

**SHARING
BEAUTY**
WITH ALL

THE L'ORÉAL SUSTAINABILITY COMMITMENT

L'ORÉAL

OUR SHARING BEAUTY WITH ALL COMMITMENT

TOGETHER WE WILL MAKE BEAUTY SUSTAINABLE.
TOGETHER WE WILL MAKE SUSTAINABILITY BEAUTIFUL.

We want to bring beauty to all people. Beauty expresses itself in many ways. We believe in the beauty of protecting the environment and biodiversity, the beauty of supporting communities and providing security for employees, the beauty of delivering desirable and sustainable products for women and men who trust in us.

INTRODUCTION



— OUR SUSTAINABILITY COMMITMENT FOR 2020

L'Oréal has a strong legacy in sustainability. Balancing our success as a company with the needs of society as a whole has always been part of the way we do business. In recent years, we have built on that legacy, integrating the principles of sustainable development into our business model and preparing our company to meet today's social, environmental and economic challenges.

I'm proud of what we have already achieved, but also convinced that we still have a lot to do.

Because we have ambitious plans for the growth of our business, the time is right to take a big leap forward and raise the bar for sustainability throughout the whole L'Oréal Group and across our entire value chain.

With this in mind, we are proud to announce the launch of Sharing Beauty With All, our new sustainability commitment for 2020. It sets out a clear vision of where we want to be in 2020, along with the sustainability targets we need to hit in order to get there. In their scope and ambition, these new targets are a significant step up from the environmental targets we set for 2015.

We believe consumers are at the heart of our sustainability drive. In order to deliver on our commitment, we need to make it easier for consumers to make sustainable choices. By accelerating sustainable innovation within our business, and harnessing the power of our brands to inform consumers, we will raise awareness about sustainability and encourage more sustainable consumption.

Right from the beginning, L'Oréal's success was built on its close relationship with customers. We want to use our customer influence and insight as a force for good – and reach the next billion consumers while making a positive impact on the world, and sharing our growth with the people around us.

JEAN-PAUL AGON

Chairman and CEO

L'Oréal

OUR SUSTAINABILITY CHALLENGE

— OUR CHALLENGE

Alongside our ambition to reach one billion more consumers in the coming years, our challenge is to produce more, with less impact. It means improving the sustainability of our business, especially of our products. It also means getting the consumer on board.

A sustainable future depends on consumers making sustainable choices. 65% of consumers say *"I have a responsibility to purchase products that are good for the environment and society."** However, research shows these good intentions are not always backed up by actions. How can we bridge the gap between what consumers want and what they actually buy?

— OUR ANSWER

We are convinced that offering both sustainable and desirable products is the answer, to make it easier for our consumers to make the right choices.

To overcome the barriers to sustainable consumption, we're working on three main areas. First, we're investing in sustainable innovation, making sure all of our products have environmental or social benefits. Secondly, we will empower consumers to make more informed choices by giving them the clear information they need. And thirdly, we will use the influence and power of our brands to make sustainability not just the right choice, but the desirable choice. So together we change our behaviour to be more sustainable.

65%

65% OF CONSUMERS SAY "I HAVE A RESPONSIBILITY TO PURCHASE PRODUCTS THAT ARE GOOD FOR THE ENVIRONMENT AND SOCIETY."

