



L'ORÉAL

2020 ANNUAL REPORT

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1st

cosmetics Group
worldwide⁽¹⁾

500

patents registered
in 2020

85,400

employees

27.99

billion euros of sales
in 2020⁽²⁾

35

brands

5.20

billion euros
in operating profit

150

countries



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digital Annual Report

(1) Source: WWD, Beauty's Top 100, May 2020. (2) At 31 December 2020.

Our purpose

The desire for beauty has existed since the beginning of humanity. It's a universal aspiration which crosses time, countries, and cultures.

Beauty is a powerful force that moves us.

We know that beauty is more than just looking good.

Beauty gives us confidence in who we are, in who we want to be, and in our relationships with others.

For over a century we have been dedicated to one sole vocation: creating beauty.

We remain true to the pioneering spirit of our founder and enjoy the unwavering support of his family, who have always accompanied our development.

Our goal is to offer each and every person around the world the best of beauty in terms of quality, efficacy, safety, sincerity and responsibility to satisfy all beauty needs and desires in their infinite diversity.

Because beauty is a permanent quest, we harness the power of our innovation to continually enhance the performance of our products and services.

Because we value diversity, we leverage each of our brands to celebrate all expressions of beauty.

Because we strive to be exemplary with a long-term vision, we anchor our actions in our strong values and demanding ethical principles.

And because we are the global leader in beauty, we are aware that **everything we do can have a meaningful impact.**

Therefore:

We act to shape the future of beauty by leveraging the best of science and technology, increasingly inspired by nature.

We act to drive social innovation by offering the best working conditions, training, and social protection for our employees.

We act to build a business with inclusivity at its heart by ensuring we are as diverse as the people we serve.

We act to nurture lasting partnerships with our clients and suppliers based on mutual trust and collaboration.

We act to create value for all our shareholders, by sustaining a robust business model.

We act to champion the cause of women and to strengthen the communities with which we engage.

We act to protect the beauty of the planet by fighting climate change, respecting biodiversity and preserving natural resources.

At L'Oréal, we share a common purpose to:

Create the beauty that moves the world

Prospects

Jean-Paul Agon, Chairman and CEO of L'Oréal⁽¹⁾, and Nicolas Hieronimus, who will succeed him as Chief Executive Officer⁽²⁾, look back at the highlights of 2020 and discuss the Group's prospects for the future.

Jean-Paul Agon:

2020 was a year like no other.

L'Oréal was able to navigate this year in the best possible condition and has even grown stronger.

The pandemic that disrupted the world led to an unprecedented crisis of supply. No one could have ever imagined that, one day, we would see seven million salons and nearly all perfumeries shut at the same time. As a result, the Beauty market decreased for the first time in history, by around -8%⁽³⁾.

Throughout the year, the health and safety of our employees was our absolute priority. We also immediately mobilised alongside our partners to help them cope with the crisis, and we provided support to caregivers around the world.

On the business front, L'Oréal's performance in 2020 was the result of the exceptional commitment and the unfailing fighting spirit of our teams. I would like to recognize their enduring dedication which enabled the Group to continue to provide the beauty and care products that people need more than ever in times of crisis.



“2020 was a year like no other. L'Oréal was able to navigate this year in the best possible condition and has even grown stronger”

Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal⁽¹⁾

(1) Chairman as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting. (2) By decision of the Board of Directors at the 2021 Annual General Meeting.
(3) Source: L'Oréal estimate for the global cosmetics market based on manufacturer's net prices. Excluding soap, toothpastes, razors and blades. Excluding currency effects.



We got back to sales growth in Q3, and accelerated in Q4. The Group made historic market-share gains.

Three of our four Divisions significantly reinforced their positions and we outperformed in most regions worldwide.

Despite this exceptional year, we were able to preserve our operating margin at the same record level as 2019, and net earnings per share decreased by only -5.7%. Considering these solid results, we decided to propose a dividend of four euros at the next Shareholder Meeting, an increase of +3.9% compared to last year.

We also posted exemplary extra-financial results.

The Group achieved almost all the ambitious goals of its first sustainability programme, "Sharing Beauty With All⁽¹⁾". Independent experts have recognised our efforts, with L'Oréal topping key ESG rankings.

In such a challenging context, L'Oréal starts 2021 stronger than ever.

The crisis has accelerated the transformations we have carried out over the last few years, which have equipped us to weather the challenges of 2020 and remain a step ahead.

We solidified trust with our partners, retailers and suppliers.

Our market-share gains are a tremendous advantage, as many new consumers are likely to stay loyal to our brands in the future.

Our leadership in China, the second-largest beauty market in the world, has further increased this year.

Our digital prowess gives us a cutting edge, as we make beauty even more personalised and connected.

Our leadership in e-commerce is more powerful than ever, with online sales reaching more than a quarter of our total sales.

We are strengthening our positions in skincare, the biggest and the fastest-growing category in the beauty market.

Our Research & Innovation is sharper than ever and focused on the most promising fields of science and technology.

Our organisation has become more agile and our extraordinary adaptability enables us to respond to major shifts and market volatility at lightning speed.

Our results are more virtuous than ever because we have optimised costs and rebalanced our investments.

Lastly, we took a bold step forward in Sustainability and Responsibility with our new L'Oréal for the Future programme,

which aims to address the planet's most pressing challenges. Launched in the spring, it is one of the most ambitious programmes in the world and will lead the way to an inclusive and sustainable tomorrow.

As I prepare to pass the baton to Nicolas Hieronimus, I am absolutely thrilled and totally serene:

because we have a unique business model that has proven both its ability to win market share and create value in usual times, as well as its capacity to resist exceptionally well in times of crisis, as we saw last year; because we have anticipated all fundamental shifts to win in the 21st century; and because I have total confidence in L'Oréal's teams.

The next chapter starts with **Nicolas, who is the best person to chart the course that will steer our company to new successes and stay true to our strategy and values** while also reinventing the Group and adapting it to the major challenges that lie ahead.

(1) L'Oréal's corporate social responsibility programme.

“I aim to make L’Oréal a company of the future —a global leader with strong values”

Nicolas Hieronimus, Deputy CEO in charge of Divisions⁽¹⁾

Nicolas Hieronimus:

Thank you, Jean-Paul, for your kind words. I would like to begin by paying tribute to your formidable track record, both financial and non-financial. **On behalf of everyone at L’Oréal, thank you for bringing the Group to this level of performance.**

My vision for the years ahead is shaped around three keywords: **Continuity, Confidence and Ambition.**

The first word, continuity, applies to this transition. I have been a member of the Executive Committee for the past 13 years, and have been involved in each of the Group’s transformational decisions. Together, we have built a close relationship that will only grow stronger, on different terms but in the same spirit of proximity.

The second keyword is confidence. Confidence in the power of the L’Oréal model; confidence in L’Oréal’s outstanding employees; and, last but not least, confidence in the beauty market.

This year has proven the resilience and power of the unique L’Oréal model, a model that empowered us to achieve our best performance of the past 15 years in 2019 and enabled a solid result despite upheaval around the globe in 2020. This model has constantly evolved over the years but has always remained true to its roots.

I am thinking of beauty, a market in which we are a pure player; innovation, which has proven to be a winning wager and a unique competitive advantage; and marketing

creativity, through which we transform our R&I discoveries to meet the needs and aspirations of consumers.

In the coming years, growth in the beauty market will be driven by solid trends that we have anticipated: the rise of the middle and upper classes; youth, who are consuming younger and younger; seniors with increasingly busy social lives; men who are using more beauty products, especially in Asia; and urbanisation.

