSTAINABILITY AND PUBLIC AFFAIRS
page 3

SUSTAINABLE DEVELOPMENT AT THE HEART OF OUR RELATIONSHIPS
page 4



SUSTAINABLE INNOVATION
page 5

SUSTAINABLE PRODUCTION
page 15



SUSTAINABLE
CONSUMPTION
page 25

SHARED
DEVELOPMENT

INCLUSIVE BUSINESS *page 35*

HUMAN RESOURCES *page 38*

PHILANTHROPY *page 43*

2012 RESULTS
page 46

contents

Jean-Paul Agon, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

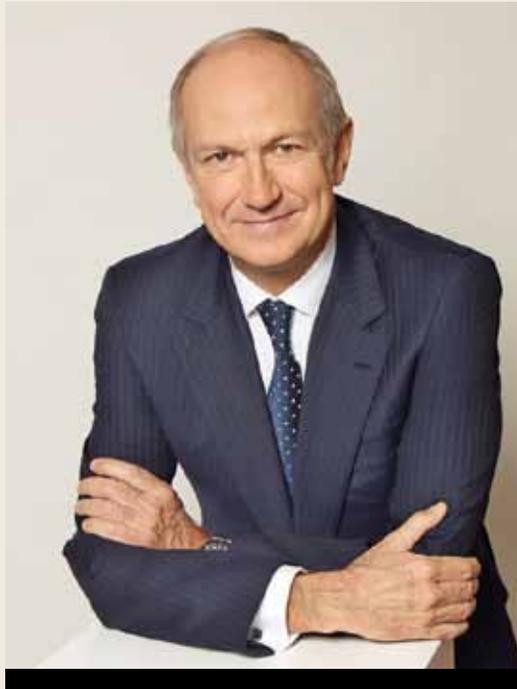
{ MESSAGE }

For several years now, we have been engaged in a drive to profoundly adapt L'Oréal to the accelerated change of the world we live in. Transforming the company also means redefining its position and its role in relation to the social, economic and environmental issues it faces.

This is why, for the past 10 years, we have been supporting and implementing the Principles of the United Nations Global Compact, a commitment renewed in 2012. In particular, we have made social responsibility a priority by integrating the principles of sustainable development into our business model, in order to build growth that is sustainable, responsible and inclusive.

First of all, sustainable growth. To achieve this goal, we can count on the buoyancy of our profession and our market. Beauty is an essential, eternal and universal need. It is therefore a structurally dynamic market and so it will remain in the future. We also believe in our universalisation strategy, which embodies our mission - to offer women and men all over the world the best in beauty, in terms of quality, efficacy and safety, while respecting their differences - and provides an objective that motivates the whole company: to conquer a billion new consumers over the next 10 years. With this strategy and a powerful and efficient economic model, we are targeting solid growth that creates value.

We are also committed to building responsible growth. In this regard, our first goal is to be one of the most exemplary companies on the key issue of ethics. The second challenge is that of sustainable innovation, production and consumption. For many years now, we have been striving to control our impact on the ecosystem throughout the life cycle of our products. We have set ourselves extremely ambitious targets for the reduction of our environmental footprint.



Pursuing these objectives, with the ongoing support of our suppliers, allows us to progress continuously. For instance, L'Oréal has reduced its CO₂ emissions by 38.8% since 2005, even though the Group's growth has risen substantially over this period. L'Oréal and its subsidiaries throughout the world are also committed to making sure that the social and economic performance of the Group go hand in hand. This collective goal is now part of a worldwide reporting system which allows us to better define action plans for the future and to measure our progress year by year.

Lastly, we want our growth to be both inclusive and generous, as we are aware that the healthy state of our Group is inseparably linked with that of our stakeholders. Through the programmes of the L'Oréal Foundation, our philanthropic initiatives and our "Solidarity Sourcing" project, which encourages social inclusion through purchasing, we are strengthening our commitment to sharing our success with the communities around us every day.

This strategy of sustainable, responsible and inclusive growth is also a powerful tool for competitiveness and creativity, not only for L'Oréal but also for our entire ecosystem.

Thanks to our progress in all aspects of corporate social responsibility, our Group received in 2012 several awards from extra-financial rating agencies. These awards are a tribute to our achievements and motivate us to maintain our effort.

I am proud of what we have already achieved, aware of what still needs to be done and ambitious to make the company even more responsible and community-spirited. ■

Sara Ravella,
EXECUTIVE VICE-PRESIDENT COMMUNICATION,
SUSTAINABILITY AND PUBLIC AFFAIRS

{ INTERVIEW }

How would you sum up this year from the corporate social responsibility perspective?

2012 has first and foremost been a year marked by advances, particularly with regard to sustainable innovation and production, areas in which the Group has been committed for several years now.

First of all, L'Oréal has confirmed its commitment in terms of eco-design and the responsible sourcing of its raw materials. The inauguration of the world's largest hair research centre in France offered a clear demonstration of the importance L'Oréal attaches to research and innovation. Its green architecture and the eco-design strategies developed by its researchers also testify to the company's determination to take sustainable innovation even further. The Group has also pursued its actions in favour of the protection of biodiversity, a priority defended at two global summits, in Rio and in Hyderabad. Our sourcing procedures for palm oil and argan illustrate this commitment.

In 2012 we also accelerated the pace to reach the industrial targets set for 2015, namely the reduction in CO₂ emissions, water consumption and waste production. These three priorities once again mobilised the Operations teams, enticing them to implement innovative technologies and original solutions. You will discover the example of the Pune plant in India, which has made considerable progress in this regard.

Lastly, the Group organised a great variety of initiatives to make its development truly shared, by reinforcing its actions towards those whom it wishes to associate with its performance, such as suppliers, partners, employees and vulnerable people.

2012 appears to have been marked by continued progress. Are there any major new developments to highlight?

Yes, and two words come to mind to describe them: initiation and openness. Initiation, because we have moved onto the track of sustainable consumption. Mindful of the growing importance of this issue in the evaluation of our impact, some pioneering brands such as Bioterm have already launched actions to raise consumers' awareness and encourage them to adopt more responsible behaviours. Our subsidiaries in China and the United States are also playing a forerunning role via initiatives like the publication of a pedagogical guide or the first forum on sustainable consumption.

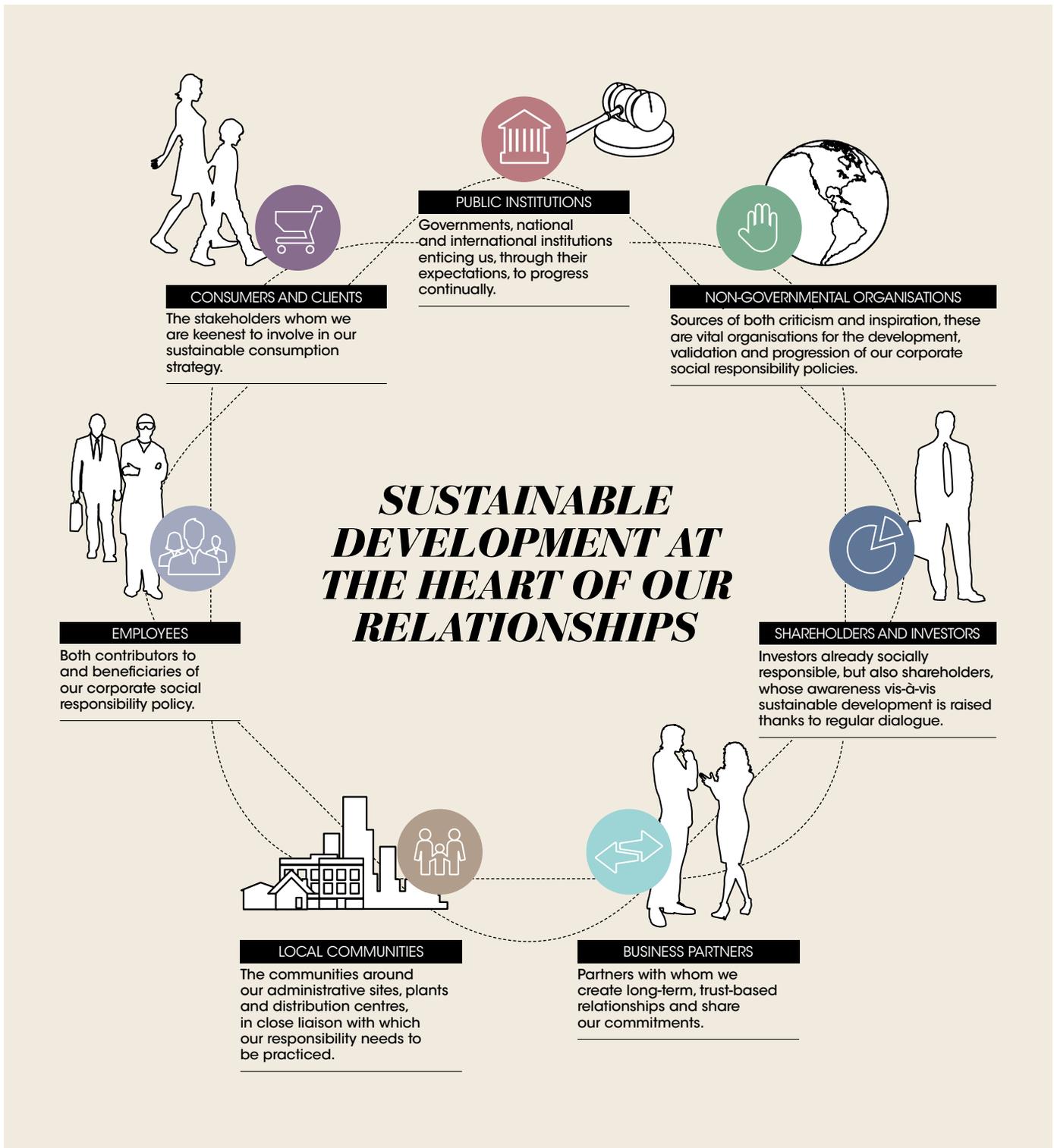
And openness, because we have decided to establish a transparent dialogue with our stakeholders by holding forums in several countries, most notably in India and South Africa. These exchanges are vital to make progress: it is by understanding the needs and expectations of our stakeholders that we will be able to

better define our priorities, our areas for progress and the actions to be implemented in order to achieve our goals.

What are the next steps?

We are of course going to continue to develop what we have initiated. Reaching the 2015 targets which we set ourselves back in 2005 will undoubtedly be a major first stage. But another key challenge in 2013 will be to put together a new roadmap for beyond 2015: to go even further with sustainable and shared growth, we need to identify our main priorities for the future now. So we remain fully mobilised. ■

“
GOING FURTHER WITH
SUSTAINABLE AND
SHARED GROWTH
”



“Sustainable development, the driving force behind all the Group’s stakeholders.”

ALEXANDRA PALT,
DIRECTOR CSR & SUSTAINABILITY

In our highly interconnected 21st century world, all economic players need to maintain close relations with their partners and stakeholders. For L’Oréal, the challenge is therefore to forge trust-based, high-quality relationships with them, wherever they may be, in order to better understand their concerns and expectations. To achieve this objective, our Group has deployed an innovative approach: the holding of forums with its various

stakeholders around the globe. In India and South Africa, for example, L’Oréal gathered in 2012 the main non-governmental organisations, with the aim of establishing an open dialogue. In total, 150 NGOs attended these meetings dealing with every aspect of L’Oréal’s corporate social responsibility (CSR) policy, thereby offering a way for us to improve and enrich our strategy and our future actions.



SUSTAINABLE *INNOVATION*

1

{ FOCUS N°1 }

INNOVATING SUSTAINABLY

SINCE THE VERY FIRST INNOVATIONS that marked the Group's creation, Research has been both a pillar of and the driving force behind our growth. It was logical, therefore, that L'Oréal should commit to a sustainable innovation approach. The aim? Control our impact on the ecosystem throughout the life cycle of our products. Geocosmetics, selection of raw materials, green chemistry, predictive evaluation: significant progress has been made. Today, our teams remain focused on the major areas of development for the future, such as the biodegradability of our formulae or the use of raw materials of plant origin, renewable and sourced from responsible providers.

KEY FACTS & FIGURES _ page 7

WIDE ANGLE _ page 8

/ Report: The new frontiers of eco-design

/ Highlights: Overview of sustainable innovation

INTERVIEW _ page 14

/ Hervé Toutain, Senior Director Worldwide
Safety Evaluation and Regulatory Affairs, L'Oréal

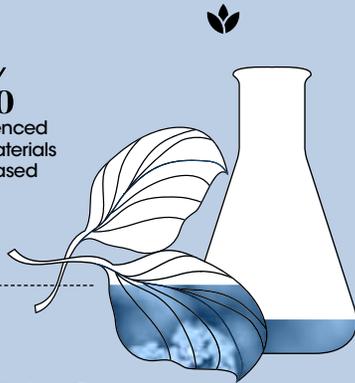
1.

THE RESPONSIBLE PROMOTION OF **BIODIVERSITY** /

RAW MATERIALS

22%
of our referenced new raw materials are plant-based

10%
of our new raw materials comply with the principles of green chemistry



250

SPECIES ARE THE SOURCE OF OUR PLANT-BASED RAW MATERIALS

100%

OF OUR PLANT-BASED RAW MATERIALS ARE EVALUATED FOR THEIR POTENTIAL IMPACT ON BIODIVERSITY

SOURCING

80%

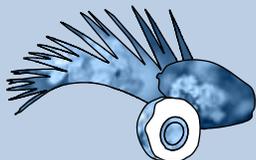
OF OUR PLANT-BASED RAW MATERIALS HAVE BEEN THE SUBJECT OF ACTION PLANS WITH OUR SUPPLIERS IN ORDER TO ENSURE SUSTAINABLE SOURCING



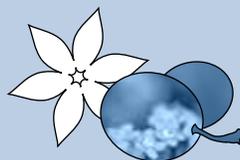
13,000
women producers of shea butter benefit from the responsible purchasing programme



100%
of our soybean oil supplies are certified sustainable



100%
of our palm oil supplies are certified sustainable by the RSPO (Roundtable on Sustainable Palm Oil)



55%
of our shea butter supplies come from fair trade sources

2.

THE PROTECTION OF THE ENVIRONMENT WITH **PRIORITY GIVEN TO WATER** /

PRODUCTS

207

NEW FORMULAE UNDERWENT ECOTOXICITY EVALUATION IN 2012



88%
biodegradability for our shampoos and 85% for our shower gels in 2011

RAW MATERIALS

In 2005, L'Oréal committed to refusing any new raw material with an unfavourable environmental impact

Since 2007, **100%** of our raw materials are evaluated according to persistence, bioaccumulation and ecotoxicity criteria

471

RAW MATERIALS (CORRESPONDING TO 1,222 CHEMICAL CONSTITUENTS) HAD THEIR ENVIRONMENTAL PROFILE EVALUATED OR COMPLETED IN 2012



THE NEW FRONTIERS OF ECO-DESIGN

{REPORT}

THE SAINT-OUEN RESEARCH CENTRE near Paris, which opened in March 2012 and is dedicated to hair research, is the new spearhead for sustainable innovation at L'Oréal. Thanks to a 100 million euro investment and nearly 500 researchers, the centre is dedicated to designing the hair products of the future. Here is a guided tour.