* REGENERATION ROADMAP SURVEY 2012

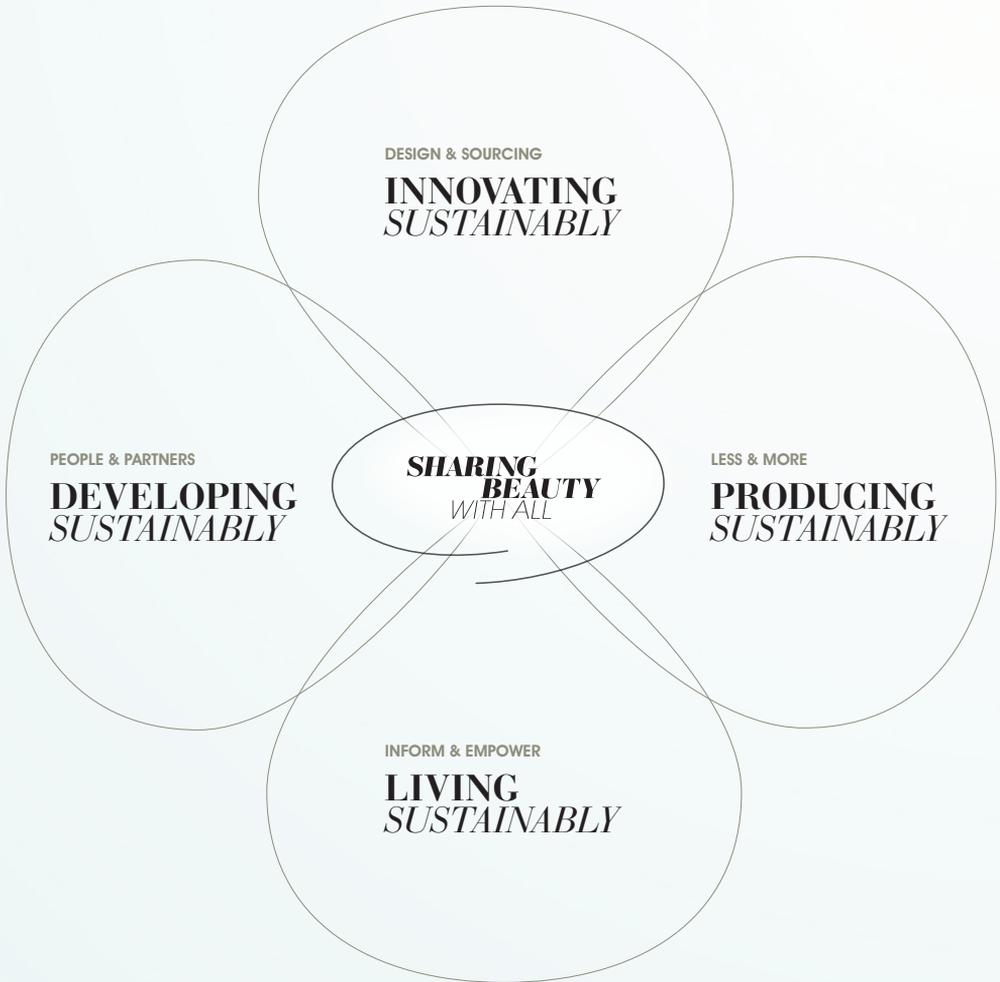




OUR SUSTAINABILITY *VISION*

— ACHIEVING OUR VISION

Our vision is to make beauty sustainable, and to make sustainability beautiful. Across our value chain, we are committed to improving the way we do business, from research to operations, from marketing to communication with the consumer. At the same time, we will share our growth with our suppliers, our employees and communities around us.



CO-CREATING OUR *COMMITMENTS*

— EXTERNAL AND INTERNAL VIEWPOINTS

We have spent more than two years exploring in depth our environmental and social impacts in detail. We set up a materiality analysis with our internal experts. We then invited feedback through stakeholder forums in the US, South Africa, India, Brazil, China and Northern Europe. We contacted

more than 630 external organisations (NGOs, associations, experts), and met with more than 250 of them to discuss our sustainability challenges and their expectations from a Group like us. Our targets are the result of this consultation and co-creation with internal and external stakeholders.

COMMITMENTS *AND TARGETS*

To make sure we deliver against our vision, we have created a framework with four clear commitments, which will help us to measure our progress. These commitments are supported by targets.

INNOVATING *SUSTAINABLY*

By 2020, we will innovate so that 100% of products have an environmental or social benefit.

Every time we invent or update a product, we will improve its environmental or social profile against at least one of the following criteria:

- The new formula reduces the environmental footprint.
- The new formula uses renewable raw materials that are sustainably sourced or raw materials derived from Green chemistry.
- The new packaging has an improved environmental profile.
- The new product has a positive social impact.

PRODUCING *SUSTAINABLY*

By 2020, we will reduce our environmental footprint by 60% from a 2005 baseline whilst bringing beauty to one billion new consumers.