However, post-Covid beauty will be different because the crisis has brought some very powerful trends that will durably impact the beauty market. Most of these trends existed pre-Covid but were accelerated by the pandemic. On all these trends, L’Oréal was ahead of the curve.

Digitalisation and data, allowing more personalisation in a world where online and offline will be seamlessly intertwined.

The need for sustainability, which is key to the L’Oréal for the Future programme, to ensure we work within the planet’s boundaries.



⁽¹⁾ CEO as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.



Health and transparency as we enter a new “health first” era where ingredients are questioned, and transparency expected. **Consumer safety has always been at the heart of L’Oréal values.**

The importance of company’s and brands’ values and purpose. **In 2020, the Group published its Sense of Purpose: Create beauty that moves the world.** I am committed to this mission. I believe in L’Oréal’s duty and capacity to make the world a better place and improve people’s lives.

Lastly, the return of science and technology, central to finding solutions to the world’s most pressing issues.

The third word is Ambition. Ambition for L’Oréal for the next decade.

First, top-line growth and beating the market will always be my priorities. We are the market leader yet our global market share is still only around 13%, which shows how much potential we have to grow.

I believe the relevance of our universalization strategy will be key to achieving this objective. We roll out global brands, which we adapt to local requirements.

Against this backdrop, my three regional priorities will be: pursuing the Chinese momentum; boosting growth in the USA; and accelerating in emerging markets, where rapid digitalisation and the rise of e-commerce will give us easier access to this pool of consumers who are keen to obtain the best beauty products.

The second driver of my ambition is our category strategy. **Our top priority will be skincare, the biggest and most dynamic beauty category at the crossroads of all market trends.** We will continue to grow and promote hair care & colour both in the professional and mass markets.

Our global leadership in fragrance puts us in the best position to benefit from this category’s acceleration in China.

I also believe makeup will make a comeback, and we will lead the resurgence. The Group’s multiple facets allow us to satisfy all consumers, at all price points, and to seize all trends.

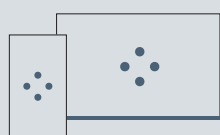
The third driver of my ambition is e-commerce, which could represent 50% of our business in the near future. We need to be ready.

Finally, I would like to express my ambition to deliver regular improvements in profitability, through top-line growth and ever more virtuous P&L.

For the next decade, we will continue the unique L’Oréal adventure. This adventure will take us to new heights, to explore new business models and new territories from Green Sciences⁽¹⁾ to Beauty Tech⁽²⁾.

This adventure will make L’Oréal a company of the future—a global leader with strong values, committed to sustainability and helping beauty play its role towards humanity: a role of inclusion, a role of harmony and of respect.

With the strength and passion of the L’Oréal teams, I want to Create the Beauty that Moves the World.



Watch the full interview in the digital Annual Report

(1) A set of disciplines on which L’Oréal relies to achieve its sustainability objectives while delivering unrivalled product performance to consumers.
(2) New technologies for the beauty industry.

The Board of Directors

Proactive, committed directors with complementary skills

The composition of the Board reflects L'Oréal's unique shareholding structure and guarantees the interests of all its shareholders. Alongside the Chairman & Chief Executive Officer, there are three directors who represent the Bettencourt Meyers family, two from the Nestlé company, six independent directors and two directors representing employees⁽¹⁾. In 2020, the Board welcomed a new independent director, Ilham Kadri, Chairwoman of the Executive Committee and CEO of Solvay.

As of 31 December 2020, Board members represented seven different nationalities, with 58% women and 50% independent directors. Three of the four committees are chaired by independent female directors.

The directors draw on a diverse, complementary range of industrial, entrepreneurial, financial and non-financial (including human resources and sustainability) expertise, ensuring swift insight into the development challenges facing L'Oréal, the leader of a globalised, highly competitive cosmetics market in which the need to innovate and adapt is crucial. Most have experience managing international groups at the highest level. The diverse experience and expertise they bring fosters free, informed and spontaneous discussions.

A board that fully assumes its responsibility to provide strategic impetus

The directors are committed and proactive, driven by the conviction that stringent governance creates value for the company. They play a tireless, dynamic role in the work of the Board and its committees. Board committees issue detailed, insightful, reasoned recommendations that feed into the Board's discussions and inform its decisions. The Board is constantly focused on ensuring the long-term future and development of L'Oréal, taking into account its purpose as well as the social and environmental implications of its activities.

The Board carries out a full review of its *modus operandi* and organisation every year from a continuous improvement perspective. During this annual review it determines which topics to prioritise, providing the impetus for L'Oréal's long-term strategy.

A board of Directors fully mobilised throughout the Covid-19 crisis

Throughout the year, the Board was kept fully informed of the consequences of the Covid-19 crisis and the actions taken, monitoring the pandemic globally, the measures to support and assist employees with the increase in teleworking, and the Solidarity Plan put in place by the Group. The Board carried out an in-depth analysis of the impact of the health crisis on sales by Division and by Zone, as well as its impact on cash flow. It discussed the administrative measures put in place to deal with the crisis and validated the strategic choices aimed at creating the right conditions to boost growth drivers.

New governance and a succession plan crown an exemplary process

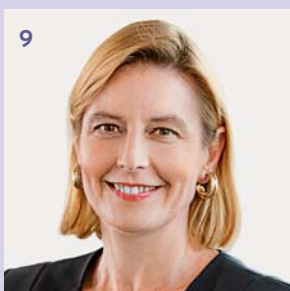
Throughout the year, the Board of Directors was kept informed of the work of the Appointments and Governance Committee on the succession of Jean-Paul Agon as Chief Executive Officer. The Committee met multiple times and made its recommendation to the Board on completion of an in-depth process carried out with impartiality and discretion in accordance with the highest standards of governance.

On 14 October 2020, the Board also announced its intention to dissociate the functions of Chairman of the Board of Directors and Chief Executive Officer, to renew Jean-Paul Agon's mandate as Chairman, and to appoint a new Chief Executive Officer, Nicolas Hieronimus. All of these decisions will take effect on 1 May 2021 by decision of the Board of Directors at L'Oréal's Annual General Meeting on 20 April 2021.

Ethics at the heart of L'Oréal's governance and commitments

The Board of Directors places great importance on respecting L'Oréal's ethical principles—Integrity, Respect, Courage and Transparency—and more generally its Code of Ethics. The Chief Ethics Officer regularly presents the ethics strategy and the initiatives taken in this field, as well as their results. The Board considers this strategy to be an integral part of L'Oréal's growth model; it supports its implementation and measures the advances made.

⁽¹⁾ At 31 December 2020.



"I am delighted with the way the Board of Directors has conducted the process of choosing my successor as L'Oréal CEO. On completion of a forward-looking, objective and rigorous selection process taking over eighteen months, the Board has decided on a new governance which, I am certain, will guarantee the sustainability of the Group's performance, values and commitments"

Jean-Paul Agon, Chairman & CEO⁽¹⁾

1 Jean-Paul Agon
Chairman and CEO since 2011 (reappointed in 2018)

2 Françoise Bettencourt Meyers
(reappointed in 2017)

3 Paul Bulcke
Vice-Chairman of the Board (since April 2017)

4 Ana Sofia Amaral
(reappointed in 2018)

5 Sophie Bellon
(reappointed in 2019)

6 Patrice Caine
(since April 2018)

7 Fabienne Dulac
(since April 2019)

8 Belén Garijo
(reappointed in 2018)

9 Béatrice Guillaume-Grabisch
(reappointed in 2020)

10 Ilham Kadri
(since June 2020)

11 Georges Liarokapis
(reappointed in 2018)

12 Jean-Victor Meyers
(reappointed in 2020)

13 Nicolas Meyers
(since June 2020)

14 Virginie Morgon
(reappointed in 2017)

(1) Chairman as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.