W

ith its green architecture, eco-design and sustainable innovation processes, the new Hair

Research Centre is proof of an overall strategy that associates performance and responsibility. Architects, managers and researchers have made eco-design the foundation of their approach.

Green architecture serving research

The construction and running of the building were designed at every stage in accordance with the principles of sustainable development. Firstly, the location was carefully chosen, because the proximity of public transport and accessibility for employees were determining criteria. An action plan was drawn up to encourage staff and visitors to use alternative means of transport to their individual cars. Then every attempt was made in the design to ensure that the offices and laboratories benefit from as much natural light as possible. Frédéric Tomat, who was the architect of the centre, summarises the project as follows: 'The twofold objective was to create a light, airy building and to minimise the impact of greenhouse gases'.

The use of solar panels to heat water, the rainwater collection to water the green areas and the choice of a service provider for the restaurant with a commitment to a number of criteria, such as the use of sustainable, local or organic farming products: those are a few examples of good practice that illustrate the overall commitment of all the managers involved in the project.

All these environmental performance results qualified the building for HQE (*Haute Qualité Environnementale* - High Environmental Quality) and "*Bâtiment durable exceptionnel* - Outstanding Sustainable Building" certifications, which is a first for a Research Centre. L'Oréal is also currently working towards HQE Exploitation certification (see box).

Eco-design ingredients and finished products

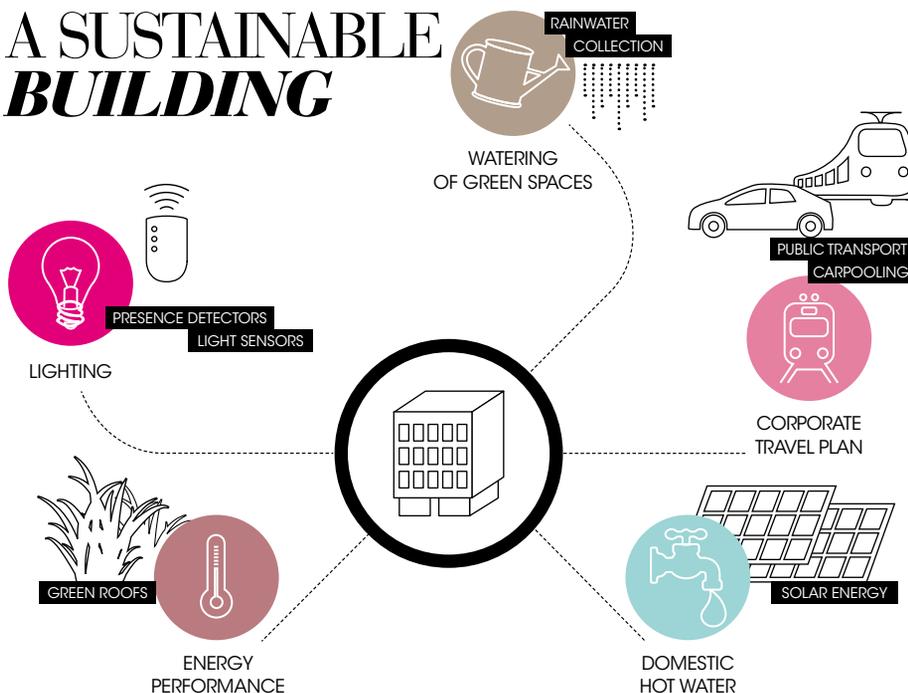
Saint-Ouen in France is at the head of six Research Centres in the United States, China, Japan, India and Brazil and has become the nerve centre of hair innovation where the products of the future are prepared. Innovation in dyeing, hair care and shaping is facing the major challenges of sustainable development, namely the protection of water and biodiversity. These are the challenges which the teams are striving to meet. 'Eco-design of cosmetics, both for skin and hair, consists in considering the entire lifecycle of a product by applying criteria of environmental excellence to each stage of creation,' explains Michel Philippe, in charge of the development of Green Chemistry.

'In other words, the choice of the ingredients; tests on tiny quantities in order to reduce waste; manufacturing processes using limited energy and toxic solvents, or even recyclable packaging. The strength of L'Oréal is the ability to pursue all these strategies in parallel, whereas many companies focus only on the processes'.

On the lab benches in Saint-Ouen the focus is on surfactants, which act as detergents and foaming agents in shampoo.

“
SAINT-OUEN HAS BECOME THE NERVE CENTRE OF HAIR INNOVATION WHERE THE PRODUCTS OF THE FUTURE ARE PREPARED.
”

A SUSTAINABLE BUILDING



At Saint-Ouen, green architecture and sustainable exploitation have found their place in a comfortable, environment-friendly building. After being awarded HQE Construction certification in March 2012 the Research Centre began a similar approach to obtain HQE Exploitation certification. The certificate is awarded to buildings whose construction quality, follow-up, maintenance and use guarantee good environmental performance in the exploitation phase.



500
RESEARCHERS WORK
AT THE SAINT-OUEN
CENTRE

10,000
FORMULAE
ARE PREPARED EACH YEAR
BY THE DYE ROBOT

'Some of our products already include surfactants that are of 100% plant origin', says Claude Dubief, a Green Chemistry expert at the Hair Centre. Polymers, which are used as thickeners or untangling agents, ceramides, which are intended to protect hair, are selected with increasing care for their low or zero environmental impact. The laboratories also developed the major dye innovation ODS (Oil Delivery System), ammonia-free and with a high-concentration oil base. It used to be available exclusively to hair salons but can now be used at home with OLIA by GARNIER. 'It is not easy to continue with this approach, to create original products with visibly improved performance. Progress is slow', explains Claude Dubief, 'but we continue to work on new raw materials of plant origin while attempting to optimise existing raw materials by trying out new combinations that the formula offers'. The use of sugar derivatives and new amino acids are possible avenues worth exploring, bricks on which to build the products of the future.

Reduced models for sustainable processes

'If a laboratory develops a product with every conceivable quality but finds that industrial manufacture takes too many hours' heating, it will be set aside to be redesigned', explains Sylvain Kravtchenko, Innovation through Processes Manager. Once again, the demands of sustainable development and reducing costs go together. By using miniature industrial equipment researchers are attempting to reduce manufacturing time, particularly heating and cooling times, lower consumption and optimise the use of ingredients. 'Any innovation that saves natural resources or energy during the production phase becomes an integral



part of the eco-design process,' emphasises Sylvain Kravtchenko. Similarly, to increase output the intermediate production phases are limited. The final aspect of eco-design during which the end-of-life of products is analysed includes research into biodegradability.

L'ORÉAL IS SUPPLIED WITH SUSTAINABLE PALM OIL

Palm oil is an important raw material for cosmetics and holds a leading position in L'Oréal's approach to responsible sourcing. By late 2012 all L'Oréal's palm oil was purchased in accordance with sustainable procedures, the aim of which is to ensure the preservation of biodiversity. Since 2010, direct purchases of palm oil, amounting to

approximately 850 tonnes in 2012, are based on RSPO SG (Roundtable on Sustainable Palm Oil, Segregated Model) certified total traceability. Since 2012 another category of ingredients, palm oil derivatives the sourcing chains of which are very complex, have also been certified as sustainable by the RSPO. They are, for example, certain surfactants that perform the detergent

and lathering functions of shampoos. They are offset by GreenPalm certificates, the purchase of which makes it possible to market an equivalent volume of palm oil that is certified as sustainable. The objective in the long term is that all palm raw materials should come directly from plantations that the RSPO certifies as sustainable.





The researchers use the latest technology such as this dye robot in their approach to eco-design.

While the biodegradability of shampoo is a technology that is now better controlled - some shampoos today may exceed 95% biodegradability - the challenge is now to extend this performance to other product ranges.

Working towards virtual formulae

'Researchers are aware that they must not only innovate better and quicker, but also more sustainably', says Jean-Christophe Bichon, Automatic Formulae Manager. The techniques and resources available to them have changed. 'Today solutions for formulae are proposed that are not created physically but virtually', explains Johan Aubert, Director of Innovation Methods and Techniques. A mathematical model based on data obtained from a few dozen formulae may be used to test tens of thousands of formulae. The advantages are that this extends the bounds of possibility, increases the relevance of results, accelerates the process, reduces the quantities of raw materials used and waste. Digital formulae have already been used to develop shades of dye. Production is also becoming increasingly

“
**RESEARCHERS ARE
 AWARE THAT THEY MUST
 NOT ONLY INNOVATE
 BETTER AND QUICKER,
 BUT ALSO MORE
 SUSTAINABLY.**
 ”

automated. The Centre in Saint-Ouen is home to the first dye robot designed for L'Oréal and which weighs dyes to within a tenth of a milligram and prepares up to 10,000 formulae each year. The arrival of new automatic formulae tools will soon enable the quantities of products used to be reduced to one tenth as well as to increase accuracy. The new generation of robots will then focus on formulae for beauty and hair products.

Robotisation and miniaturisation

The same approach to robotisation and miniaturisation applies to product evalua-

TESTS ON HAIR POWDER

In order for a test to be effective it must be conducted on a considerable quantity of hair.

Wrong: researchers have changed from wigs weighing a hundred or so grammes to locks weighing about ten grammes and now perform certain tests on only a few milligrammes of hair, with greater accuracy and far less material and waste.



tion tools. In Saint-Ouen, a shampooing robot tests the resistance of a lock of hair to repeated shampooing; a xenon lamp assesses the resistance of dye to light while a blow-dry machine tests hair strength. The quantity of hair used for these tests - and therefore products and waste - is constantly being reduced, sometimes to as little as a few grammes of hair.

Today, the experts still have the final say in judging the success of a dye or hold of a hairstyle. The hair salons on the ground floor of the Research Centre, which are equipped with observation tools and systems for gathering data, constitute the final battery of innovation tests. The ultimate test of truth takes place in the adjacent bathrooms where consumers test the products. 'Because even though we may have created a shampoo that is virtually perfect in terms of effectiveness and carbon footprint, if it doesn't lather up consumers will not buy it', says Claude Dubief. ■



MORE INFORMATION ONLINE/

OVERVIEW OF SUSTAINABLE INNOVATION

{ HIGHLIGHTS }



GREEN CHEMISTRY

*First article in the publication
Green Chemistry*

PRODUCT EVALUATION

*OECD: final step in the validation process
of a new alternative method*

IN 2012, THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) TECHNICALLY APPROVED AN ALTERNATIVE TESTING METHOD DEVELOPED IN PARTNERSHIP WITH L'ORÉAL. For over twenty years, the Group has been committed to designing alternatives to animal testing to evaluate the safety of its products and ingredients. The method is based on the exposure of eggs and fish early life stage to the substance in order to evaluate the possible toxicity of rinse-out products such as shampoo, hair dyes and conditioners. This approval constitutes the conclusion of a project started nearly a decade ago with working parties from the OECD and the Health and Environment Science Institute (HESI), which are dedicated to finding alternative testing methods and which bring together the expertise of industrials (including L'Oréal), academics and

authorities. The OECD is the reference international body for these evaluation methods and its approval represents an important step for L'Oréal. Once approved, it will have to be integrated into national and international regulatory texts. L'Oréal, which has already made a major contribution to the development of most of the alternative solutions currently approved in the cosmetics sector, is continuing its research into the performance of these tests. In November 2012, its joint research project with the University of Leipzig was recognised by the European Partnership for Alternative Approaches to Animal Testing (EPAA).

IN 2012, L'ORÉAL'S COMMITMENT TO GREEN CHEMISTRY WAS RECOGNISED BY THE INTERNATIONAL SCIENTIFIC COMMUNITY when *Green Chemistry* published an article* by Michel Philippe, Blaise Didillon and Laurent Gilbert. *Green Chemistry* is a world standard and was started by the founders of Green Chemistry. A large number of other publications quoted its articles in 2012. The article explained L'Oréal's strategy on eco-design, the use of sustainable raw materials and the development of green processes. Before publication in March 2012, it was submitted to a reviewing panel of three experts known for their rigour. The panel was impressed by the fact that an industrial player could have this degree of commitment and

a transparent strategy, and could lead the way in green chemistry', says Michel Philippe, in charge of the development of Green Chemistry. 'This is also the first time the journal has published an article about the strategy of a cosmetics manufacturer'. This recognition confirms the policy L'Oréal has already been pursuing for several years which places Green Chemistry at the centre of sustainable innovation.

* "Industrial Commitment to Green and Sustainable Chemistry: using Renewable Materials & Developing eco-friendly processes and ingredients in cosmetics", 2012, vol. 14, p. 952.



WORLD SUMMIT
Biodiversity in the spotlight

At L'Oréal the sourcing of raw materials takes into account the protection of biodiversity. The argan oil used in certain compositions is therefore certified as sustainable.

BETWEEN 8 AND 19 OCTOBER 2012 L'ORÉAL TOOK PART AS AN EXPERT IN THE 11TH WORLD BIODIVERSITY SUMMIT "COP11" IN HYDERABAD, INDIA. The conference was organised under the auspices of the UN and attended by representatives from 160 nations. Working in partnership with the *Institut du Développement Durable et des Relations Internationales* (Institute for Sustainable Development and International Relations), the Group chaired a round-table discussion on a key challenge, namely the sustainable use of biodiversity as a source of innovation. This is a theme in which the Group already has considerable experience as it has been working to replace some ingredients derived from the petroleum industry with

others based on renewable resources. L'Oréal was also able to promote its commitment to co-valorisation to optimise the use of plants such as argan in ways that preserve resources and local people. Working in the same spirit, L'Oréal took matters further by bringing together the chief Indian non-governmental organisations to discuss its sustainable development policy. These initiatives have helped establish the legitimacy of the Group in the international debate on biodiversity.



40%
OF THE GLOBAL ECONOMY
IS CONSIDERED
TO BE DEPENDING
ON THE HEALTH OF THE
ECOSYSTEMS

IN RIO
*Biodiversity as a source
of innovation*

IN JUNE 2012, TWENTY YEARS AFTER THE 1992 RIO SUMMIT, THE FIFTH EARTH SUMMIT KNOWN AS "RIO + 20" WAS HELD IN BRAZIL. The challenge facing this conference, which brings the world's leaders together every ten years and which this year was about green economy, was to prove that there is a collective will to create a worldwide culture of sustainable development. L'Oréal contributed by chairing a round-table discussion on the responsible exploitation of biodiversity, which has become a valuable asset for the company. 'Today, 40% of the global economy is considered to be depending on the health of the ecosystems. We are trying to encourage biodiversity to preserve it by creating new assets that are renewable or inspired by nature', explains Rachel Barré, Project Manager Environmental Research and Sustainable Development at L'Oréal Research and Innovation. This green chemistry approach has, for example, resulted in Pro-Xylane, an anti-ageing molecule made out of waste produced by the paper industry.