- We will reduce CO₂ emissions at our plants and distribution centres by 60% in absolute terms, from a 2005 baseline.
- We will reduce our water consumption by 60% per finished product unit, from a 2005 baseline.
- We will reduce waste by 60% per finished product unit, from a 2005 baseline.
- We will send zero waste to landfill.
- We will reduce our CO₂ emissions from transportation of products by 20% per finished product unit from a 2011 baseline.

LIVING *SUSTAINABLY*

By 2020, we will empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet.

- We will use a product assessment tool to evaluate the environmental and social profile of 100% of new products, and all brands will make this information available to allow consumers to make sustainable lifestyle choices.
- All L'Oréal brands will assess where they have the biggest environmental and social impact, and make commitments to improve their footprint. Every brand will report on its progress and raise awareness among consumers about sustainable lifestyle choices.
- Our consumers will be able to influence our sustainability actions through our consumer sustainability panel.

DEVELOPING SUSTAINABLY

EMPLOYEES

By 2020, L'Oréal employees will have access to health care, social protection and training, wherever they are in the world.

- We will provide health coverage for employees which is aligned with the best practice of the country they are based in.
- We will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur.
- Every L'Oréal employee will have access to at least one training session per year wherever they are in the world.

SUPPLIERS

By 2020, 100% of our strategic suppliers will be participating in our supplier sustainability programme.

- All strategic suppliers will be evaluated and selected on social and environmental performance.
- All strategic suppliers will have completed a self-assessment of their sustainability policy with our support.
- All suppliers will have access to L'Oréal training tools to improve their sustainability policies.
- 20% of strategic suppliers will be associated with our Solidarity sourcing programme.

COMMUNITIES

By 2020, we will enable more than 100,000 people from underprivileged communities, equivalent to the size of our global workforce, to access work.

We will achieve our goal through programmes in the following areas.

- Solidarity sourcing.
- Inclusive distribution.
- Beauty professionalisation.
- Mentoring and community education.
- Employment of disabled people and under-represented socioethnic groups.

COMMITMENT

BY 2020, WE WILL INNOVATE SO THAT 100% OF PRODUCTS HAVE AN ENVIRONMENTAL OR SOCIAL BENEFIT.

INNOVATING *SUSTAINABLY*

— WHAT WE ARE DOING NOW

We are already working on new ways to improve the environmental and social profile of our products. This includes making sure that renewable raw materials used in our products are sustainably sourced. For example we source argan oil in Morocco directly from six women-led production cooperatives, ensuring a stable income for around 300 women, and protecting the biodiversity of the ecosystem. And, as of 2011, our shampoos and our shower gels are on average 88% and 85% biodegradable.

— WHAT WE ARE GOING TO DO

We are accelerating our commitment to sustainable innovation. By 2020, 100% of our products will have improved their environmental or social profile. This means reducing the environmental footprint of our formulas, especially the water footprint.

We will also increase our use of sustainably sourced renewable raw materials and raw materials derived from Green chemistry. And we will improve the environmental profile of our packaging while finding new ways to increase the positive social impact of our products.





COMMITMENT

BY 2020, WE WILL REDUCE OUR ENVIRONMENTAL FOOTPRINT BY 60% FROM A 2005 BASELINE WHILST BRINGING BEAUTY TO ONE BILLION NEW CONSUMERS.

PRODUCING *SUSTAINABLY*

— WHAT WE ARE DOING NOW

In 2005, we set out ambitious commitments to reduce CO₂ emissions, water consumption and waste at our plants and distribution centres by 50%, from a 2005 baseline. Between 2005 and 2012, we reduced the amount of CO₂ emitted by 39%. Over the same period, the amount of water it takes to make a finished product dropped by 23%.

It has been a big challenge taken on by all of our operations teams. For example, our Burgos factory in Spain is on course to be carbon neutral, thanks to the biomass plant we built next door. The plant, which supplies hot and cold water to the factory, is fuelled entirely by wood waste from local forests and sawmills.

— WHAT WE ARE GOING TO DO

As we aim to reach one billion new consumers, we are also upping our environmental commitment. By 2020 we will reduce our CO₂ emissions in absolute terms by 60%, as well as our water consumption per finished product unit, and waste per finished product unit by 60% from a 2005 baseline. We will mobilise our teams every day to improve the environmental impact of our plants and distribution centres. We also commit to sending zero waste to landfill, and to reduce the CO₂ emissions of our transportation by 20% per finished product unit from a 2011 baseline.