The Executive Committee,

the Group's management body⁽¹⁾

Executive Committee members are in charge of L'Oréal's Divisions, Functional Departments and Geographic Zones. They implement strategic guidelines and direct Group activities all over the world.

1 Jean-Paul Agon

Chairman and Chief Executive Officer*

*Chairman as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.

2 Nicolas Hieronimus

Deputy Chief Executive Officer, in charge of Divisions*

*Chief Executive Officer as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.

3 Christophe Babule

Chief Financial Officer

4 Vincent Boinay

President
Travel Retail

5 Cyril Chapuy

President
Luxe

6 Myriam Cohen-Welgryn

President
Active Cosmetics

7 Vianney Derville

President
Western Europe Zone

8 Blanca Juti

Chief Communications & Public Affairs Officer*

*From April 2021.

9 Barbara Lavernos

President, Research, Innovation and Technologies*

*Deputy CEO in charge of Research, Innovation and Technologies from 1 May 2021.

10 Jean-Claude Le Grand

Chief Human Relations Officer

11 Fabrice Megarbane

President
North Asia Zone
& Chief Executive Officer L'Oréal China

12 Alexandra Palt

Chief Corporate Sustainability Officer and L'Oréal Foundation

13 Alexis Perakis-Valat

President
Consumer Products

14 Alexandre Popoff

President
Eastern Europe Zone

15 Stéphane Rinderknech

President
North America & L'Oréal USA

16 Lubomira Rochet

Chief Digital Officer

17 Nathalie Roos

President
Professional Products*

*Omar Hajeri has replaced Nathalie Roos as from 8 March 2021.

18 Frédéric Rozé

Chief Global Growth Officer

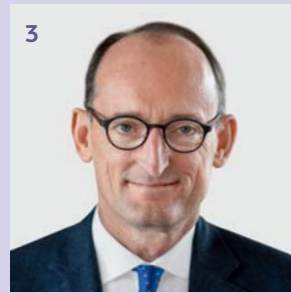
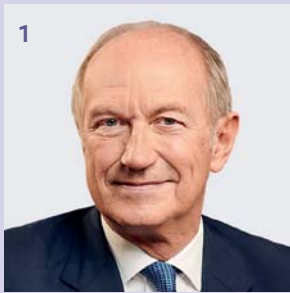
19 Vismay Sharma

President
South Asia, Pacific, Middle East and North Africa Zones

20 Antoine Vanlaeys

Chief Operations Officer

(1) At 8 March 2021.



Safety and solidarity during the Covid-19 crisis



By **Jean-Paul Agon**
Chairman and Chief
Executive Officer
of L'Oréal⁽¹⁾

L'Oréal had to confront the Covid-19 pandemic at a very early stage due to its significant presence in China. This helped us to quickly understand the crisis and react accordingly in the rest of the world. In this unprecedented context, our absolute priority was to protect our employees at all our subsidiaries. The Group also rolled out a number of solidarity measures for its customers and partners and supported health authorities.

In the midst of this exceptional situation, and to mitigate its consequences, **L'Oréal announced the launch of a social and environmental solidarity programme of unprecedented breadth: L'Oréal for the Future.** The programme focused on two major priorities during the crisis: supporting charitable organisations that help vulnerable women, contributing to the regeneration of damaged natural ecosystems and fighting climate change.

I am particularly proud of the way Group employees mobilised worldwide behind solidarity measures contributing to the collective fight against Covid-19. I want to thank all our employees, who adopted new ways of working, by staying home or respecting public health measures in their workplace, so that business could continue. I am also extremely proud of our brands, which manufactured and donated several million bottles of hand sanitiser to hospitals, nursing homes, pharmacies and their customers.

(1) Chairman as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.

Our actions on the field



Protection, solidarity and trust: priorities in times of crisis

Because of its strong footprint in China, L'Oréal quickly realised how serious the Covid-19 crisis would be. The Group learned much from the early days and was able to react more effectively in other parts of the world in many areas, including employee health, workplace organisation and the gradual return to the office. Throughout the year, many L'Oréal employees volunteered their time and energy to support the people most heavily impacted by the public health crisis.



L'Oréal is more committed than ever to supporting hairdressers

L'Oréal is a long-standing partner of hairdressers and sprang into action as soon as lockdowns across the globe began forcing salons to close. The Group quickly froze receivables to support independent hairdressers and salons worldwide. In addition, the Professional Products teams mobilised to support salons as they reopened, to ensure hairdressers could welcome their customers back in the safest conditions.

Solidarity at L'Oréal Operations

The L'Oréal Operations teams sprang into action from the beginning of the pandemic. In record time, they rolled out a formula for hand sanitiser perfected by the Research & Innovation teams, produced in 70% of plants worldwide, all sites with facilities suitable for handling the alcohol and other flammable ingredients. The teams also worked closely with suppliers, setting production priorities in real time to keep products from going out of stock.



L'Oréal's Solidarity Plan: Finance plays a pivotal role

Under the European Solidarity Plan announced by Jean-Paul Agon, L'Oréal's Chairman and Chief Executive Officer, on 18 March 2020, the Group implemented a plan to support the fight against coronavirus involving all key stakeholders. The Finance department played a central role in the solidarity plan, by freezing all sums owed by hair salons, small perfume stores, and VSE/SMEs⁽¹⁾ in the Group's distribution channels until they were able to reopen.

(1) Very small enterprises/Small and medium enterprises.



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• L'Oréal supports the authorities through public health crisis as a committed player in the fight against Covid-19

Responsibility



Alexandra Palt
Chief Corporate
Sustainability Officer
and L'Oréal Foundation

“More committed to the environment and society than ever before, L'Oréal is ready to rise to the challenges of the coming decade”

In 2013, L'Oréal announced ambitious goals with its sustainable development programme for 2020, “Sharing Beauty With All”. This programme began a deep-seated transformation of the Group's economic model and led to significant advances.

Today, faced with the acceleration of climate change and increasing environmental upheaval, L'Oréal is committed to achieving even more ambitious goals. The Covid-19 crisis did not weaken our resolve—quite the contrary. We have accelerated our efforts and set our sights even higher. The new sustainable development programme, **L'Oréal for the Future**, which launched in June 2020, is a crucial new step in that direction. It sums up our vision of the role companies must play in tackling the challenges currently facing the world.

We are now committed to managing the Group's business in a way that respects “planetary boundaries”, as defined by environmental science. We also want to involve our ecosystem in this transformation, from our clients to our suppliers and consumers. Everyone has a role to play.

Beyond transforming our business model, we also want to contribute to solving the social and environmental challenges facing the world. To do so, L'Oréal has earmarked 100 million euros for impact investing to regenerate ecosystems and develop the circular economy, and another 50 million euros for a charitable endowment fund to support the most vulnerable women.

The Group is more committed than ever to protecting the environment and building a fair society. Alongside its ecosystem, L'Oréal is ready to rise to the challenges of the coming decade.



L'Oréal for the Future

The Group's new sustainable development commitments for 2030

In 2020, the Group entered a new phase in its sustainable development campaign with the announcement of the L'Oréal for the Future programme, demonstrating its drive to capitalise on past achievements and accelerate its transition towards a more sustainable model.

This new programme embodies two complementary aspects of corporate social responsibility: continuing and accelerating the transformation of the Group's business model to remain within "planetary boundaries" while helping to solve the most urgent social and environmental challenges facing the world.