OUR RESEARCH PRIORITY: THE SAFETY OF OUR CONSUMERS AND THE ENVIRONMENT

{ INTERVIEW }

Animal testing, endocrine disruptors, nanotechnologies... all topics worked on as part of our Research.

HERVÉ TOUTAIN, Senior Director Worldwide Safety Evaluation and Regulatory Affairs, details L'Oréal's positions and commitments.

Animal testing is highly controversial. Does the Group carry out any tests on animals?

In order to ensure that consumers can use our products with total confidence, we always evaluate the safety of our ingredients and finished products. Traditionally, this safety evaluation used to involve studies conducted on small laboratory animals, but thanks to our research and the development of alternative and predictive methods, L'Oréal was able to end all testing of its products on laboratory animals as early as 1989, without compromising on consumer safety. In other words, none of the finished products which we place on the market each year have been tested on laboratory animals. However, when it comes to evaluating the safety of certain new ingredients and responding to certain specific questions from the international health authorities, these alternative and predictive approaches do not yet fully provide a satisfactory safety evaluation. This is the case, for instance, with skin allergies caused by certain ingredients. This is why L'Oréal still has to base less than 1% of its ingredient safety evaluations on a few tests conducted on laboratory rats or mice. It is L'Oréal's aim to completely replace this small amount of animal testing with other evaluation methods and the Group has played a central role in the discovery of most of the alternative solutions currently approved within the cosmetics sector and is continuing to develop new ones.

We hear a lot of talk these days about nanotechnologies. Does L'Oréal use them and are they dangerous?

We use materials developed on the nanometric scale only when they provide a proven benefit for the consumer, such as improved protection against or prevention of damage caused by the sun, better formula stability, or a genuine gain in performance. Titanium dioxide, for instance, which is renowned for its capacity to absorb UV rays and thus helps prevent skin cancers caused by overexposure to the sun, is used in sunscreen products. In nanometric form, titanium dioxide offers improved protection against UV rays. Currently, there is no single international definition or standardised and harmonised analytical methods for nanomaterials. We are therefore contributing to the development of these evaluation methods. While these technologies and their use in consumer products are constantly being re-examined by the global regulatory bodies, the global public health agencies recognise that their use in cosmetics products presents no risk to human health.

Another subject which is currently causing concern is that of endocrine disruptors. Do any of the Group's products contain them and are they a risk to human health?

Our aim is for all products which we place on the market to have been proven to be harmless. After over twenty years of research, no

scientific link has been established between human exposure to natural or synthetic substances with a low level of biological activity on the hormonal receptors and harmful effects on health. We are, nonetheless, aware of society's current concerns about certain substances with the capacity to interfere with hormonal mechanisms and we have therefore opted for the in-depth examination of our new ingredients by a battery of *in vitro* and *in silico* tests developed in advanced research. Our strategy permits the early identification of biological alerts, which are then factored into the overall safety evaluation. With regard to the ingredients already present in our products, we possess a wealth of existing information which enables them to be used in total safety, but we are still monitoring the new scientific data meticulously. Where persistent concerns exist about a specific ingredient for which the risk to human health has not yet been established, we may well decide to stop using this ingredient in our products, as has occurred in the cases of diethylphtalate and triclosan. Our research teams are actively working to enhance their understanding of the endocrine mechanisms and their potential effects on human health and the environment, and also to develop predictive evaluation methods for these biological interactions. Our safety evaluation protocols do not neglect any aspect and ensure that our consumers can use our products with total confidence. ■



SUSTAINABLE *PRODUCTION*



{ FOCUS N°2 }

PRODUCING SUSTAINABLY

TO PROVIDE CONSUMERS all over the world with quality products, L'Oréal has chosen an industrial policy as close as possible to the markets. Aware of the environmental and social impact of our products, we decided to accompany this policy with a twofold commitment. First of all, reduce the environmental footprint of all our production sites. To achieve this goal, in 2005 the Group set three targets to be reached by 2015, concerning both plants and distribution centres: achieve a fifty percent reduction in greenhouse gas emissions in absolute value, water consumption per finished product and the generation of waste per finished product. Then ensure strong territorial anchorage: while pursuing ambitious environmental goals, all the plants aim at cooperating with the local communities surrounding them. Pursuing these objectives, with the ongoing support of our suppliers, allows us to progress continuously.

KEY FACTS & FIGURES *_ page 17*

WIDE ANGLE *_ page 18*

/ Report: In India, a committed plant

/ Highlights: Overview of sustainable production

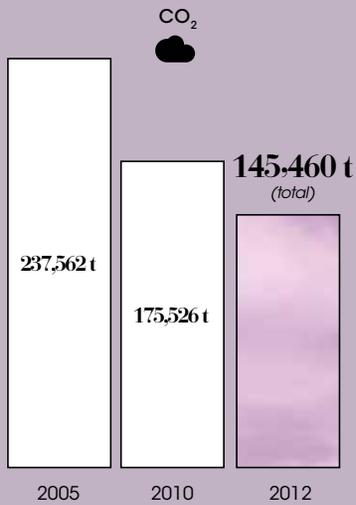
INTERVIEW *_ page 24*

/ Paul Simpson, CDP Chief Executive Officer

{ KEY FACTS & FIGURES }

1.

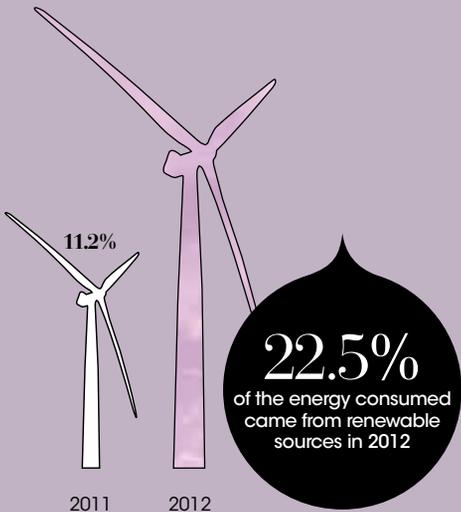
REDUCING GREENHOUSE GAS EMISSIONS/



-38.8%

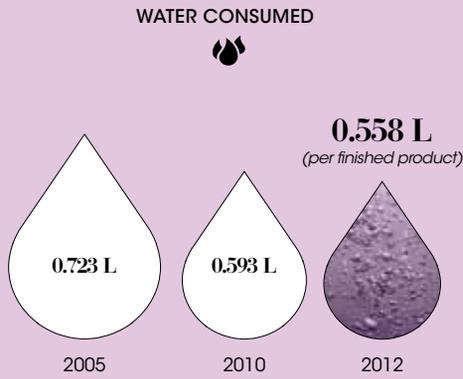
CO₂ EMITTED BETWEEN 2005 AND 2012, A REDUCTION OF 92,102 TONS

ENERGY CONSUMED



2.

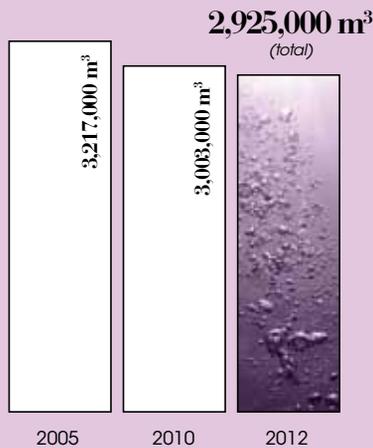
REDUCING WATER CONSUMPTION/



-22.8%

WATER CONSUMED PER FINISHED PRODUCT BETWEEN 2005 AND 2012

-9.1%
water consumed between 2005 and 2012, a reduction of 292,000 m³



3.

REDUCING WASTE PRODUCTION/



-23.9%

TRANSPORTABLE WASTE INCLUDING RETURNABLE PACKAGING PER FINISHED PRODUCT BETWEEN 2005 AND 2012

WASTE RECOVERED

95%
OF WASTE RECOVERED IN 2012, A RISE OF 6.8% BETWEEN 2005 AND 2012





IN INDIA: **A COMMITTED PLANT**

{ REPORT }

Bound to become one of the main contributors to the Group's growth, **L'ORÉAL INDIA SHOULD SEE ITS TURNOVER QUADRUPLE WITHIN THE NEXT 10 YEARS.** Its plant in Pune must ensure this expansion while protecting the environment, a well-established priority in 2012.



he Pune plant likes challenges. Since its founding in 2004, it has virtually quadrupled its output and completed its third extension. During a period when India was more concerned with growth than the environment, the Pune plant was already a pioneer of sustainable development. In 2012, several projects were set up to reduce its water consumption, its emissions of greenhouse gases and waste management.

A pioneer of sustainable development

L'Oréal opened its Pune plant in 2004 less than 200 km from Mumbai. As early as 2005, the plant was awarded ISO 14001 and OHSAS 18001 certification. In 2007, it installed a 35,000-litre/day solar water heating system for the washing of vessels. Around the same time, it installed a vermiculture unit in which earthworms convert a proportion of its chemical sludge into compost.

'Sustainable development has now become part of everyday life in India', says Kushal Lokhande, Pune plant Director. 'Expansion has made us aware of how scarce our resources are'. In 2012, the plant produced approximately 180 million units and the plant has an extendable capacity of 500 million units. In 2015, in line with the Group's ten-year environmental strategy (2005-2015), the plant will have halved its emissions of greenhouse gases, its water consumption per finished product and the waste generated per finished product. 'These are very ambitious objectives', says Bin Wang, head of Environment, Health and Safety in the Asia-Pacific Region. 'But the initiatives already introduced and the innovations started in 2012 should enable us to achieve them'.

Advanced water harvesting technologies

'One of the major innovations in 2012 was the introduction of a water recycling system', explains Aditya Narayanan, Sustainable Development Project Manager at the Pune plant. Optimising the cleaning cycles had already reduced water consumption by approximately 30% between 2005 and 2011. But a real breakthrough was needed to meet the target of 50%. The new waste water recycling



Vermiculture is used to transform some of the chemical sludge at the Pune plant into compost.

project introduced in 2012 was a real technological innovation (see computer graphics p.21) that returned some of the water to the plant consumption circuit. By the end of 2012 this installation was recycling 40 to 50 kilolitres of water per day, approximately 15% of the plant's requirements. Eventually

the system could treat 90 kilolitres of water, i.e. 30% of its consumption every day. The plant also has a waste water treatment plant with a capacity of 240 m³ per day which is used to water the plant's gardens. All the water treated by the plant is now reused on site.

GIVING ORGANIC FARMING A HELPING HAND

Three years after launching a vermiculture project to recycle its chemical sludge the Pune plant decided to give a neighbouring village the benefit of its expertise by setting up an agricultural waste-treatment plant. This is a fair reward for a technique inspired by local farmers. The project, which was launched in June 2011 and completed in 2012, was aimed at helping local farmers produce their own low-cost organic compost. Together

with Inora, a local NGO responsible for training, the Pune plant chose twenty women from the Kalokhe Mala Dehugaon village who, after being told about the



project, wanted to get involved. The vermiculture unit is supplied and run by the villagers under the supervision of Inora and the Pune plant. The compost, which earthworms produce from agricultural waste, has replaced the 8 tonnes of chemical fertilisers the villagers used. This ecological alternative has saved the farmers 20,000 rupees in fertilisers over the year. The Pune plant is planning to extend the project to other villages.



All staff recruited at the Pune plant have received training in sustainable development.

WATER NEEDS TO BE PRESERVED IN INDIA

India is one of the richest countries in terms of water with over 4,000 km³ of rainfall each year. But according to the World Health Organization it is also experiencing water-related problems and could eventually be faced with water shortage. At the root of the problem there is an increase in consumption as well as difficulties in storing, using and distributing water. In 2012 the Pune plant set up solutions to recycle water which help preserve this valuable resource.*

** 1 km³ = 1,000 billion litres.*

A twofold strategy to reduce greenhouse gas emissions

'If we are to achieve our targets for the reduction of CO₂', explains Kushal Lokhande, 'we must both reduce our consumption in every way we can as well as change over to renewable sources of energy'. In 2012 the plant installed Danpalon® panels on its roofs. These translucent panels allow light to pass through them, but not heat. Using this material took away the need for electric lighting during the day

- without overworking the air conditioning system - thereby reducing CO₂ emissions. Used on some of the warehouses and the new production unit, it now covers 460 m² of roofing, around 10% of the total. In 2012 Danpalon® enabled to save approximately 100,000 kWh.

In areas where Danpalon® could not be used, the staff at the Pune plant implemented another innovation that could act as a replacement. This pilot project consists of "tubes of light" placed on roofs. The inner body of each tube is made with a reflective material that directs the light

into the buildings. Since January 2013, staff at the plant has gone even further by replacing all the diesel used for boilers with natural gas, thereby reducing the plant's direct CO₂ emissions.

'All these projects are important but they will not be enough', stresses Bin Wang. 'If we want to do better there is no alternative to switching to renewable sources of energy'. In 2012 the Pune plant planned for this switch when it completed the feasibility studies of two major projects. The first project will supply electricity from a wind-farm situated 400 km away from the plant.



A RAPIDLY GROWING MARKET

India is the tenth most powerful economy in the world and should, according to the International Monetary Fund, continue to grow by 7 to 8% each year by 2016.

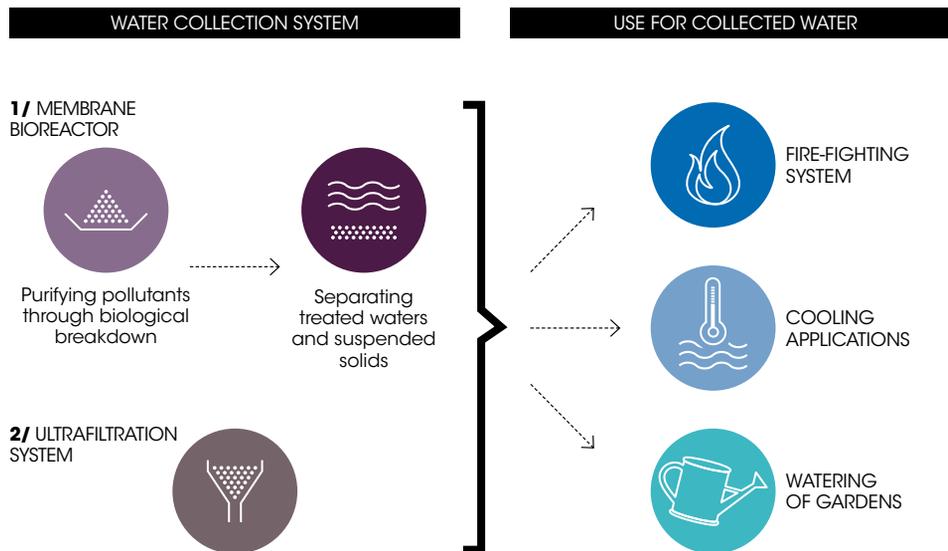
Unlike many emerging countries in which growth is driven by exports, in India it is internal demand which is the driving force. In 2011 according to the World Bank, household expenses accounted for 58% of GDP compared to 34% in China.