COMMITMENT

BY 2020, WE WILL EMPOWER EVERY L'ORÉAL CONSUMER TO MAKE SUSTAINABLE CONSUMPTION CHOICES WHILE ENHANCING THE BEAUTY OF THE PLANET.

LIVING *SUSTAINABLY*

— WHAT WE ARE DOING NOW

L'Oréal has always built a strong relationship with consumers, through its brands and products. Brands have already begun different sustainability initiatives. Biotherm, through its Water Lovers platform, is designing more water-efficient products and raising consumer awareness about water conservation. Garnier has participated in the environmental labelling experiment in France and encouraged consumers all around the world to recycle in their bathrooms. Kiehl's and The Body Shop have also developed a range of initiatives to raise consumer awareness of their environmental impacts.

— WHAT WE ARE GOING TO DO

We will help our consumers to make informed and sustainable lifestyle choices by setting up a product assessment tool to measure the environmental and social profile of all new products, and brands will share this information publicly. Every brand will make a commitment to improve its footprint and report on its progress. We are also introducing a consumer sustainability panel to help us continue to listen to consumers' views and priorities, and give consumers a chance to have their say on our sustainability initiatives.

DEVELOPING *SUSTAINABLY*

BY 2020, L'ORÉAL EMPLOYEES WILL HAVE ACCESS TO HEALTH CARE, SOCIAL PROTECTION AND TRAINING, WHEREVER THEY ARE IN THE WORLD.

— **WHAT WE ARE DOING NOW**

People have always been at the heart of the company, and the Group has always been committed to taking care of its employees. This is the reason why we have always shared our growth with the team, and why L'Oréal is attractive as an employer. Identifying, developing and promoting talent is complemented by an ambitious policy on collective benefits.

— **WHAT WE ARE GOING TO DO**

The growth of our business goes hand in hand with the development of social protection for L'Oréal employees all around the world. We will provide health coverage which is in line with the best practice of the country employees are based in. We will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur, and every L'Oréal employee will have access to at least one training session per year, wherever they are in the world.



COMMITMENT

BY 2020, 100% OF OUR STRATEGIC SUPPLIERS WILL BE PARTICIPATING IN OUR SUPPLIER SUSTAINABILITY PROGRAMME.

— WHAT WE ARE DOING NOW

Like most companies we have a comprehensive supply chain audit strategy. We have completed more than 4,400 social audits around the world since 2006. We have built strong relationships with our suppliers, for example, helping 133 of them to participate in the Carbon Disclosure Project in 2012.

— WHAT WE ARE GOING TO DO

It is our responsibility to engage our suppliers with our commitments and we want to improve by also helping our partners to improve. We will help them meet their sustainability challenges by sharing our training tools with them. All our strategic suppliers will be evaluated and selected on social and environmental performance. We will help them to complete a self-assessment of their sustainability policy. In addition, 20% of strategic suppliers will take part in our Solidarity sourcing programme.

COMMITMENT

BY 2020, WE WILL ENABLE MORE THAN 100,000 PEOPLE FROM UNDERPRIVILEGED COMMUNITIES, EQUIVALENT TO THE SIZE OF OUR GLOBAL WORKFORCE, TO ACCESS WORK.

— WHAT WE ARE DOING NOW

Sharing our success and our growth with the communities around us has always been part of our DNA. We have built strong relationships with communities we touch around our plants and administrative buildings. Programmes have included fair trade purchasing programmes, philanthropy programmes related to self-confidence through beauty and mentoring and educating within communities.