Seven groups of internal experts coordinated independent studies and worked with external partners and civil society to ensure L'Oréal for the Future is aligned with science and the pressing nature of the social and environmental challenges humanity now faces.



Respecting "planetary boundaries"

Given the new challenges facing the world, it is no longer enough for companies to reduce their negative impact with self-determined goals. That is why L'Oréal has committed to ensuring its business respects earth's 'planetary boundaries'. L'Oréal relied on this scientific approach to establish its sustainable development goals for 2030. The Group's new commitments target not only direct impacts, but also indirect impacts.

➤ READ THE FULL ARTICLE IN THE DIGITAL
ANNUAL REPORT: lorealannualreport2020.com



L'Oréal Citizen

Engaged employees, engaged citizens

From the first lockdowns in the spring of 2020, L'Oréal employees contributed to solidarity efforts to combat the coronavirus. Innovative forms of remote engagement enabled volunteers to help hospitals and the Group's partner non-profits all while respecting social distancing measures. By making financial donations, providing professional coaching, tutoring school children and calling to check on isolated elderly people, L'Oréal employees did their part to mitigate the impacts of the pandemic.

Given these successes, L'Oréal decided to reinvent its traditional Citizen Day, which is usually filled with volunteer operations in the field, to make room for new forms of engagement.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

Becoming part of the solution to the challenges facing society

As part of the L'Oréal for the Future programme, the Group chose to go beyond its internal transformation to help develop solutions to major social and environmental challenges. To that end, it chose to earmark 100 million euros for impact investing. Impact investing is socially responsible investing that seeks to create a positive social or environmental impact while also ensuring financial return. The Group decided to focus its investments on two key environmental challenges: biodiversity regeneration and the acceleration of the circular economy.

L'Oréal also created a charitable endowment funded with 50 million euros over three years to support non-profits in their efforts to help vulnerable women.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



Climate, water, forests: environmental performance and transparency

For the fifth consecutive year, L'Oréal has been recognised as a global leader in sustainable development by the CDP⁽¹⁾. L'Oréal is the only company to have ever received A ratings in all three areas assessed by the CDP—combating climate change, protecting forests and sustainably managing water—for five years in a row. The Group earned these ratings thanks to the ambitious goals it has set for itself and the initiatives it has rolled out to reduce carbon emissions, slow or reverse deforestation in its supply chain, and improve water management—goals that are important parts of the new L'Oréal for the Future sustainable development programme.

(1) CDP is an independent international non-profit that assesses companies' environmental performance.



Shampoo bars: a revolution!

Garnier launched its range of Ultimate Blends shampoo bars this year, which feature 94% plant-based ingredients. These bars are 97% to 99% biodegradable and the formula makes them easier to rinse out. What's more, these new shampoos come in 100% recyclable cardboard packaging, eliminating all plastic waste. This product is just one of many initiatives L'Oréal designed to help the Group reach its 2030 goals.

Human Rights: the same rights for all

L'Oréal has long championed initiatives designed to ensure Human Rights are upheld at every stage in its value chain. Its commitments were gathered and formalised in its 2017 Human Rights Policy, in line with United Nations standards. More recently, L'Oréal published its Employee Human Rights Policy, which ensures the same social benefits for all Group employees. **Julie Vallat**, Vice President Human Rights, L'Oréal, shares more about the Group's latest advances in this area in a video in the digital version of the Annual Report lorealannualreport2020.com.



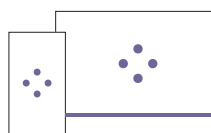
The L'Oréal Corporate Foundation

To help fight the pandemic and its consequences for the most underprivileged, the L'Oréal Corporate Foundation supported non-profit organisations working to combat poverty. This support helped these organisations stay afloat and adapt their initiatives to protect their employees and volunteers, all while meeting the urgent new needs of their beneficiaries.

Since 2009, the L'Oréal Corporate Foundation has run an excellent international training programme for beauty professions, to help people facing social or economic insecurity access jobs or start businesses. This year, the Foundation adapted its offering to provide a series of online training sessions.

Founded in 1998 in partnership with UNESCO, the For Women in Science programme aims to boost women scientists' careers and reduce the number of obstacles they encounter in the field of scientific research. The programme awards over 250 research grants to doctoral and post-doctoral researchers each year in 118 countries.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



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• In Spain, L'Oréal goes the extra mile by partnering with Koiki, a company that employs people with disabilities



Ethics

L'Oréal was built on strong ethical principles that guide its development and shape its reputation. These principles form the basis of the Group's policies in terms of compliance, responsible innovation, environmental stewardship, social and societal responsibility, diversity and philanthropy.

Integrity

Because acting with integrity is vital to building and maintaining trust and good relationships.

Respect

Because we strive to have a positive impact on our stakeholders.

Courage

Because ethical questions are rarely easy but must be addressed.

Transparency

Because we must always be sincere and able to justify our actions and decisions.

Even more committed to the United Nations Global Compact

The United Nations Global Compact is the largest international sustainable development initiative. L'Oréal joined in 2003 and has been committed to respecting the Ten Principles ever since. In 2020, the Group was once again named a UN Global Compact LEAD company—a distinction awarded to companies that attain the highest possible level of engagement.

L'Oréal is also a signatory of the Women's Empowerment Principles, a joint initiative led by UN Women and the UN Global Compact, which aims to promote gender equality and to empower women in the workplace, marketplace and community.

[➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)





What is responsible lobbying?

In 2014, L'Oréal initiated and signed the Common Statement on Lobbying alongside seven other members of Transparency International France. Transparency International France is the French branch of Transparency International, an NGO⁽¹⁾ that fights against corruption worldwide. As the world's leading cosmetics group, L'Oréal feels it has a duty to be proactive and take part in the development of regulations in countries where the Group operates when these regulations might impact its business—all while recognising the legitimacy of other stakeholder representatives and taking into consideration the interests they represent.

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World's Most Ethical Companies 2020

For the 11th time, Ethisphere, a global leader in defining and advancing the standards of ethical business practices, has ranked L'Oréal among the World's Most Ethical Companies. Companies are evaluated on over 200 data points, grouped into five fields: ethics and compliance, culture, environmental and social practices, governance and leadership, and innovation and reputation.



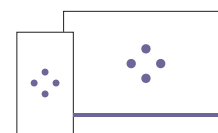
(1) Non-governmental organisation.



Ethics Day: an open dialogue about Ethics

Ethics Day is organised around a live chat between employees and Group Chairman and Chief Executive Officer Jean-Paul Agon. The discussion continues in each country with the General Manager and in France with the members of the Executive Committee. In 2020, Ethics Day benefited from an innovative 100% digital format that was more open than ever before: Jean-Paul Agon answered questions from employees in a live video. Ethics Day also reaffirms the importance of ethics at all levels throughout the Group.

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LEARN MORE ONLINE
lorealannualreport2020.com

• Spotlight on Germany and its ethical initiatives in the era of Covid-19



Human Relations



Jean-Claude Le Grand
Chief Human Relations
Officer

“L’Oréal and all of its employees distinguished themselves through solidarity, engagement and team spirit”

Amid the unprecedented circumstances that we continue to face, L’Oréal employee engagement has never been higher. This was most evident in the way teams mobilised to ensure business continuity for the Group despite several lockdowns, but also in the many solidarity initiatives rolled out to support the people most heavily impacted by the public health crisis.