The middle class accounted for 4% of the population in 2005 but should reach 19% in 2015. The cosmetics market is that of a population which is young, urban, knowledgeable and traditionally demanding in terms of beauty products. For L'Oréal, it is above all a market of 1.2 billion inhabitants where most products are distributed through small shops and usually packaged in mini-formats. The Group,

which is number three on the Indian market, is aiming at increasing the number of its consumers from 25 million to 150 million by 2020. The challenge will be to manage this expansion while reducing the environmental footprint.

THE PUNE PLANT REGAINING CONTROL OF WATER

The water recycling system, which was set up in 2012, treats both domestic waste water and that used in utility processes. It benefits from cutting-edge technology. On the one hand, a membrane bioreactor that purifies pollutant discharge through biological breakdown. On the other, an ultrafiltration - reverse osmosis system through which the treated water passes for further purification, i.e. very fine filtering. The collected water is used in the fire-fighting water system, for cooling applications and to water gardens.



This project could cover most of the plant's needs. The second project concerns the installation of a solar energy production unit which, although inside the plant, will be run by an external operator. This solution will be slightly cheaper; it will also be independent of the public power supply. 'The two solutions are not mutually exclusive and we will probably go for a mix', explains Ritesh Sharma, head of Environment, Health and Safety at the Pune plant. 'If everything goes according to plan, 60% of our energy could be green by the end of 2013 and we could reach 80% in 2015'. The plant would then have more than met the target of a 50% reduction in CO₂ emissions set by the Group.

A local technology adapted to treat waste

The Pune plant's third and final environmental objective is to reduce waste. 'India's farmers have used vermiculture, which converts organic waste into compost, for generations to fertilise their land', explains Aditya Narayanan. 'The problem has been modifying this technique to work on chemical waste'. Trials began at the Pune plant in 2007 and by 2012 it was being used to treat 125 kilolitres of liquid sludge each month, which is approximately 15% of the total. There are plans to expand this project to a larger capacity in the future. Along with its experiments in vermiculture, in 2012 the plant continued its efforts to reduce cardboard and paper waste. 'Our

“
PERSUADING SUPPLIERS TO ADOPT A SUSTAINABLE DEVELOPMENT APPROACH WILL BE ONE WAY OF GUARANTEEING SUCCESS
 ”

suppliers are aware of the challenges but persuading them to switch to other types of packaging won't happen overnight', says Kushal Lokhande. In 2012 the plant started replacing cardboard containers with plastic ones, which last longer and involve less waste production. With 7 grammes of waste for each finished product, the plant is already well below the Group average, but the target of 2.6 grammes by 2015 seems to be a major challenge. Persuading suppliers to adopt a sustainable development approach will be one way of guaranteeing success.

Committed staff, the key to change

At the same time as its initiatives to reduce its environmental footprint, the Pune plant has succeeded in rallying its staff. 'Most sustainable development innovations come from inside the plant', says Ritesh Sharma, 'and we shouldn't forget that we often have to modify technologies and

procedures imported from more developed countries. Getting our staff committed to such projects is vital if we are to be successful'. All staff recruited have received training in sustainable development and a thirty-people multidisciplinary 'Green Team' encourages their initiatives: automatically turning off taps in the staff canteen when they are not in use, motion sensors controlling the lighting in the foyer, etc. 'Little things like this are very important to raise staff awareness', adds Kushal Lokhande. 'And they help us introduce larger, more important projects successfully'. ■



OVERVIEW OF SUSTAINABLE PRODUCTION

{ HIGHLIGHTS }



IN SÃO PAULO
“Flex” boilers running on biofuel

LIKE THE EPONYMOUS BRAZILIAN CARS, the “Flex” boiler installed at L’Oréal’s São Paulo plant, and running so far on natural gas, can now also use sugar cane alcohol. Gas, which represented 38% of the plant’s energy consumption, generated 80% of its CO₂ emissions. Sugar cane alcohol thus reduces the site’s CO₂ emissions by 60%, or by more than 1,000 tonnes. This new technology has been adapted to the existing boiler, thanks to an “atomizer” that converts the liquid alcohol into vapour to feed the burner. Discovered by São Paulo’s Environment, Health and Safety (EHS) team, it is currently being introduced in the Rio plant and could be set up in other sugar cane-growing areas, particularly in Mexico, or could be using other renewable sources of ethanol production like eucalyptus bark.

SUSTAINABLE SOURCING

‘Unlike other countries, sugar cane production in Brazil does not compete with food crops: the potential of available land, excluding deforestation,

is still high’, explains Gérald Vincent, EHS Manager for Latin America. Moreover, L’Oréal Brazil has just submitted to a carbon footprint and social and safety audit to ensure the sustainable nature of its sourcing. The vetted supplier in the State of São Paulo uses mechanical picking, does not burn the sugar cane, recycles its waste and is self-sufficient in energy produced from sugar cane bagasse (fibrous residue). Alongside this project, the Brazilian subsidiary is increasing its supplies of “green” electricity from small CO₂-neutral hydroelectric power stations. The target being zero CO₂ emissions by 2015.

“Brazilian sugar cane offers excellent and reasonably-priced energy efficiency. This is a tremendous local asset.”

Gérald Vincent, EHS Manager for Latin America



LA ROCHE POSAY
A lighter tube for the environment

IN ORDER TO REDUCE THE CONSUMPTION OF NATURAL RESOURCES AND QUANTITIES OF WASTE, it’s essential to decrease the weight of packaging. For this reason, La Roche-Posay has radically rethought the design of its Lipikar tube. ‘We’ve made this tube 40% lighter without adversely affecting its function and with just minor adaptations to our processing lines’, explains Antoine Sabatini, a packaging engineer at La Roche-Posay. By modifying the material of the “skirt” containing the product, the researchers have been able to join the cap directly to it, thereby eliminating the need for a tube head in between. With one less component, a thinner skirt and a lower cap, the



tube is now not only easier to press but has also gone from 26.4 to 15.6 grammes. Having already sold 200,000 units in 2012, this extra-flexible tube is protected by a co-patent with the supplier. Moreover, it was awarded the 2012 Prize for packaging reduction and innovation by the French recycling bodies Eco-Emballages and Adelphe.

12%
REDUCTION IN WATER
CONSUMPTION
IN SUZHOU BETWEEN
2011 AND 2012



IN CANADA AND CHINA
Water recycling from west to east

WATER, WHICH IS A NATURAL RESOURCE ESSENTIAL for preserving biodiversity, is widely used in the cosmetics industry. It is a major component in products, and is essential for the various production processes and for cleaning equipment. Up to two thirds of total water consumption is spent on cleaning and significant water savings have already been made by optimising the washing processes. The challenge is now to treat water so that it can be reused.

TWO TECHNOLOGIES WITH THE SAME OBJECTIVE

On the shores of the St. Lawrence River in Montreal roughly half of industrial waste, i.e. a third of the plant's water consumption, will now be of such quality that it can be reused in the plant as clean-up water. This system, which was set up in summer 2012, is based on three successive filtrations: suspended-particle filtration (ultra-filtration), salt filtering using a desalination process (reverse osmosis) and finally recovery of the finest components associated with colouring (carbon filter). The challenge

consisted in finding high-performance membranes that are economical and last for one to two years.

In Suzhou a new water recycling system has also been set up alongside optimisation of the cleaning process. The circuits of the vacuum pumps used in production have been modified, now making it possible to recycle 80% of water used, i.e. approximately 5% of the water consumed in the plant. Reverse osmosis (RO) concentrate (a byproduct when producing process water) is now reused, in particular for diluting chemicals used in the Waste Water Treatment Plant. A feasibility study is being conducted to use the remaining RO concentrate for first rinse.



IN ITALY
Zero CO₂ emissions target

BY THE END OF 2013 THE SETTIMO TORINESE PLANT, WHICH IS ONE OF L'ORÉAL'S LARGEST, WILL OPERATE SOLELY USING RENEWABLE ENERGIES. The project is both ambitious and complex, first of all considering that in Italy energy policy is based on fossil fuel, which involves a high rate of CO₂ emissions per kWh (0.50g of CO₂ per kWh compared to 0.04g in France); second considering the high absolute value of the plant's energy consumption, due to the high level of unit production, which means an important CO₂ emission (in 2011, 7,800 tonnes emitted). The first step was taken by connecting the plant up to the Settimo urban heating system in November 2011, thereby reducing plant heating emissions by 22%.

AN EXAMPLE OF GOOD PRACTICE

In 2013 a new step is going to be achieved with the realisation of a new power station alongside the plant. This power station uses innovative solar concentrator technology combined with biomass and will produce energy, over 80% of which will be sold to the L'Oréal plant. The plant's zero emission target by the end of 2013 means that it will exceed the objectives set by the Group. 'This project arose out of a partnership with the public authorities and a combination of technologies which, although still relatively little used, could well inspire others', emphasised Paolo Bonfanti, the Plant Director.

WITH CDP*, TRANSPARENCY ACCELERATES THE PACE OF CHANGE

{ INTERVIEW }

For the past decade, L'Oréal has been a member of CDP, an international independent NGO which encourages businesses and cities to disclose and improve their environmental impact. What fruits has this commitment produced? Interview with **PAUL SIMPSON**, its Chief Executive Officer.

Could you briefly explain CDP to us?

Since its creation in 2000, CDP has been encouraging companies around the world to voluntarily declare their greenhouse gas emissions and their practices in terms of helping to prevent climate change. In concrete terms, we provide them with measurement, evaluation and communication tools. Our actions are underpinned by the idea that transparency is the best way to get companies to manage the risk to the climate. Currently, we have over 4,100 companies using CDP's global reporting platform.

L'Oréal and CDP celebrated 10 years of collaboration in 2012. How would you assess L'Oréal's involvement?

Our relationship is a long-term one which has gradually intensified. L'Oréal was one of the first companies to disclose its greenhouse gas emissions and climate change strategy to investors through us in 2002 and, since then, its climate risk evaluation and management systems have gradually improved and contributed to a better understanding of the issues. These days, the Group evaluates all its emissions across its various activities, and has set itself ambitious targets. In 2012, it joined CDP's Climate Disclosure Leadership Index, which consists of the top 10% of companies on climate disclosure. L'Oréal has also been quick to realise that, in order to be efficient and sustainable, its initiative needs to encompass its suppliers**. The Group has therefore been a member of our supply chain programme since 2008, the aim of which is to encourage suppliers

to measure, report and reduce their carbon emissions. In 2011, 48 of its suppliers followed suit, their number rising to 133 the following year.

How can companies such as L'Oréal convince their suppliers?

Large companies have a key role to play in helping their suppliers to take action on climate change. When a firm of L'Oréal's size starts to evaluate its supply chain on the basis of environmental objectives and makes them selection criteria, the main suppliers sit up and take notice. When they are included in the initiative, the sharing of good practice is then naturally passed on to second and third-tier suppliers. It's the establishment of this virtuous circle or performance improvement that constitutes our core objective.

In your view, what are the next stages of your partnership with L'Oréal?

L'Oréal is aware that the success of its expansion strategy depends on sustainable development. In order to reach its target of one billion new consumers, it's going to have to "do more with less", continuously improving its preservation of natural resources and reducing its environmental footprint. It's quite a challenge! L'Oréal is going to need to get even more suppliers on board and to help them set – and reach – ambitious emission reduction targets. We are also about to set foot on new ground, that of water preservation, and L'Oréal has responded to our appeal. In 2013, the Group commits jointly with its suppliers to our water programme, which operates along the same lines as our climate change work. ■

* Former Carbon Disclosure Project.
** L'Oréal's suppliers currently generate 28% of its carbon emissions.



[MORE INFORMATION ONLINE/](#)





SUSTAINABLE *CONSUMPTION*

{FOCUS N°3}

CONSUMING SUSTAINABLY

BEYOND SUSTAINABLE INNOVATION AND PRODUCTION, sustainable consumption is now a pillar of our strategy and one of our most important areas for progress. Studies, forums, initiatives by our subsidiaries or our brands: today we are thinking globally to better understand the leverages for a more sustainable consumption and to develop good practice. To do so, we have identified three stages. The first, of course, consists in providing our consumers with high performance products in terms of sustainable development, in particular eco-designed products. The second stage aims at adopting responsible communication, in order to forge sustainable trust-based relations with our consumers. In order to be fully effective, a sustainable consumption policy should also raise the awareness of consumers, to encourage them to protect the environment. This is the third stage we have fixed and one of our major challenges for the years to come.

KEY FACTS & FIGURES _ page 27

WIDE ANGLE _ page 28

/ Report: **BIOtherm**, making waves in responsible consumption

/ Highlights: Overview of sustainable consumption

INTERVIEW _ page 32

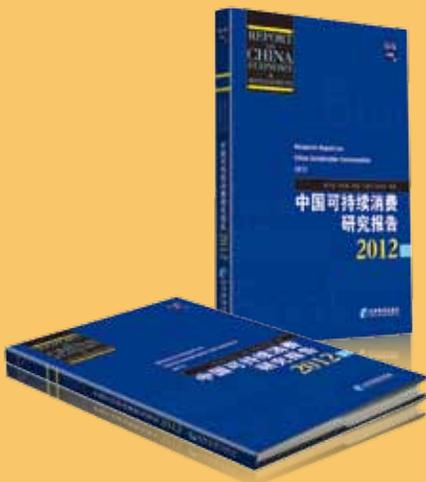
/ Youcef Nabi, President of **LANCÔME**

{ KEY FACTS & FIGURES }



A GUIDE TO SUSTAINABLE CONSUMPTION /

ISSUE In 2012, for the second edition of its Sustainable Development Report, L'Oréal China chose to steer its angle to what is a major issue in a country with a population of over 1.3 billion: responsible consumption. At the same time, the subsidiary published and widely distributed the *Research Report on China Sustainable Consumption 2012*, which contains a full inventory of how goods are consumed in China. This study was developed by L'Oréal China in partnership with the state think-tank of the Chinese Academy of Social Sciences and the China Consumer Association, one of the country's leading consumer associations. Current consumption behaviour, government recommendations and emerging trends are all stated in the report. The highly informative research report also provides sustainable consumption guidelines for Chinese consumers, encouraging them to make purchase decisions not only based on the price, but also on the product's "sustainable" value.