— WHAT WE ARE GOING TO DO

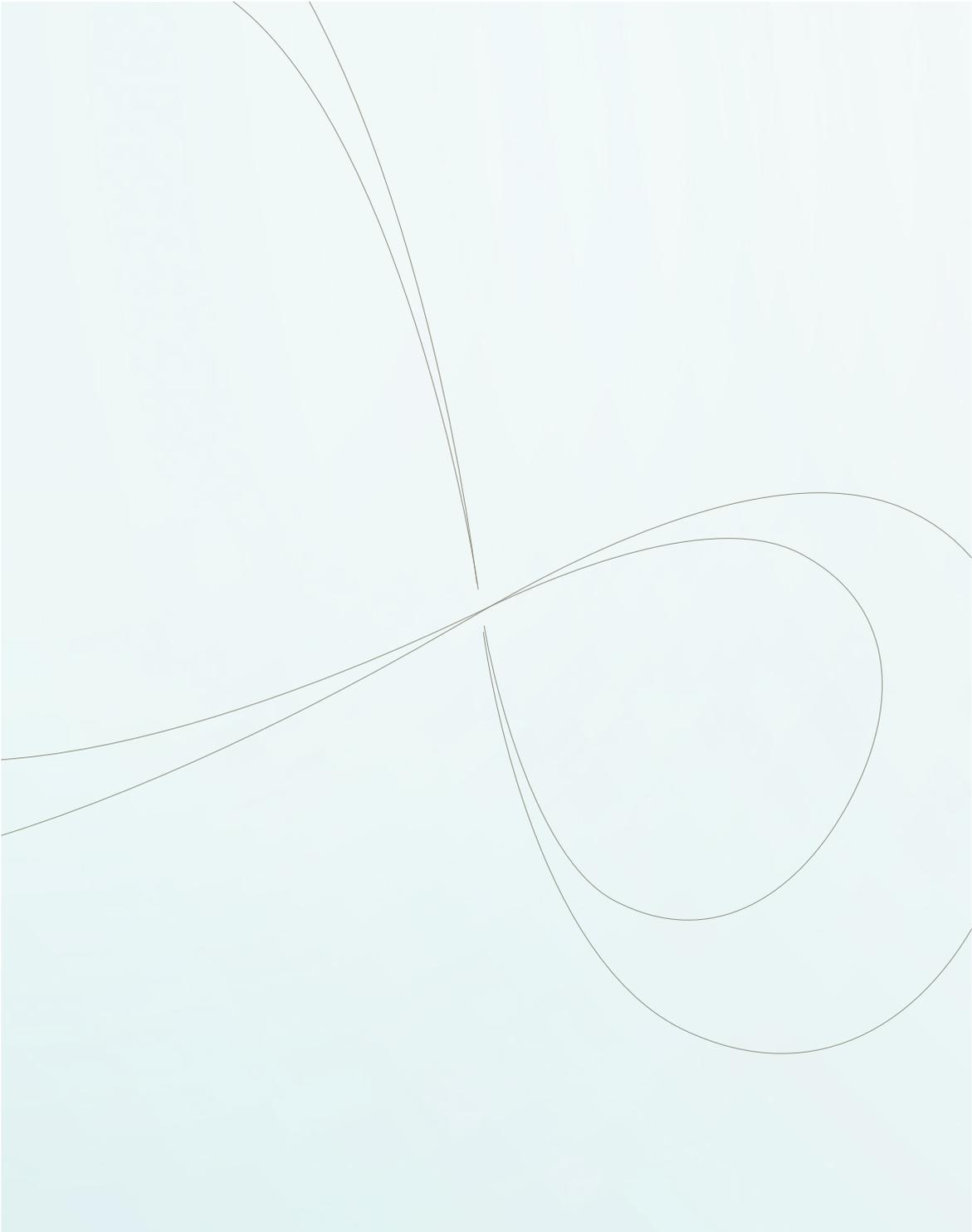
To accelerate the development of our different initiatives, we are committing to enabling 100,000 people to access work by 2020. Programmes include Solidarity sourcing, which promotes inclusion by favouring responsible purchasing, inclusive distribution models we will set up all around the world, beauty professionalisation initiatives, mentoring and community education actions, and the employment of disabled people and under-represented socioethnic groups in our workforce.



REPORT *AND PROGRESS*

We are committed to reporting regularly on our progress against each goal, and are setting up indicators which will enable us to do this. A panel of independent assessors, chaired by José María Figueres, former President of Costa Rica, and made up of international experts, will review our progress once a year, and help us shape and develop our strategy over time.

Find out more on
www.loreal.com/sharingbeautywithall



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