L’Oréal was exemplary in its management of the crisis thanks to a solidarity plan that included full employment and pay for all employees worldwide until the end of June 2020. At the same time, the Group rolled out measures to protect the health of employees and help them through the difficult period created by the Covid-19 pandemic.

The Group was also agile and responsive as it accelerated the roll-out of digital services for employees and candidates: remote working solutions, a determination to train even more and better than before all over the globe, and the implementation of online recruitment.

Throughout this volatile year so full of uncertainty, **L’Oréal and all its employees distinguished themselves through solidarity**, engagement and team spirit. The Group also remained committed to its long-term commitments in terms of diversity and inclusion at the team, Division and brand levels.

N° 6

in the Refinitiv
Diversity and
Inclusion Index⁽¹⁾

6

weeks of paid parental
leave for the second parent
in all Group subsidiaries

(1) 6th place among the top 100 companies worldwide in terms of diversity and inclusion out of 9,000 evaluated.



Diversity and inclusion: the keys to beauty for all

L'Oréal aims to reflect the diversity of the markets in which it operates at every level of the Group. This mission can only be achieved by promoting inclusion and diversity within its teams. The Group also created a global Advisory Council on diversity and inclusion comprising both internal and external stakeholders. This Council aims to bolster the company's strategy and action plan for diversity and inclusion to enable the Group to continue making progress in all areas.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

Human Relations in the era of digital acceleration

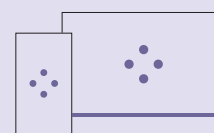
Thanks to L'Oréal's digital transformation, the groundwork had been laid to enable the Group to rapidly adapt to remote working. Drawing on its digital expertise, L'Oréal was able to transition to e-recruitment quickly and successfully. This year's challenges also led to a completely new approach to training. Thanks to the many initiatives and the mobilisation of Learning teams worldwide, every single Group employee received training in 2020, for the first time in L'Oréal history.

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FRANCE L'Oréal launches a second employee share ownership plan

In 2018, for the first time in Group history, L'Oréal invited employees to purchase shares in the company under preferred conditions. The Group decided to offer employees the same opportunity in 2020. Over 20,000 employees took up the offer. With this new plan, L'Oréal's aim is twofold: to bring people together around its values, goals and strategy, and to involve employees in the Group's growth.



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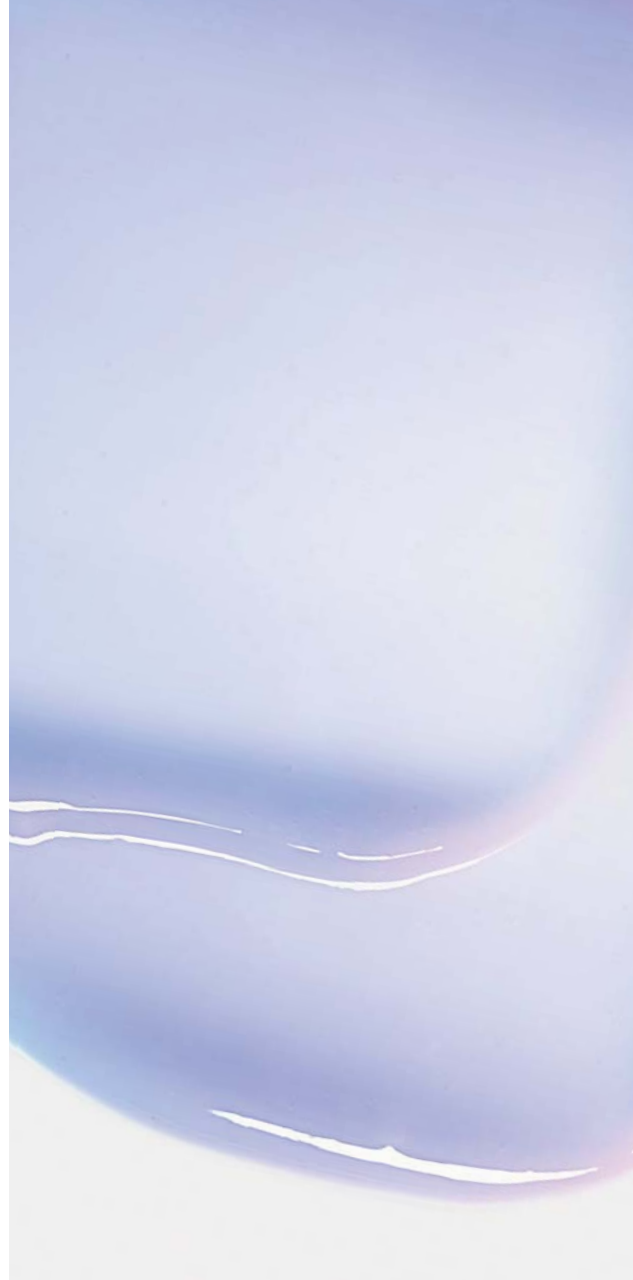
- Protection, solidarity and trust: Human Relations' priorities in times of crisis
- L'Oréal Paris spokeswoman Viola Davis shares her take on "role modelling diverse perspectives of beauty"
- In the Middle East, mental health issues are no longer taboo, because it's simple: when you feel good, you do good work

Perform





ance



Thanks to the outstanding commitment of its employees, L'Oréal has traversed this crisis in the best possible condition and has even grown stronger.

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| 30 | L'ORÉAL WORLDWIDE |

The world of beauty in 2020

L'Oréal confirmed its position as the global beauty leader once again this year⁽¹⁾.

≈ -8%

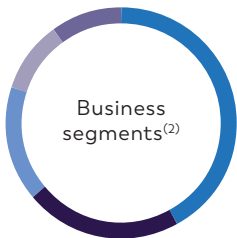
evolution in 2020⁽²⁾

€200 Bn

estimated market of more than 200 billion euros⁽²⁾

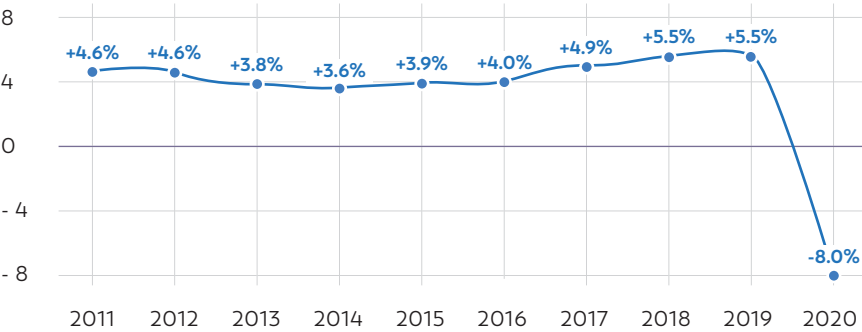
In spite of an unprecedented crisis of supply in 2020, the global cosmetics market is a dynamic market which saw a significant recovery in the second half, driven by strong consumer demand. The long-term potential is driven, most notably, by the rise of the middle and upper income classes, as well as by the growing number of senior citizens and a growing urban population on the lookout for products that meet their diverse aspirations.