IN THE UNITED STATES: THE FIRST MULTI-STAKEHOLDER FORUM ON SUSTAINABLE CONSUMPTION /

ISSUE At the initiative of L'Oréal's American subsidiary, a ground-breaking Forum on Sustainable Consumption was held in New York on 10 December 2012. The "RE: Imagining Consumption" Forum was organised in partnership with sustainability NGO Forum For the Future, which for over the past 16 years has been working with political, economic and social stakeholders from all over the world to advance sustainable development. Thirty participants, including representatives from NGOs, consumer goods brands, retailers, communications and branding specialists, came together at L'Oréal's invitation to try to identify the best strategies to encourage consumers to adopt more responsible product purchase, use and disposal, explains Pam Alabaster, Senior Vice President of Sustainable Development and Public Affairs at L'Oréal USA. The Forum's agenda included a review of the pioneering practices of leading brands, plus a forward-looking workshop on consumerism in 2020, a review of the barriers to sustainable consumption and the identification of strategies to drive consumer behaviour change.

“3 questions for...”

SALLY UREN, DEPUTY CHIEF EXECUTIVE OF FORUM FOR THE FUTURE

Why was this forum created?

The issue of responsible consumption is too important to be resolved by a single company. That's why L'Oréal has opted for a multi-stakeholder approach, working with all the different actors required to deliver a new sustainable type of consumption.

Why is it important for your NGO to work with a company such as L'Oréal?

The social, economic and environmental challenges which we're facing require action from civil society, governments and businesses. So for an organisation like Forum For the Future, it's vital to establish partnerships with groups such as L'Oréal that are world leaders on their markets and committed to sustainable development initiatives.

What were the forum's main conclusions?

Three key points emerged. Firstly, a universal language for sustainable development is required, breaking the agenda down into meaningful messages. Secondly, we need to redefine the concepts of happiness and success, so that they're no longer synonymous with "buying more products". And finally, sustainable consumer products should be affordable and accessible to all.



RESEARCH: SUSTAINABLE CONSUMPTION UNDER CONSIDERATION /

ISSUE L'Oréal and its American subsidiary have also contributed to the funding of "RE: Thinking Consumption", a study organised by three specialist firms: BBMG, GlobeScan and SustainAbility. It was launched as part of "The Regeneration Roadmap", a set of multifaceted research and collaboration activities carried out by stakeholders from the private sector in order to reinforce their sustainable development strategy and performance. Conducted from September to October 2012, "RE: Thinking Consumption" made a detailed examination of the attitudes, motivation and consumption behaviour of a panel of more than 6,000 inhabitants of six of the largest global markets: Brazil, China, Germany, India, the United Kingdom and the United States. This initiative has given consumers a voice in the current discussions on sustainable consumption and has also set down another marker for the accelerated advent of a responsible economy.

6,000

The number of people on the "RE: Thinking Consumption" study panel





BIOThERM, **MAKING WAVES IN** **RESPONSIBLE** **CONSUMPTION**

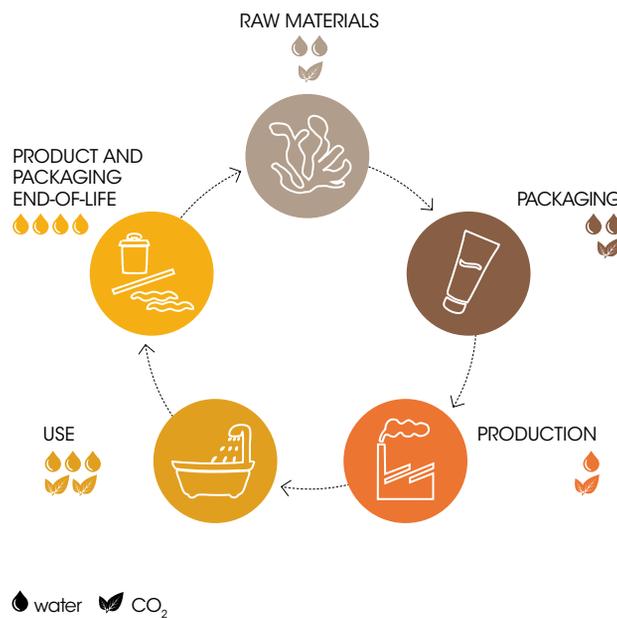
{REPORT}

Responsible consumption is the **LAST CRUCIAL LINK IN THE SUSTAINABLE DEVELOPMENT CHAIN**. The challenge remains recent, but L'Oréal is making its mark.

The strategy implemented by BIOThERM, via its Water Lovers platform, in perfect sync with the brand's "Beauty from the Deep" positioning, is an excellent illustration.

BIOHERM/L'ORÉAL, *SIDE-BY-SIDE*

L'Oréal had been committed to a study into water footprint evaluations for several months when BIOHERM's Water Lovers platform first began to take shape. Together with a consortium of companies, the Group participated in the development of the first international Water DataBase, consolidating all existing evaluation methods, and conducted its first water footprints on three of BIOHERM's rinse-off formulae. The rinse-off category is, in this initial phase, the priority for the L'Oréal Group and BIOHERM, given the volume of water required for the use of rinse-off products and their end-of-life in surface water. Here's a look at the study's principal findings.



Transport and distribution operations have been taken into consideration for each of the stages below.

- Raw materials' impact on the lifecycle of formulae and packaging depends not only on the number of raw materials but also on their origins.
- Thanks to the water-saving programmes implemented since 2005, the production stage has a minimal impact on products' water footprint.
- The usage phase of a facial cleanser or shower gel has a potentially major lifecycle impact depending on the quantity of the water used.
- The product's end-of-life in surface water (lakes, rivers) is the most impactful lifecycle phase. This is one of the main eco-design priorities for our rinse-off products today.

In 2012, as Biotherm extended its expertise to aquatic biodiversity as part of its 60th anniversary celebrations, the brand in tandem launched its Water Lovers platform, taking a 360° approach. From packaging to formulae, to communication and philanthropy: the brand's mobilization is global, since it encompasses commitments both on an internal and external level. The evocatively-named Water Lovers platform thus combines three essential stages for encouraging responsible consumption among consumers: the design of better and better eco-friendly products, followed by a responsible communication strategy, and finally, greater consumer awareness.

Embracing eco-design

As notes BIOHERM's Scientific Director, Elisa Simonpietri, 'Sustainable consumption starts with...sustainable innovation! Ahead of raising awareness among consumers, we first have to offer them products with the best

possible environmental profile.' BIOHERM has drawn up an action-plan to upgrade its products' environmental profiles, without compromising either on their effectiveness or the enjoyment had from using them.

'The real challenges were on the research and innovation front' Elisa Simonpietri adds. 'Firstly, to replace polyethylene particles with particles of natural origin in all our exfoliating products', explains Thierry Cotton, director of skincare Laboratories. 'We needed to identify the possible natural alternatives able to reproduce the precise exfoliating quality of products currently on the market'. In economic terms, the challenge was to produce increasingly natural formulae at an equivalent price, with an identical performance.

The overriding goal is always to provide genuine, tangible benefits for consumers. For instance, BIOHERM will highlight the finer and more precise effectiveness of the new exfoliating particles of its products, for skin that's even softer. Packaging-wise, numerous initiatives were launched to cut down on volume, such as eliminating the outer boxes of every tube of Biomains cream.

Water, a legitimate issue for action

'These internal efforts directly impact consumers' involvement in the sustainable development chain. By improving our products and their environmental impact,

“
IMPROVING OUR PRODUCTS' ENVIRONMENTAL IMPACT MAKES THE ACT OF PURCHASING A RESPONSIBLE GESTURE.
”

we are making the act of purchasing a responsible gesture in itself', underscores Elisa Simonpietri. These efforts have spurred the brand to build further on its commitments in relation to water. 'This element is part of our DNA. It's our N°1 raw material. We therefore have a legitimate role to play in this field', says Emilie Marsh, BIOHERM's Communication Director. In fact, water has been intricately linked to the brand's history since biologists first discovered thermal plankton's multiple benefits for skin in 1952. Twenty years of research culminated in the extraction of an active concentrate, Life Plankton™, which has become the brand's star component, proving formula after formula its capacity to naturally protect skin cellular functioning. Via its Water Lovers platform, BIOHERM reaffirms the importance of water and demonstrates its commitment to all the world's waters.

This initiative marks its determination to go further, guided by innovation, to place the richness of the world's waters and of all aquatic biodiversity, at the heart of the advancement of its cosmetic efficacy. Bioterm's position addresses a key challenge for the brand's own development. As observes managing director Patrick Kullenberg: 'The quantitative and qualitative balance of the ecosystems from which our active ingredients are extracted today and tomorrow, guarantees the brand's long-term success. Our future therefore depends on preserving this balance.' Bioterm's particular interest in preserving this resource converges with the growing global concern over water, now a critical issue for the planet. 'We are therefore talking about a win-win approach for the planet, for our consumers and for our company', adds Patrick Kullenberg. A coherency which lends even greater impact to the Water Lovers platform.

Education and dialogue, striking the right tone

Beyond eco-design and responsible communication comes a third pillar, namely consumer awareness. 'Today's consumers understand sustainable development and its challenges. Together with seeking as much information as possible about what they're consuming, they also want to be guided in product usage', observes Patrick Kullenberg. The brand therefore plans to



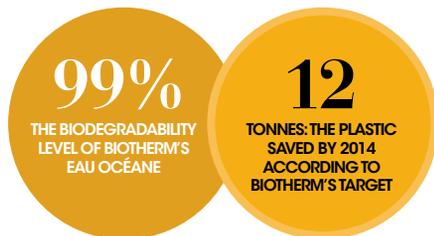
Some Bioterm products, enriched with natural active ingredients, have served as pilots for the Water Lovers platform.

support consumers. On the one hand, with detailed explanations of Bioterm's commitments and challenges even at points of sale, and on the other hand by making product information and tools available to consumers in their day-to-day lives. 'In every instance, we have to strike the right tone without over-dramatising the situation or pointing the finger. Consumers must be persuaded that they can do something at their individual level in favour of sustainable development', says Elisa Simonpietri. To spread that message, Bioterm has tapped new communication technologies. Rich in detail, the brand's corporate website offers a whole new immersive experience to visitors, largely thanks to video. 'It's been designed as an invitation to travel to the

depths of the seas, oceans, lakes and thermal waters in order to discover the secrets these waters hold and the beauty born of their depths', explains Emilie Marsh. A further innovation: the use of social networks. In March 2013, for instance, Bioterm launched a water footprint e-calculator on Facebook, which calculates your water footprint in just a few clicks. This marks a major step forward in terms of interactivity. 'We no longer talk at consumers but instead talk with them', notes Patrick Kullenberg. 'An approach centred on dialogue and co-construction goes hand in hand with our support for responsible consumption.'



MORE INFORMATION ONLINE/



BIOTERM HELPS TO PROTECT THE ROSS SEA

Bioterm's Water Lovers platform includes a philanthropic dimension to support projects aimed at protecting the planet's aquatic resources. The first campaign to benefit is that led by the Mission Blue coalition, founded by oceanographer Sylvia Earle, to protect the Ross Sea. One of the last preserved marine ecosystems on the planet, this ice floe on the edge of Antarctica is today under threat from industrial fishing

and global warming. For its 2012 holiday editions, Bioterm invited the Swedish artist Ingela Peterson Arrhenius to create limited edition illustrations. The operation's profits enabled Bioterm to donate 250,000 euros to help Mission Blue finance the creation of a protected marine zone for the Ross Sea. 'When you fully grasp the sheer biodiversity and the uniqueness of a sea barely touched by mankind, you begin to understand what's

really at stake here. We're proud to support the efforts of Mission Blue since this marine reserve is the best hope for the Ross Sea's future,' explains Patrick Kullenberg.

OVERVIEW OF SUSTAINABLE CONSUMPTION

{ HIGHLIGHTS }



THE BODY SHOP 25 years of Community Fair Trade - a story shared with customers

2012 MARKED A TURNING POINT FOR THE BODY SHOP. AT THE HEART OF THE BRAND'S COMMUNICATION, THERE NOW LIES A FLAGSHIP CONCEPT: the customer experience, based on storytelling. Within the 340 new concept stores opened worldwide, the stories told offer customers an original sensorial experience, woven around the brand's products and commitments. Around a central table, customers are enticed to test products and to discover their ingredients, how they're grown, harvested or distilled. A wall within these stores also showcases the brand's partnerships with NGOs and local producers as part of the Community Fair Trade programme, which celebrated its 25th anniversary in 2012 and now benefits over 300,000 people. All these stories are helping to forge strong relationships with customers and convey the essential difference of the brand: its ethical commitment. Aloe vera from Guatemala, babassu oil from Brazil, tea tree oil from Kenya, or shea butter from Ghana: in 2012, over 90% of THE BODY SHOP products contained Community Fair Trade ingredients.

OVER
90%
OF THE BODY SHOP
PRODUCTS CONTAIN
COMMUNITY FAIR TRADE
INGREDIENTS



GARNIER *A partner in your pocket*

FOR MORE THAN 75 YEARS GARNIER AMBRE SOLAIRE HAS BEEN A PARTNER FOR CONSUMERS CONCERNED ABOUT PREVENTING THE RISKS ASSOCIATED WITH UV EXPOSURE. In June 2012, this partnership was even more strengthened. 'Our surveys have shown that when it comes to sun exposure, consumers have always been eager for information and education', says Reynald Sauvet, Vice-President Integrated Communications GARNIER International. 'Hand-held internet devices have won over a huge part of the public by their convenience. It then seemed obvious to us that we needed to create a smartphone service. For this reason we took the initiative to launch an application called My Sunshine Moments in several pilot countries. This app enables us to actively

support our consumers in their everyday lives whenever and wherever they use our sun care products.' Designed in collaboration with the Association of European Cancer Leagues, the app detects user's location and sends out alerts if the UV index is high. It also provides customised SPF advice, can tell users when they need to apply more sun-block and includes a photo-sharing function. 'It's important for the app to be fun,' stresses Reynald Sauvet, 'because time spent under the sun is supposed to be a pleasure.' 30,000 people in France downloaded the app during summer 2012 and 98% of those completed their user profile. Proof that the app 'meets a real need'.

"The My Sunshine Moments application prolongs our contact with consumers after purchase."

Reynald Sauvet, Vice-President Integrated Communications GARNIER International

LANCÔME

“BUILDING RESPONSIBLE COMMUNICATION”

{ INTERVIEW }

Global, powerful and highly visible, the communication put out by luxury brands helps mould the minds. How do you accept such responsibility? Answers from **YOUCEF NABI**, President of LANCÔME.

Brands such as LANCÔME must offer dreams and yet adopt responsible communication. How do you manage this paradox?

Yes, indeed, “responsible... communication”, the statement may seem contradictory! Women are of course seeking an ideal of beauty, but since its creation, LANCÔME has sent out to them a message of emancipation and personal development. Offering dreams also implies proposing them models of women who are fulfilled, happy and full of confidence but not necessarily perfect. It is this vision of women, as well as the closeness, empathy and the desire to make all women feel valued that characterises LANCÔME, which will help us make progress in our search for greater authenticity.

In concrete terms, what strategy and action plan are you setting up to put this responsibility into practice?

As I was saying, in the beauty and luxury sector a brand’s communication primarily depicts a certain vision of women. It is on this that we work when we select our ambassadors and faces. By promoting people whose lives stand out. Julia Roberts, Kate Winslet and Emma Watson are everything but just female objects, they are real women with a wealth of experience and background. And this depth radiates outwards: far from being models that create complexes, they are models who energise and encourage women to find their own beauty! We also take great care about diversity: diversity of

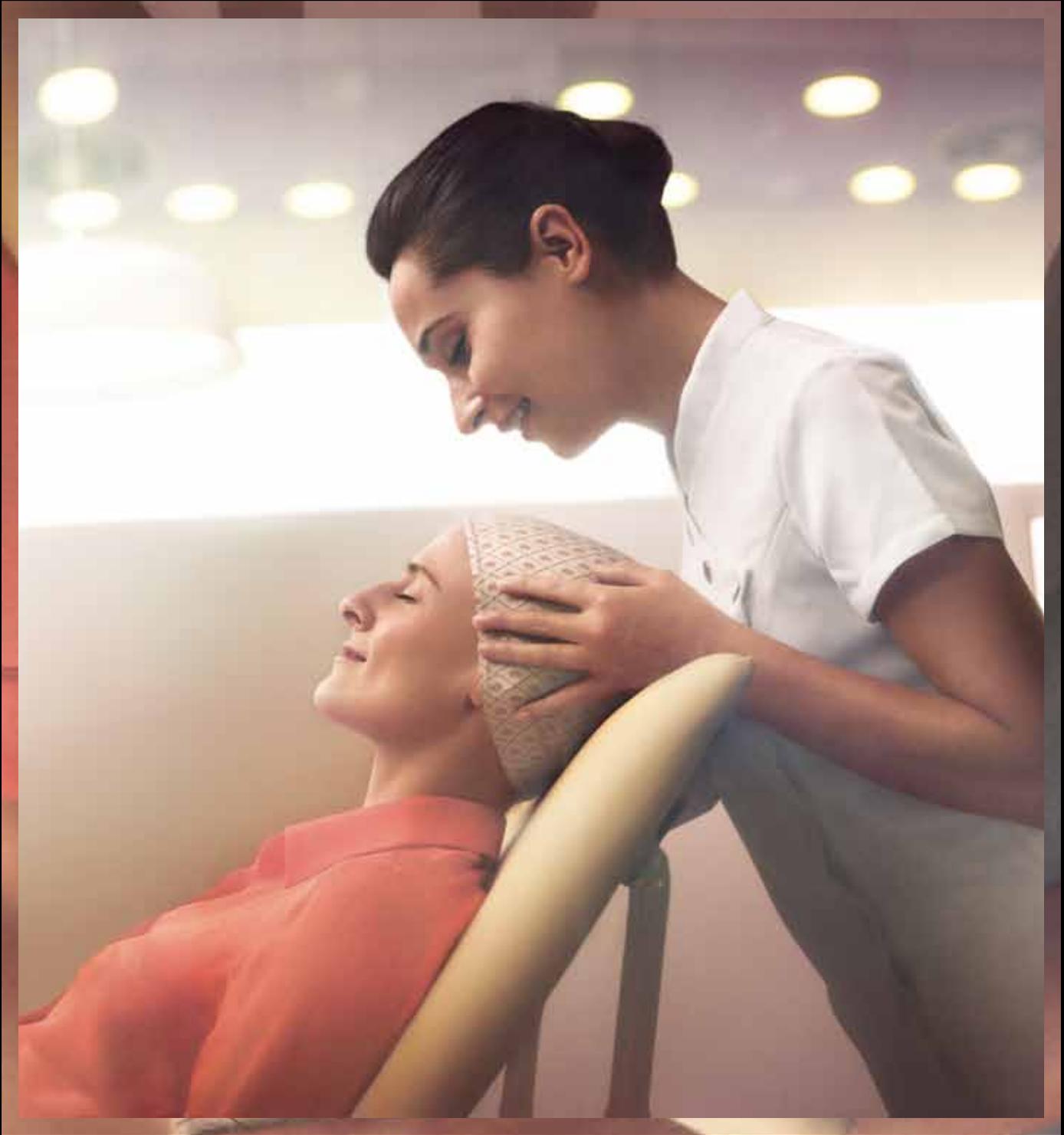
origins, of ages and silhouettes (curvy or slender, etc.). In the end we are defending a vision of beauty that is inclusive rather than competitive.

What changes would you like to focus on in the future?

Beyond image, responsible communication has a duty to be honest and credible: the public no longer puts up with outrageous claims, and brands must ensure their words are consistent with their actions. For example, being honest and credible means that the retouching of photos must be

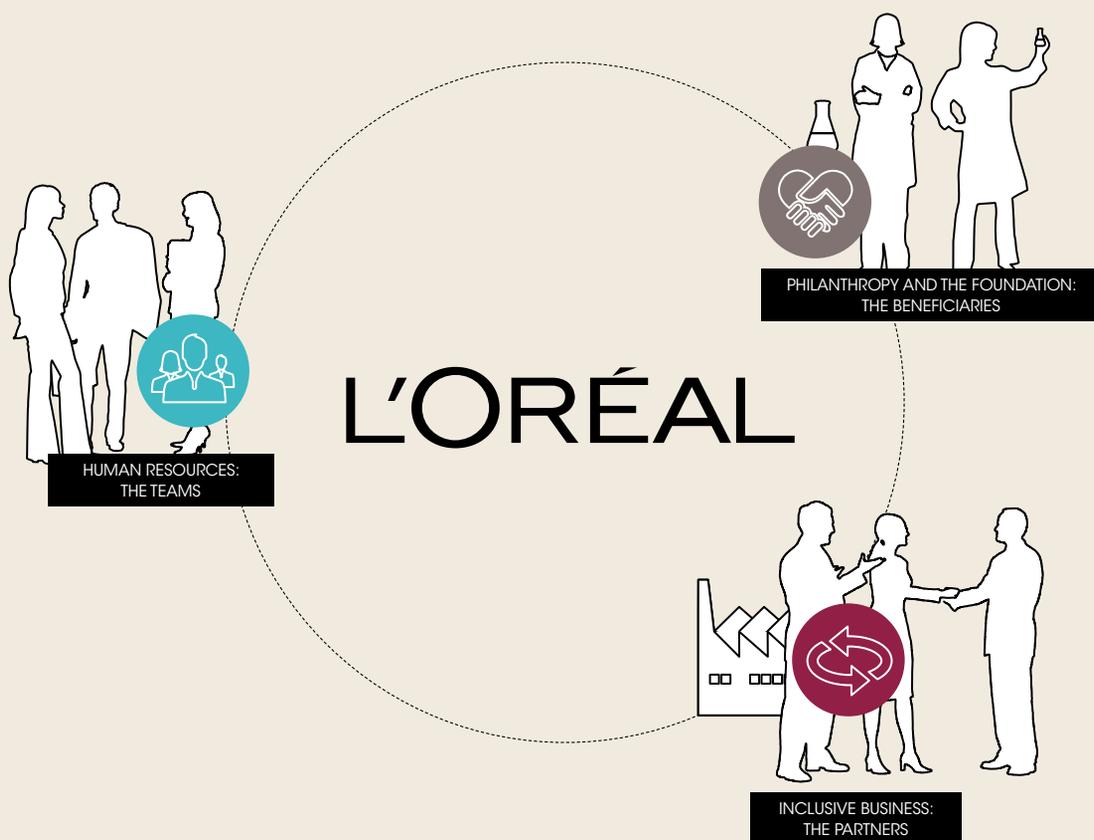
limited to a greater extent. It also results in offering products, colours and textures that are ever more adapted to suit different skin types. It implies developing formulae that are increasingly environment-friendly, contain more active ingredients and need little water to produce. It also means being uncompromising about the benefits when using our products, which justify the prices. And it is simply about adopting a humble approach: we are not perfect and we admit it. What matters is not who we are but our path. ■





SHARED
DEVELOPMENT

SHARING WITH ITS COMMUNITIES



L'Oréal is committed every day with all its stakeholders.
By building solid and sustainable relations with its suppliers and partners as part of an **INCLUSIVE BUSINESS** approach.
By nurturing all its talents through a **HUMAN RESOURCES** policy that values the individual and cultural diversity.
And by committing to the communities around it, through its **PHILANTHROPY** initiatives and those of its Foundation.



INCLUSIVE BUSINESS

L'Oréal, a player *in social inclusion*

L'Oréal has set itself the worldwide goal of integrating people on low incomes into its value chain whenever possible.

The Group has a deep-seated commitment to sharing its growth with surrounding communities. To this end, L'Oréal has for several years conducted trials of inclusive business models founded on the integration into its business of populations who are traditionally excluded from economic circuits or jobs or who are facing social hardship. In 2012, in a bid to go still further, the Group conducted a worldwide study aimed at understanding the keys to success for this type of project within L'Oréal and modelling successful trials. Three major areas with potential for development on a large scale emerged.



Next come education and training in beauty professions for fragile populations, a model for which the Group will initiate several trials in 2013.

Finally, micro-distribution, as reflected in the **MATRIX** model rolled out in the favelas of Rio in Brazil, the most successful example up to now. Because the project meets a business imperative, that of penetrating the Brazilian market with its sparse and fragmented retail

sector, it can be long-lasting. And this is a winning solution both for the Group and beneficiaries of the programme, who have found a job and boosted their incomes significantly by becoming distributors of the brand.

These examples show how L'Oréal can make a local contribution to social inclusion in countries where it settles. In 2013, the Group will conduct new trials, the first one being on the African continent in Ghana. ■

Projects contributing to social inclusion on a local level

Purchasing firstly, which enables, when possible, requests for proposal to be opened up to different categories of beneficiaries traditionally excluded from contracts with major international groups. This is the key challenge facing the "Solidarity Sourcing" global purchasing programme.

**"WE ARE HELPING
THE COMMUNITIES
AROUND US TO
DEVELOP."**

ALEXANDRA PALT,
DIRECTOR CSR AND SUSTAINABILITY

The Group is actively involved with local communities living close to its administrative sites, plants and distribution centres. This approach allows it to play a part in numerous local projects which bolster the socio-economic development of the area. Partnerships allowing students at neighbouring establishments to discover certain professions, professionalisation contracts

for youths on training programmes, agreements (in France, for instance) with ESATs (establishments and services for support through work) either to help the disabled enter the workplace or in the form of supplier contracts: there are numerous initiatives.



15,000
INDIVIDUALS
BENEFITED FROM
THIS PROGRAMME
IN 2012

SOLIDARITY SOURCING

Promoting inclusion *by favouring responsible purchasing*

Keen to ensure sustainable, responsible and inclusive growth, L'Oréal wants others to benefit from its development by being a socially responsible player within the communities where it is present. Purchasing can be an effective economic and social lever for promoting social inclusion of fragile individuals. This is why, in 2010, the Group set up a global responsible purchasing programme named "Solidarity Sourcing". Thanks to this programme, new categories of suppliers can now have access to the purchasing process of a major international group such as L'Oréal. These include companies specialised in employing the disabled and the disadvantaged, small and mid-sized businesses, minority-owned companies and producers practising fair trade. After a stringent selection process for new suppliers ensuring compliance with the Group's fundamentals in the fields of ethics, environment and social affairs, while preserving competitiveness and industrial performance, the economically vulnerable are given long-term access to work and income.

A SUSTAINABLE PROGRAMME INTEGRATED INTO THE GROUP'S BUSINESS/

This global responsible purchasing programme enables the establishment of fair and long-lasting business partnerships which create economic, social and societal value. Fully integrated into the roadmap for buyers, the "Solidarity Sourcing" programme is applied in all L'Oréal purchasing centres worldwide. Local initiatives are encouraged which subsequently inspire the rest of the Group. To extend the impact, L'Oréal has moved to convince traditional suppliers to deploy a similar approach. The first global Suppliers' Day organised by the Group in June 2012 brought together 100 strategic suppliers to encourage them to adopt this approach.

SHEA BUTTER: SOURCING FROM THE LOCAL COMMUNITIES

55%
OF THE GROUP'S
SHEA BUTTER WAS
ACQUIRED THROUGH
THE "SOLIDARITY
SOURCING" BRANCH
IN 2012

Shea butter is used as an ingredient in almost 1,200 of L'Oréal's skincare, personal hygiene and make-up products. It is among the top 10 of its plant-based raw materials today and purchasing levels are constantly increasing. For this emblematic ingredient, L'Oréal decided to set up a sustainable sourcing with the local communities.

Responsible sourcing in Burkina Faso/

This programme was implemented in Burkina Faso, one of the countries in West Africa that has the most abundant presence of the shea tree and where the population is among the most vulnerable in the world, in particular women in rural areas. The objective is three-fold: provide the women gatherers with an equitable income with no intermediaries; create value locally, through training programmes; and have a favourable impact on the environment by preserving the shea trees. One of the flagship projects of the "Solidarity Sourcing" approach conducted by L'Oréal, was developed in close cooperation with two complementary suppliers: the Swedish company AAK, world leading supplier of high quality shea-derived speciality ingredients, and the French company Olvea, which specialises in the production and packaging of plant-based oils and butters. With the latter company, the programme also comprises a processing unit in situ, near Bobo-Dioulasso. In 2012, 55% of L'Oréal's shea butter sourcing came from this "100% solidarity" branch and 13,000 women, connected through a number of production organisations, were able to benefit from the programme.



MORE INFORMATION ONLINE/

WASTE MANAGEMENT STRIKING THE RIGHT BALANCE

How do emerging countries manage their waste? To answer this question, in 2012 L'Oréal launched a survey that focused on six countries in which the Group intends to expand its activity, namely Brazil, India, Indonesia, China, Nigeria and South Africa. The challenge is a considerable one because the authorities in these countries have not set up many systems for managing waste. The result is that informal systems have been put in place. In the cities "waste pickers" collect and sell waste, thus developing a real parallel economy. As Charles Duclaux, Sustainable Development Manager in charge of environmental innovation and reporting at L'Oréal explains, 'The Group has to ensure that its packaging waste is properly managed. But it also wants to contribute to the development of local communities. We therefore have to strike the right balance if we are not to deprive the waste pickers of their income. Although these people, who form a large section of society, live in extreme poverty and have deplorable health conditions, they have an important role to play in the protection of the environment. We need to rethink our waste management plans to ensure that the waste pickers are somehow incorporated into any future systems'. Hence the need to know more, country by country, about the quantity and types of urban waste, the regulations that apply to manage it, the provisions set up by the authorities and the informal systems that exist.

3 million

PEMULUNG (WASTE PICKERS) IN INDONESIA OR 1.2% OF THE POPULATION



89%

OF BRAZILIAN HAIR SALONS ARE INFORMAL AND LOCATED IN POOR AREAS

IN BRAZIL

IN THE HAIR SALONS OF THE FAVELAS

Over two thirds of Brazilian hairdressing salons are located in the favelas and are very hard to reach. 'Hairdressers in the favelas use the mass-market brands, not because they are cheaper but because they're the only ones they know', explains Weider Cristian Campos, CEO of MATRIX Brazil. 'They don't have the time or inclination to go and see what's happening elsewhere.' So, in 2010, the professional brand launched a micro-distribution project in order to convince them to use its products. The result? In 2012, 50 women managed to place MATRIX products in several thousand hairdressing salons within the Rio favelas. By 2014, there should be nearly a thousand of them distributing the brand's products to tens of thousands of salons across Brazil.