Breakdown of the market

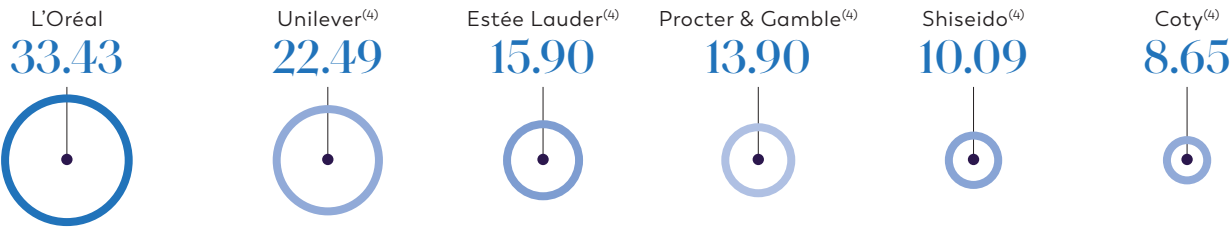


| | | | |
|------------------------------|-----|------------------|-----|
| Asia Pacific | 43% | Skincare | 42% |
| North America | 24% | Haircare | 22% |
| Western Europe | 16% | Makeup | 16% |
| Latin America ⁽³⁾ | 8% | Fragrances | 10% |
| Eastern Europe | 6% | Hygiene products | 10% |
| Africa, Middle East | 3% | | |

Evolution of the worldwide cosmetics market over 10 years⁽²⁾ (in %)



Main worldwide players in sales⁽¹⁾ (in billions of USD)



(1) Source: WWD, Beauty's Top 100, May 2020, based on 2019 sales. (2) Source: L'Oréal estimates for the global cosmetics market in 2020 based on manufacturers' net prices. Excluding soap, toothpastes, razors and blades. Excluding currency effects. (3) Excluding Argentina. (4) Estimated cosmetics sales according to WWD.

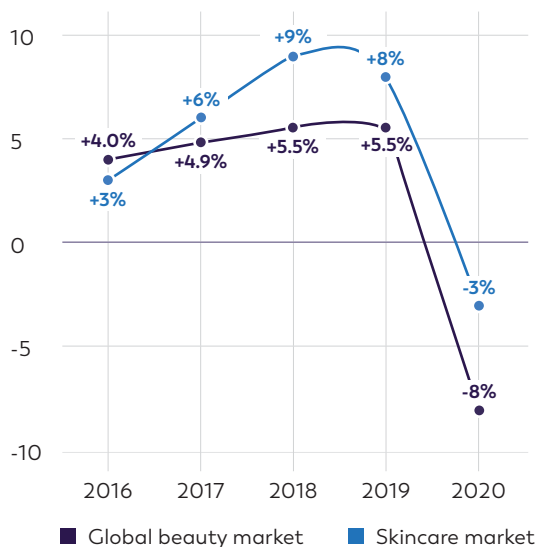
Focus on the skincare market

The skincare market

42%

of the beauty market⁽¹⁾

Evolution of the skincare market compared with the global beauty market⁽²⁾



L'Oréal benefits from the strength and balance of its brand portfolio, which covers the entire skincare market

DERMOCOSMETICS

Brands that partner with dermatologists:
La Roche-Posay, Vichy, CeraVe, SkinCeuticals

LUXURY SKINCARE

Iconic brands with a comprehensive skincare offering:
Lancôme, Kiehl's, Biotherm, Helena Rubinstein

AFFORDABLE SKINCARE

Affordable brands with scientific and natural formulas:
L'Oréal Paris, Garnier, Mixa, Sante Naturkosmetik

Skincare categories



Facial skincare



Facial cleansers



Body care

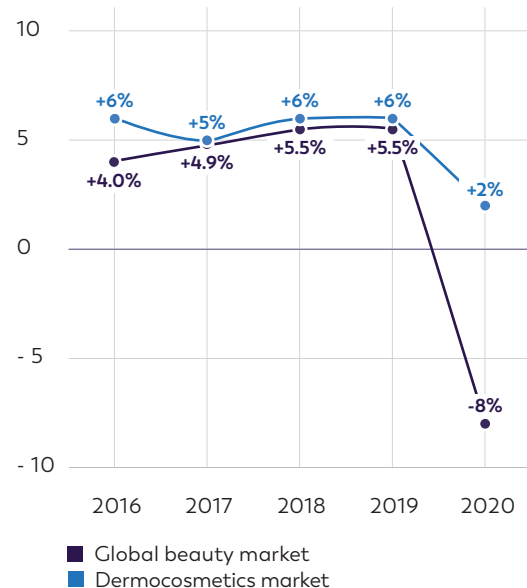


Sun protection

The dermocosmetics market

The only cosmetics market that recorded growth in 2020

Evolution of the dermocosmetics market compared with the global beauty market⁽²⁾



(1) Source: L'Oréal estimates for the global cosmetics market in 2020 based on manufacturers' net prices. Excluding soap, toothpastes, razors and blades. (2) Source: L'Oréal estimates for the global cosmetics market in 2020 based on manufacturers' net prices. Excluding soap, toothpastes, razors and blades. Excluding currency effects.

Focus on the digitalisation of beauty

E-commerce in the beauty market

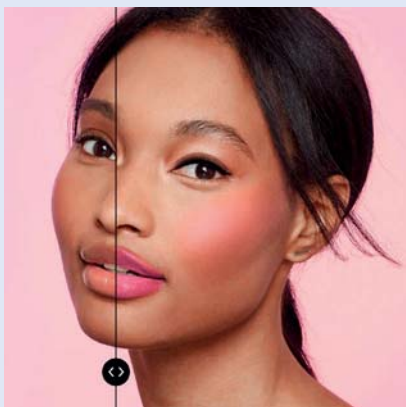
≈+40%

global growth
in online cosmetics sale⁽¹⁾

≈22%

proportion of e-commerce in the beauty
market compared with 14% in 2019⁽¹⁾

Beauty Tech and new services



VIRTUAL TRY-ON

More and more consumers are using augmented reality when shopping. With this technology, customers can try on hair colour and makeup products realistically and in real time, or obtain a skin analysis and personalised skincare routine. The coronavirus crisis has acted as a catalyst in the adoption of augmented and virtual reality to facilitate the shopping experience: 20% of retailers in the United States now want to offer virtual try-ons, compared with 8% before the crisis⁽²⁾.



THE DEVELOPMENT OF SOCIAL COMMERCE⁽³⁾

In the context of e-commerce growth, social commerce is booming. Social commerce enables consumers to interact with a brand or purchase a product or service via non-traditional channels, online forums, or on social media. A key social commerce tool in the beauty world is livestreaming⁽⁴⁾, which has grown significantly with the Covid-19 crisis and the increase in online buying.



DIGITAL MEDIA

With the rise of social media and advanced data analysis, brands are able to deliver increasingly relevant and targeted messages to consumers. Global digital advertising spending is increasing year after year, accounting for a growing proportion of total media spending, estimated to average almost 54% worldwide in 2020⁽⁵⁾.

(1) Source: L'Oréal estimate for the global cosmetics market in 2020 based on manufacturers' net prices. Excluding soap, toothpastes, razors and blades. Excluding currency effects. (2) Source: CommerceNext, July 2020. (3) A form of e-commerce that enables consumers, influencers, experts, beauty consultants and sales consultants to promote and sell brands and products on social media. (4) Live broadcasts of videos by influencers on social media. (5) Source: Global Digital Ad Spending Update, Q2 2020, eMarketer.

L'Oréal in figures

Despite the worldwide crisis due to the pandemic and the decline of the cosmetics market, L'Oréal has accelerated its growth in the fourth quarter of 2020 and reinforced its market share. Thanks to its balanced business model, the Group strengthens its position as the beauty market leader and maintains its profitability at 18.6%.

Our performance

L'Oréal's balanced business model enables long-term profitable evolution.