DEVELOPING THE ENTREPRENEURIAL FIBRE OF WOMEN FROM POOR DISTRICTS/

Recruited by MATRIX together with a specialist partner, the micro-distributors first receive technical training provided by MATRIX, along with management training from a public body. Each then canvasses around fifty salons in her district. 'As they come from the favelas, they know where the hairdressers are and what kind of constraints they face, so they speak the same language,' explains Weider Cristian Campos. At least once a month, they hold training courses in dyeing or straightening for instance, either in their homes or on small local premises rented through a system of micro-loans. The result is a win-win situation, as due to being better trained and using better products, the hairdressers attract more customers and buy more from the micro-distributors, who receive roughly 20% commission on their sales. In 2012 in Rio, they generated average sales of 10,000 reals per month, giving them a salary of about 2,000 reals*, nearly 4 times the average income of a family in the favelas. MATRIX estimates that, by 2014, these sales volumes and the resulting income will have trebled. 'This market is essential to our development. At the same time, we have the opportunity to change the lives of a lot of women,' enthuses Weider Cristian Campos.

* 1 Brazilian real is worth roughly half of one American dollar.





HUMAN RESOURCES

Linking individual performance *and collective development*

Committed to a shared development approach, L'Oréal pays special attention to the development and well-being of its staff. Jérôme Tixier, Executive Vice-President Human Resources, answers our questions.

How does L'Oréal's human resources policy fit into the Group's CSR strategy?

Our HR policy is a key element of the CSR strategy, because, at L'Oréal, economic success and corporate social performance go hand in hand. The conviction that the company's development and sustainability are dependent on men and women constitutes the cornerstone of the Group. That's why our human resources policy is a responsible one, based on a deep respect for ethics. It places the human being at the core of the HR vision and encourages diversity.

What's different about L'Oréal when it comes to human resources?

One of L'Oréal's main particularities lies in its human and social project, where individual performance and collective development are closely linked. We strive to recruit the best talents wherever they are located. The main role of human resources is to develop each individual's talent within an environment where all our employees can grow and thrive. It's this human and social project that gives meaning to the relationship with the company. In 2012, we embedded this approach within our structure. How? By cre-



ating special teams for the recruitment and development of talent, enhancing our training provision by adapting it to local specificities, and launching a global examination of our social performance. Our goal is to ensure that L'Oréal is a renowned and attractive employer all over the world.

How do you see human resources contribute to the Group's aim of shared development?

As a backbone of the Group, HR lies at the heart of L'Oréal's

commitment to help the development of the countries where it is present. Indeed, our growth strategy in many countries is actively contributing to local economic and social development. HR teams are heavily involved in supporting this growth, primarily through the recruitment and development of local staff. What's more, generosity, one of the seven managerial qualities that are regularly evaluated in our managers, inspires our teams to act in a manner which respects difference. It also naturally motivates them to get involved in philanthropic, social and inclusive projects, as illustrated by Citizen Day, which takes place every year and was supported by over 20,000 employees in 2012. ■



WELL-BEING AT WORK HEAD OFFICE IS BEING TRANSFORMED

Convinced that thriving staff are a key factor for its long-term success, L'Oréal makes it a point of honour to offer them a healthy and relaxing working environment. Hence the modernisation of its Clichy head office, a major project launched in 2011 that continued right throughout 2012.

CAREFULLY CONSIDERED INTERIOR CONVERSIONS/ Certified HQE (Haute Qualité Environnementale - High Environmental Quality), the refurbishment has been carried out according to the Group's sustainable design and construction policy. This imposes strong requirements, for example regarding the quality of natural light, the health quality of the materials used and the treatment of air. In order to enhance everyone's efficiency and comfort, the premises have been designed with both shared and individual spaces, thus permitting the teams to work in total tranquillity. The workstation ergonomics, meanwhile, have been the subject of numerous working sessions with the users. And still with staff comfort in mind, an atrium currently under construction will link the two buildings making up head office. Vast and light-filled, it won't be a mere walkway but a relaxing space where a new cafeteria will be opened. The whole project is set to be completed during the summer of 2013.

STAFF SERVICES/

Other improvements have also been planned in order to optimise working conditions for the 1,500 staff based on site. Unveiled in September 2012, the catering centre has benefited from an in-depth upgrade. A large landscaped garden will be open to all from 2014 and, in addition to the already existing concierge service and beauty salon, a fitness centre and a hair salon are to be created. Staff from all over the globe, whether occasional or regular visitors to head office, have not been neglected either: they will have their own dedicated areas in the shape of a lounge for frequent travellers and a business centre.



A GLOBAL COMMITMENT

L'Oréal's subsidiaries have also been busy enhancing their employees' well-being. In the UK, for instance, a special and highly comprehensive programme has been in place since 2010, encompassing many initiatives such as the promotion of a balanced diet in the staff restaurant and lessons in yoga and bodily expression held on the site each week. An in-depth study of workstation ergonomics has also taken place, while a special well-being section has been set up on the HR Intranet.



IN CHILE

BIRTH OF THE GLOBAL SEISMIC RISK ASSESSMENT PROGRAMME

In February 2010, L'Oréal's national head office in Santiago was badly damaged by an earthquake. Following this event, the Group decided to launch an innovative and ambitious seismic risk assessment programme. Its purpose is to maximise the safety of the company's staff. 'It was a case of auditing all the buildings which we occupied within risk zones in order to ensure that they did not display any vulnerability to seismic activity that might cause the physical safety of occupants to be compromised', explains Frank Privé, Group Property Director. To support it with this initiative, L'Oréal chose Bureau Veritas. 'It's a firm with global stature and recognised competence that has developed special assessment technology whereby the building's resonance is measured using sensors, thus permitting the profiling of its behaviour in the face of a seismic event', underlines Jean-Michel Duffieux, Projects Director - Property. Bureau Veritas proceeded by developing a world map of the areas most exposed to seismic risk: 110 buildings identified as being in risk zones were analysed and, in the 35% of those deemed vulnerable, action plans have been or will be deployed in order to control the risk. Various measures are being implemented, ranging from the training of staff to relocation to new premises, but also the introduction of confinement procedures, the completion of interior refits and the performance of structural consolidation work. But the programme won't end there: L'Oréal has decided to systematically apply it to all new sites within zones identified as presenting a seismic risk.



47,969
 EMPLOYEES FOLLOWED
 A TRAINING COURSE
 IN 2012

TRAINING
DEVELOPING LOCAL TALENT
AS CLOSE AS POSSIBLE TO THE MARKETS

To train the local talent that will contribute to attracting a billion new consumers, in 2012 L'Oréal focused on programmes developed in close cooperation with its teams in all the regions of the world. Here is a brief overview.

For the past 40 years, Lfd (Learning for development, L'Oréal's training department) has been a key driver of the Group's human resources management policy. Through time, it has also gradually become a pillar of CSR policy, as it fosters the career development of staff. Drawing on in-depth knowledge of the specific cultural features of each country, it strives to train local talent, develop their loyalty and encourage them to grow. They are given support and encouraged to build a career within the Group on a local, regional or even international level. For L'Oréal, this is a key challenge. In an extremely competitive economic context, it requires the best teams all over the world to achieve its ambitious objective: win over a billion new consumers. 'One of our main priorities in 2012 was to help the Group accelerate its strategic development by fostering the emergence of talents on the new, high growth markets', explains Sylvie Dangelser, head of the department. 'To do this, we made use of the

co-development of training programmes with the regions'. The concept of co-development is anchored in the sharing of responsibilities and on the running of the international network of Lfd directors. For instance, the Lfd directors in the various regions of the world have the opportunity to express their needs and challenges at international conventions organised each year with the Lfd Corporate team. Then the latter helps them to take charge of developing programmes. How? By providing them with advice, strategic guidelines and indispensable methodology. The Lfd Corporate team also makes learning materials available to the regions, such as videos or e-learning, tools and methods for monitoring training, all adaptable to local realities. The regions can thereby independently take charge of the development and implementation of programmes, with a high level of quality, and respect a certain consistency across the globe.

DIVERSITY AND CONSISTENCY / 'This approach has three major advantages', Sylvie Dangelser continues. 'First of all, it guarantees the success of the training courses, since they are tailor made. Then, it ensures we have the same quality

standards all over the world. We can globalise our training policy without making it uniform and have ever more diversity without losing consistency. Lastly and above all, certain programmes that are conceived locally can be deployed in other regions, or even in the whole world. The regions therefore play the role of "suggestion box", that contributes to the multiplication of initiatives and good practices for developing local talent. A considerable source of innovation!' This sharing of responsibilities was reinforced with the regionalisation of major "business education" programmes dedicated to local talent directly in the new markets. Furthermore, the decision has been taken to accelerate ownership of the training programmes in the countries. This means managers need no longer be trained at the head office in France, but in close proximity to their markets. 'Up to the first level of management, the training should be carried out in the country concerned and for middle management, the region takes over', says Sylvie Dangelser.



Focus on four key initiatives in 2012

1.

MYLEARNING REACHES GHANA AND PAKISTAN

The online training platform MyLearning, which has been made available to the local teams by the International Lfd department, is L'Oréal's way of simplifying and facilitating access to training. Following Lebanon in 2011, in 2012 the platform - which exists in 19 different language versions - was deployed in Pakistan and Ghana, where L'Oréal has recently opened subsidiaries. The aims? Help newcomers to feel a part of the company, understand corporate culture and development strategy, and at the same time foster their skills, thanks to a bespoke training path relating to their job position and business line, and appropriate learning materials.

2.

TTM GOES LOCAL

In 2012, for the first time, a local session of the flagship training seminar Transition to Team Management (TTM) was organised for the teams of Poland, the Czech Republic, Slovakia and Hungary. The aim was to increase the number of employees trained in team management in Europe and to adapt the programme to regional specific features to optimise effectiveness. Lfd Europe worked with the Lfd managers in each country to ensure the same training experience was provided as in France, regarding both instructional content and teaching quality. Other local sessions are scheduled in 2013.

3.

A BETTER EXPERTISE IN AFRICAN HAIR

In response to the Group's ambition to win over a billion new consumers over the next 10 years, L'Oréal is developing targeted professional expertise programmes in the new markets. In 2012, Johannesburg was the venue for the first Métier Seminar Afro Specific Hair Care and Styling. Fifty of the Group's employees from various job positions in sub-Saharan Africa were present. On the agenda: the characteristics of African hair, the consumer expectations, practices and attitudes and understanding the specific technologies and products provided by the Group. Thanks to this seminar, exchanges were developed between the participants, devising a common language around such a specific market, to build up a truly regional working community.

4.

CHANGE MANAGEMENT, FROM LOCAL TO INTERNATIONAL

How do we adapt to a constantly changing environment? This is the question at the heart of "Leaders for change", a new training programme developed by L'Oréal for its staff in Asia-Pacific's management committees. Organised at the initiative of the regional Lfd, with the support of the international Lfd department and in partnership with the National University of Singapore, the first session received 23 participants. The aim: to promote good practice in terms of change management, with presentations by experts from Asia and Europe, testimonies and case studies from the Group's senior executives. In the course of 2013, 23 other managers from the region will also be trained. Following its success, this local programme will now become global.



The 2012 Partnership prize was awarded to the Hong Kong subsidiary.



DISABILITY

TROPHIES ON A WORLDWIDE SCALE

For more than 15 years, L'Oréal has been committed to a global policy in favour of people with disabilities. Five key areas have been identified: accessibility of premises, access and maintenance in employment, outsourcing and partnership. To accelerate internal mobilisation, in 2008, L'Oréal set up the "Disability Initiatives" awards, given out every two years. These rewards serve a dual purpose: to recognise the operational entities for their concrete actions in this domain and thereby promote, share and disseminate good practices. Initially in France and then extended to Europe, the competition was opened up worldwide in 2012, with initiatives in fourteen countries, across Asia, Europe, Latin America and North America.

INITIATIVES ALL AROUND THE GLOBE/

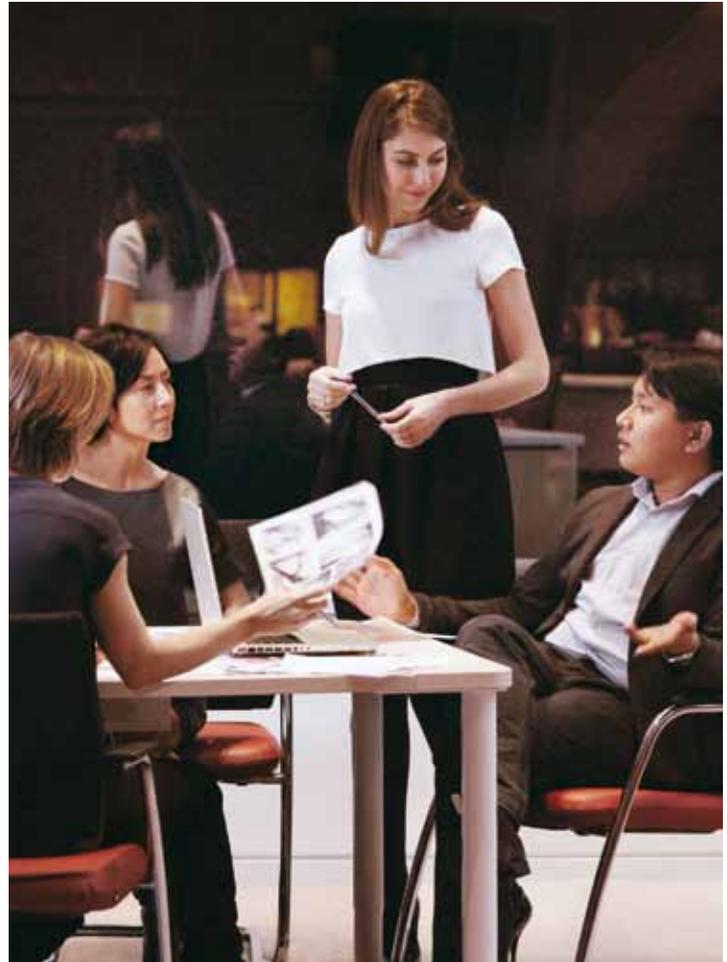
The 2012 accessibility prize, for instance, was awarded to Mexico, for the proportion of people with disabilities (3%) among the employees of its new plant. The award for innovation went to France*, which invented the "industrial placement from home" for students with severe disabilities. The Partnership prize went to the Hong Kong subsidiary, which has been working alongside a local organisation for 16 years promoting professional and social inclusion of people with disabilities. The Commitment prize went to the Japanese subsidiary, which, in 2012, continuously employed 1.8% of its workforce among people with disabilities - in Japan, only 45% of companies comply with this rate. And the Worldwide Grand Prix awarded by the Jury recompensed the 360° approach L'Oréal Italy has been conducting since 2006: as founding member of the Italian diversity charter, the subsidiary advocates in favour of the employment of people with disabilities (the legal recruitment rate in the peninsula is 7%, the highest in all of Europe), works on intellectual disability and even succeeded in persuading the Lombardy region to join its commitment to diversity.

** The France Grand Prix was awarded to the GMG Ormes and OAPLF Ingré distribution centres, which, for the past five years, have been forging a partnership with a protected company.*



DIVERSITY

A MONITORING TOOL GOES GLOBAL



In 2004, L'Oréal was one of the first major companies to sign the Diversity Charter in France, attesting to the Group's commitment to non-discrimination and promotion of cultural, ethnic and social diversity in the workplace. A commitment that was confirmed three years later by the creation of the Diversity Workshop, which has provided training on the topic to 12,000 employees. This policy of promoting and managing diversity constitutes a strategic lever for the company's social and economic performance. In 2011, L'Oréal strengthened its policy by developing a monitoring and piloting tool that, in the long term, will be used by all subsidiaries. How does it work? It is a computerized scorecard comprised of around thirty indicators accessible to Human Resources Directors and their management committees. It will help to analyze the results of actions carried out, and also help to identify areas for improvement. 'To capitalize on the value that diversity brings, we need to have the ability to measure the ground already covered as well as the road ahead', remarks Stéphanie Oueda, International Diversities Project Manager at L'Oréal.

FIRST FRANCE, THEN THE WORLD/

The reporting tool was initially developed for France with 14 key criteria such as age, gender, employment contract type and compensation, which were used to build 30 indicators. In 2012, L'Oréal started the international roll-out of the tool and will extend it to all countries in 2013. The indicators are adaptable to take into account specific local constraints or national legislations.

PHILANTHROPY

The L'Oréal Foundation: *science and beauty for a better world*

In 2012, the L'Oréal Foundation pursued its commitment to a social and community-spirited approach, focusing in particular on two main fields: science and beauty.

L'Oréal endowed its Corporate Foundation in 2007 as part of its ambitious, long-term commitment to social responsibility. Its mission is to form even closer ties with the surrounding communities and to share the company's success with them. In May 2012, the Foundation secured a new mandate and decided to concentrate its philanthropic initiatives on the two pillars on which L'Oréal has built its success for over a century: science and beauty.

Supporting women in science

At L'Oréal - a company founded by a chemist - scientific knowledge is seen as a driving force for progress that fosters excellence, generosity and creativity. To promote these values, the Foundation supports initiatives that make science accessible to all by sharing its magic and encouraging interest. For example, since 1998, the Foundation has partnered with UNESCO on the For Women in Science programme, which supports women worldwide, enabling them to participate fully in scientific research and tackle the key challenges facing our planet. The scheme includes 108 countries to date, and in its 14 years of existence has recognized 72 experienced women researchers and awarded fellowships to 1,430 doctoral candidates and young graduates. If further evidence were needed of L'Oréal's commitment to this cause, in 2012, the company stepped up



its support for young women scientists in France: each year 25 (compared with 10 in previous years) will now receive a grant of 15,000 euros.

Beauty: strengthening social ties

L'Oréal also focuses its philanthropic initiatives on beauty, convinced that it can drastically improve the lives of vulnerable individuals by restoring their self-confidence and rebuilding social ties. In Africa and Asia, for instance, the Foundation is funding reconstructive surgery, while in France it is developing an aesthetic therapy programme to help fragilized adults, teenagers and children feel good about their appearance.

The L'Oréal Foundation is also harnessing the Group's vast network of partner hairdressers and providing them with resources to back major causes such as HIV prevention and social inclusion. Finally, with Beauty for a Better Life, L'Oréal's new international education programme on the beauty professions, the company is demonstrating that beauty also has the power of opening the way for people to a better future. ■



MORE INFORMATION ONLINE/

SOCIO-AESTHETIC THERAPY BEAUTY IS MORE THAN SKIN DEEP: RESTORING DIGNITY AND SELF-ESTEEM

With its socio-aesthetic therapy workshops, the L'Oréal Foundation is helping vulnerable people feel better about themselves.

COMING TO TERMS WITH THE APPEARANCES/

Hair loss, burns, dry skin: the side effects of cancer treatments take a real toll on self-esteem. For a woman suffering from cancer, having access to soothing beauty care or to make-up that helps her accept her appearance is far from trivial. These pleasant moments help her rediscover a more positive image of herself, regain dignity, and give her the strength to carry on. That is the whole purpose of the partnership between the L'Oréal Foundation and "Belle et Bien" ("Look Good Feel Better" network), an association that holds skincare and make-up workshops in hospitals. The Foundation is doing similar work with two centres renowned for their cancer treatments: the Institut Gustave-Roussy and the Hôpital des Diaconesses in Paris. Socio-aesthetic therapists visit hospitalised patients to provide massages, manicures and makeovers. The beneficial effect of this beauty-based therapy has been recognised by the medical community.

THE BENEFITS OF BODYWORK/

The adolescents cared for at the Maison de Solenn, a section of the child and adolescent psychiatry department at Pitié-Salpêtrière hospital, and in the adolescent psychiatry department of the Institut Mutualiste Montsouris are also benefiting from the L'Oréal Foundation's socio-aesthetic therapy programme. Aged between 12 and 20, their ailments include eating disorders, school phobia, anxiety problems and depression. To complement their medical treatment, they receive follow-up care from qualified socio-aesthetic therapists who are graduates of Codes (a cosmetology course with a humanitarian and social option), France's first socio-aesthetics training course tailored to the medical and social fields. The individual care they receive and the collective workshops they take part in all have the same aim: they use bodywork to encourage a positive self-image, greater self-acceptance and healing.



2,700

SOCIO-AESTHETIC
THERAPY WORKSHOPS
WERE FUNDED BY THE
L'ORÉAL FOUNDATION
IN 2012

3,637

PEOPLE BENEFITED
FROM THEM

BEAUTY FOR A BETTER LIFE

TRAINING TO GET BACK ON TRACK

Beauty for a Better Life, the L'Oréal Foundation's new international education programme, launched in 2012, gives people from disadvantaged backgrounds the chance to train in the beauty professions.

To celebrate L'Oréal's centenary in 2009, each subsidiary was invited to develop a social responsibility project. About 10 countries had the same idea: to provide disadvantaged local communities with free training in hairdressing, a creative and sociable profession that gives people independence and opens up a wealth of employment opportunities. Three years on, the idea has been adopted and developed by the L'Oréal Foundation, giving rise to Beauty for a Better Life. By joining forces with NGOs and local associations the programme has set up tailored apprenticeship facilities around the world. With hairdressing qualifications, marginalised adolescents and women who have been victims of domestic violence or socio-economic instability can get back on track.

FRANCE TAKES THE PLUNGE/

The first French initiative in the programme welcomed its first class of pupils on 10 September 2012, at Thiçais vocational secondary school. The two-year professional hairdressing degree founded by the L'Oréal Foundation and the Fondation d'Auteuil (which helps 14,000 disadvantaged young people each year, 30% of whom are placed with it by social services) is providing its first 13 young participants with theoretical and practical training in a dedicated room on school grounds. The entire course is overseen by teachers from the L'Oréal Hairdressing Academy and the Fondation d'Auteuil. This tailored degree programme has been designed to serve as a springboard to employment for young people whose difficult situations had led them to drop out of school.



Setting up tailored apprenticeship facilities is one of the flagship measures of the programme, such as here in Vietnam.



Hairdressing lessons in the application salon of the vocational secondary school in Thiçais.

1,447
BENEFICIARIES
IN 2012

13
MOBILISED
COUNTRIES

3
YEARS OF
EXISTENCE

GROUP

11.45%

TOTAL SHAREHOLDER
RETURN OVER 20
YEARS*

22,463

MILLION EUROS
CONSOLIDATED SALES

2,972

MILLION EUROS
NET PROFIT**

SUSTAINABLE INNOVATION

Cosmetics and dermatology research	611 patents filed
Expenditure on research and development	791 million euros, i.e. 3.5% of sales
Raw materials	22% of referenced new raw materials are plant-based 10% of referenced new raw materials comply with the principles of green chemistry

SUSTAINABLE PRODUCTION

Greenhouse gas emissions (scope 1 and 2)	38.8% reduction (2005/2012)
Total energy consumption	1.9% increase
Energy consumption	145 kWh per 1,000 finished products ✓
Water consumption	22.8% reduction per finished product (2005/2012)
Water quality after on-site treatment	3.6% reduction in terms of COD (chemical oxygen demand) per finished product
Waste and recycling	23.9% reduction in transportable waste, including returnable packaging per finished product (2005/2012) 95% of our waste is reused, recycled or used for energy production ✓ 55% of our industrial sites sent no waste to landfill ✓
Atmospheric emissions	3% increase in volatile organic compounds (VOCs)
International standards	86% of our plants are OHSAS 18001 or VPP (safety) certified and 88% ISO 14001 (environment) certified

SUSTAINABLE CONSUMPTION

Consumer advice	1,200,000 cases handled in 49 countries
-----------------	---

SHARED DEVELOPMENT

INCLUSIVE BUSINESS

L'Oréal Buy & Care programme	1,120 social audits of supplier sites	✓
Social audits, breakdowns of non-conformities	Child labour 5% Compensation and benefits 22% Working hours 23% Health and safety 40% Other 9%	
Collaboration with suppliers	133 of the 156 invited suppliers joined CDP in 2012	✓
Solidarity Sourcing	15,000 people had access to employment in more than 60 countries thanks to this programme (excluding The Body Shop programme)	

HUMAN RESOURCES

Workforce worldwide	72,637 employees	✓
Vocational training	47,969 employees received training	
Representation of women	67% of workforce worldwide 43% of Management Committees	
Lost time injuries	14.42% reduction (based on conventional frequency rate)	

PHILANTHROPY

Group philanthropy	31.3 million euros of total investment	
L'Oréal Foundation	Multi-annual budget of 40 million euros	
L'Oréal-UNESCO "For Women in Science"	Over 200 women given awards each year, i.e. nearly 1,500 women from 108 countries 48 countries now give grants to promising young women scientists	
Citizen Day	20,100 employees rallied round	

*See Registration Document 2012, pages 239 to 240.

** Net profit, excluding non-recurrent items, after minority interests. See Consolidated Financial Statements/Registration Document 2012, pages 117 to 118.

Comparisons are with 2011, unless stated otherwise.

✓ Social affairs, environment, hygiene and safety data verified by Deloitte & Associés and PricewaterhouseCoopers Audit (please refer to the methodological note and assurance report published in the GRI sheets designed for experts in the "Sustainable Development" section of the www.loreal.com website).

FOR FURTHER INFORMATION, YOU CAN REFER TO ALL *THE GROUP'S PUBLICATIONS*



THE ANNUAL REPORT

L'Oréal in 2012, with its divisions, brands and countries, driven by its mission: the universalisation of beauty and beauty for all.

Beauty is universal / L'Oréal offering beauty for all / Beauty is a science / Beauty is a commitment



THE REGISTRATION DOCUMENT

This document includes the 2012 financial statements, the Management Report of the Board of Directors, the Annual Financial Report and a section on Social and Environmental Responsibility.

Presentation of the Group / Corporate governance / Key figures and comments on the financial year / Consolidated financial statements / Parent company financial statements / Corporate social, environmental and societal responsibility / Stock market information / Share capital / Annual General Meeting / Appendix



THE SUSTAINABLE DEVELOPMENT REPORT

Presentation and concrete examples of the Group's sustainable development strategy.

Sustainable innovation / Sustainable production / Sustainable consumption / Shared development

All these information supports are available on www.loreal.com and on www.loreal-finance.com or can be obtained on request from the Image and Corporate Communication Department and the Financial Communications Department.





GO FURTHER ON THE WEB
Discover more content, updates on sustainable development, multimedia bonuses (videos, animations, etc.) and GRI sheets designed for experts in the "Sustainable Development" section of the www.loreal.com website.



Edited by the Image and Corporate Communication Department.

Photo credits: Hervé Abadie/Sérau Architectes et Ingénieurs associés (p.9); David Arraez for L'Oréal (p.41); Stéphane de Bourgies (p.2, 38); Cabinet Wilmotte & Associés (p.39); Polo Doury (p.44); Fotolia (p.13, 17); Mélanie Frey/CAPA/2012 (p.45); Getty Images (p.12); Grenade & Sparks for Garnier © 2013, Iphone is a trademark of Apple Inc. (p.31); Catherine Henriette (p.43, 44); Image Source/ Photononstop (p.20); Bernard Jaspar, agence Jaspar (p.30); Lancôme (p.32); Roberto Loffel (p.22); L'Oréal (p.19); L'Oréal/all rights reserved (p.8, 10, 11, 19, 35); Matrix Files - By Leide Ribeiro (p.37); Matteo L'Oréal R&I (p.12, 13); Mi-Joo Kim - L'Oréal China (p.28); David Parfitt (cover); Photo courtesy of Anurag Agnihotri via flickr.com (p.27); Shutterstock (p.10); Teng Xu/Shanghai Tiantu Advertisement Communication co. LTD for L'Oréal (p.23); The Body Shop International (p.31); Veritas for L'Oréal (p.39); X.

Designed and produced by  (RALO012)

The Arctic Volume HighWhite paper on which the 2012 sustainable development report is printed comes from sustainably managed forests and is 100% recyclable. It carries the FSC (Forest Stewardship Council) label. The purpose of this eco-certification is to promote responsible management of forests worldwide, in other words management which is environmentally appropriate, socially beneficial and economically viable in order to meet the needs of present and future generations.

By using Arctic Volume HighWhite paper instead of standard paper the environmental impact is reduced by 419 kg CO₂/tonne of paper according to the Paper Profil1 standard and by 494 kg CO₂/tonne of paper according to the WWF Paper Scorecard*.

** In order to present reliable and comparable data Arctic Paper has chosen to declare CO₂ emissions from paper production according to two well-defined and recognised standards (Paper Profil1 and the WWF Paper Scorecard). The aim is not to present an analysis of the complete lifecycle of the product but to provide information on the fossil-fuel CO₂ emissions from paper production and to indicate the extent of CO₂ emissions resulting from the shipping of paper. In-house evaluations have found that this somewhat simplified analysis generally covers 80 to 90% of the emissions calculated by other frequently used models.*

L'ORÉAL

Incorporated in France as a "Société Anonyme"
with registered capital of 120,862,724.20 euros
632 012 100 R.C.S. Paris

Headquarters:
41 rue Martre
92117 Clichy Cedex - France
Tel.: +33 (0)1 47 56 70 00
Fax: +33 (0)1 47 56 86 42

Registered office:
14 rue Royale
75008 Paris - France

www.loreal.com