€27.99 Bn

sales in 2020

-4.1%

like-for-like sales evolution⁽¹⁾



Weight of digital in sales⁽²⁾

€7.4 Bn

of sales in e-commerce

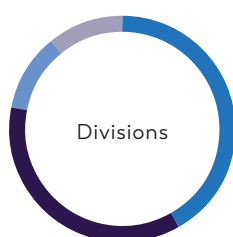
26.6%

of consolidated sales in e-commerce

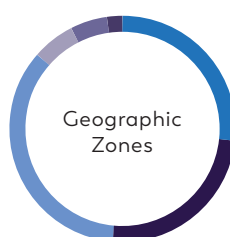
+62%

like-for-like growth in e-commerce sales in 2020⁽¹⁾

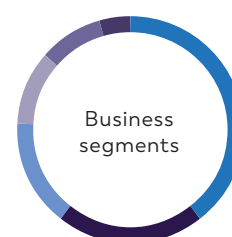
Breakdown of 2020 sales (as %)



| | |
|-----------------------|-------|
| Consumer Products | 41.8% |
| L'Oréal Luxe | 36.4% |
| Professional Products | 11.1% |
| Active Cosmetics | 10.8% |



| | |
|-----------------------|-------|
| Western Europe | 26.8% |
| North America | 24.7% |
| New Markets | 48.5% |
| > Asia Pacific | 35.0% |
| > Eastern Europe | 6.0% |
| > Latin America | 5.2% |
| > Africa, Middle East | 2.2% |



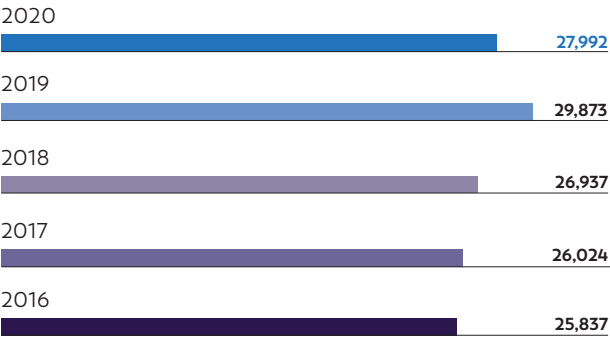
| | |
|-----------------------------|-------|
| Skincare and sun protection | 39.5% |
| Makeup | 21.3% |
| Haircare | 15.2% |
| Hair colouring | 10.6% |
| Fragrances | 9.0% |
| Other ⁽³⁾ | 4.4% |

(1) Based on a comparable structure and identical exchange rates. (2) Sales on our brands' websites + estimated sales by our brands via retailer websites (non-audited data); like-for-like. (3) "Other" includes hygiene products as well as sales by American professional distributors with non-Group brands.

Consolidated sales

(in millions of euros)

-4.1% 2020 evolution⁽¹⁾

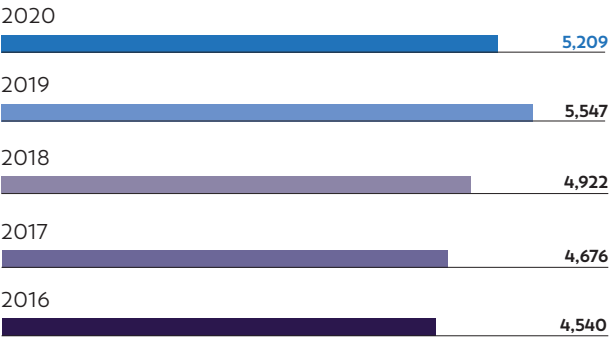


Operating profit

€5.20 Bn

-6.1% evolution of operating profit

Operating profit (in millions of euros)



Operating margin

(in %)

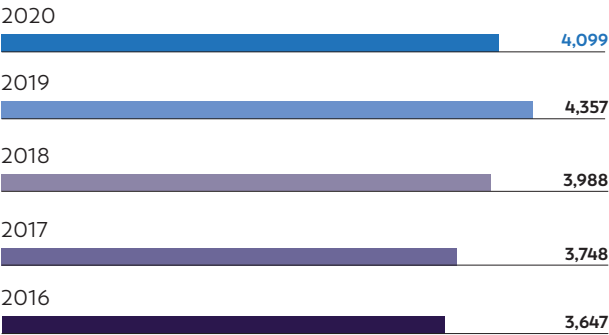
18.6% operating margin maintained at 18.6% of sales



Net profit excluding non-recurring items after non-controlling interests⁽²⁾

(in million of euros)

-5.9% evolution of net profit excluding non-recurring items after non-controlling interests



(1) Like-for-like: based on a comparable structure and identical exchange rates. (2) Non-recurring items include impairment of assets, net income from discontinued operations, restructuring costs and tax effects of non-recurring items.

Capital expenditure

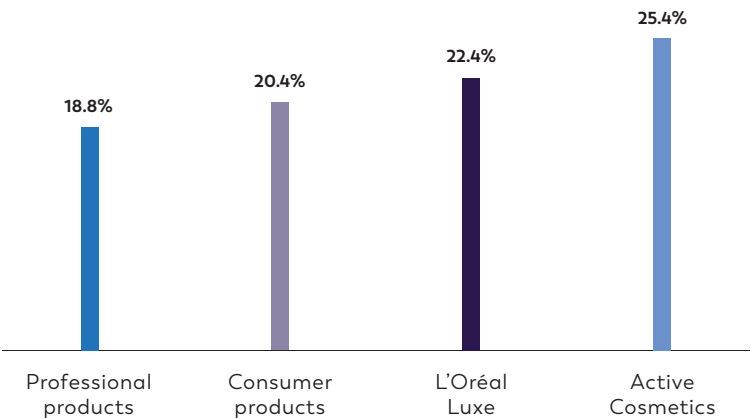
3.5%

of sales

Balanced operating profitability

21.5% total Divisions' profitability⁽¹⁾

Profitability by Division (as % of Division sales)



A solid financial situation (at 31 December 2020)

Short-term ratings

| | | |
|---------|-------------------|----------------|
| A1 + | Standard & Poor's | September 2020 |
| PRIME 1 | Moody's | September 2020 |

€3,859 m
net cash surplus



(1) Before non-allocated: before central Group expenses, fundamental research expenses, free grants of share expenses, and miscellaneous items. As a % of sales.

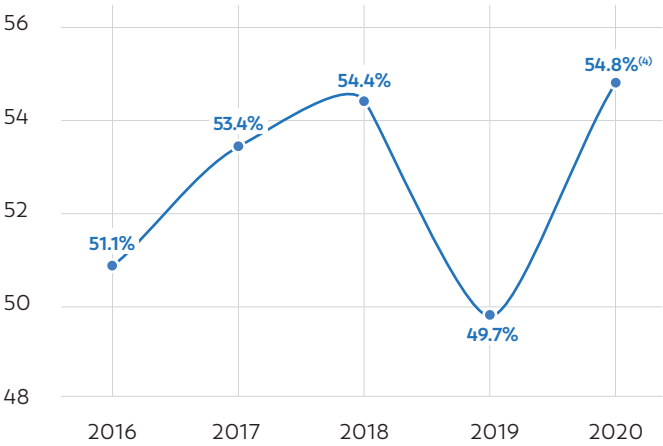
A dynamic shareholder return policy

Dividend per share (in euros)



€ 4.00⁽²⁾ preferential dividend +10% for shareholders holding registered shares⁽³⁾

Pay-out ratio (as % of profit)



€310.80

share price at 31 December 2020

€174.0 Bn

market capitalisation at 31 December 2020⁽⁵⁾



Earnings per share⁽⁶⁾ (in euros)



(1) Based on the €4.00 dividend proposed at the Annual General Meeting on 20 April 2021. (2) Proposed to the AGM on 20 April 2021. (3) Preferential dividend of +10% for shareholders who continuously hold their shares in registered form for a minimum of two full calendar years, up to maximum of 0.5% of the capital for the same shareholder. (4) Pay-out ratio based on diluted earnings per share, excluding non-recurring items, after non-controlling interests. (5) On the number of shares at 31 December 2020, i.e. 559,871,580 shares. (6) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

2020 indicators

“Sharing Beauty With All”

The aim of the sustainable transformation programme “Sharing Beauty With All”, launched in 2013, is to make L’Oréal a model company in terms of sustainable innovation, production, consumption, and in sharing its growth with all Group stakeholders. This programme ended in 2020. L’Oréal’s sustainability commitment continues with the new ambitious L’Oréal for the Future programme, to discover in the Responsibility pages.

96%

of new or renewed products launched in 2020 have an improved social or environmental profile⁽¹⁾

–81%

reduction in CO₂ emissions in absolute terms in plants and distribution centres since 2005

–49%

reduction in water consumption in plants and distribution centres since 2005

–37%

reduction of waste generated in plants and distribution centres since 2005

3A

ratings from CDP⁽²⁾ for reducing carbon emissions, managing water sustainably and protecting forests in the supply chain

100%

of brands have assessed their environmental and social impact

100,905

people from socially or economically disadvantaged communities gained access to employment

97%

of the Group’s strategic suppliers⁽³⁾ have been assessed and selected on the basis of their environmental and social performance

96%

of the Group’s permanent employees benefit from health cover that reflects best practices in their country of residence⁽⁴⁾

(1) In 2017, SPOT replaced previously used social and environmental performance evaluations for formulas and packaging. SPOT takes more criteria into consideration and ensures a more comprehensive and strict analysis. Different impacts are weighted based on their contribution to the product’s overall impact (excluding acquisitions and subcontractors). (2) CDP is an independent international organisation which assesses companies’ environmental performance. (3) Strategic suppliers are suppliers whose added value is significant for the Group by contributing sustainably to L’Oréal’s strategy by their weight, their innovations, their strategic alignment and their geographical deployment. (4) This corresponds to 100% of employees covered by the L’Oréal Share & Care programme (permanent Group employees, excluding part-time contracts of less than 21 hours/week, beauty advisors and store employees in some countries given that the integration of recent acquisitions and new subsidiaries is a gradual process).

L'Oréal worldwide

Despite a crisis of supply that led to an unprecedented decline of the beauty market, L'Oréal confirmed its position as leader of the beauty market⁽¹⁾, with a strong presence in its geographic Zones: Western Europe, North America and the New Markets (Asia Pacific, Latin America, Eastern Europe, Africa Middle-East).



-10.3%

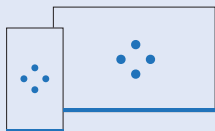
like-for-like evolution
in Western Europe⁽²⁾

26.8%

weight of Western
Europe in L'Oréal sales

WESTERN EUROPE

Due to the health crisis, the market was impacted by government measures in the countries: lockdowns, and the closure of hair salons, perfumeries and department stores. The fall in European air travel and a marked downturn in tourism over the summer also had an impact on consumption. Makeup and sun protection products were hit particularly hard, while other categories fared better. The market declined by around 15% over the year, improving in the second half, but remaining negative. **Against this backdrop, L'Oréal significantly outperformed the market, thanks to its digital leadership and very strong growth in online sales, the launch of major innovations and well supported marketing plans.** The Group strengthened its leadership in most countries, particularly France, the United Kingdom and Italy. It also gained market share in all its strategic categories. Performance was especially noteworthy in skincare, with L'Oréal Paris, La Roche-Posay and CeraVe performing well, in fragrance with the continued success of Libre by Yves Saint Laurent, and in haircare with Kérastase and Garnier strengthening their positions.



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• Discover our focuses on Mainland
China and on Travel Retail



NORTH AMERICA

-7.4%

like-for-like evolution
in North America⁽²⁾

24.7%

weight of North America
in L'Oréal sales

Due to its footprint in brick-and-mortar stores and makeup, the Zone was heavily impacted by lockdown measures in the second quarter. Despite the pandemic and social and political upheavals, all Divisions managed to accelerate sales in e-commerce, which almost doubled, and quickly adapted to shifts across channels of distribution. The Group was able to seize the trends in skincare and gain market share, while at the same time increasing its already significant share of the hair colour market. **After a slowdown in the first half of the year, the Zone returned to positive territory in the second.** The Consumer Products Division stabilised in the second half, thanks to strong growth in skincare and market share gains in hair colour. L'Oréal Luxe accelerated with strong fragrance launches and freed up resources to re-invest in consumer touchpoints and digital transformation. The Professional Products Division gained market share and achieved a solid performance in the second half of the year, thanks in particular to SalonCentric. The Active Cosmetics Division performed remarkably well, notably with CeraVe, La Roche-Posay and SkinCeuticals, significantly outperforming a dynamic market and winning important market share gains.

(1) Source: WWD, Beauty's Top 100, May 2020, based on 2019 sales and according to 2020 publications. (2) Like-for-like: based on a comparable structure and identical exchange rates.



ASIA PACIFIC

+3.5%

like-for-like growth
in Asia Pacific⁽¹⁾

35.0%

weight of Asia Pacific
in L'Oréal sales

Mainland China grew +27.0% like-for-like and +24.1% based on reported figures. **The market recovered significantly in the second half, growing around +4% in the year, boosted by strong omnichannel demand for selective brands and very dynamic e-commerce.** Consumers' quest for higher performance and superior product quality continued the premiumisation trend while various festivals and promotional campaigns stimulated growth. L'Oréal China significantly outperformed the market with double-digit growth in all Divisions. The unique combination of our beauty expertise, superior innovations, digital leadership and omnichannel distribution structure enables us to offer iconic brands that engage and win Chinese consumers. During the 11.11 festival, L'Oréal strengthened its leadership in skincare, thanks to Kiehl's, Helena Rubinstein and SkinCeuticals, in makeup with Giorgio Armani, Yves Saint Laurent and 3CE Stylenanda, and in haircare with Kérastase and L'Oréal Paris. Our megabrands Lancôme and L'Oréal Paris ended the year as the No.1 selective and mass-market beauty brands respectively on Tmall.

In the rest of the Asia Pacific Zone, the situation improved in the second half of the year. Sales increased in the countries least affected by the pandemic such as Australia, New Zealand and Vietnam. The makeup market remained depressed, but the marketing shift towards haircare and skincare led to steady growth quarter on quarter. E-commerce was a powerful growth driver. In India, after a first half marked by store closures, both haircare and skincare returned to growth. Hong Kong suffered from a lack of tourism. The L'Oréal Luxe and Active Cosmetics Divisions achieved significant market share gains in all the main markets, particularly in skincare. The growth of Active Cosmetics was driven by La Roche-Posay and CeraVe. The Consumer Products Division saw an improvement in skincare, thanks to the performance of Garnier.



-1.5%

like-for-like evolution
in Latin America⁽¹⁾

5.2%

weight of Latin America
in L'Oréal sales

LATIN AMERICA

The Zone was severely impacted by the pandemic with the widespread closure of points of sale. **Performance was very contrasted from one Division and quarter to another, with a strong recovery in the second half of the year. All Divisions saw a return to growth in the second half,** particularly the Active Cosmetics Division which posted double-digit growth. The focus on digital strengthened consumer engagement and boosted e-commerce, which recorded triple-digit growth, most notably in Brazil and Mexico. Our innovations as well as our flagship brands and products drove the growth, most notably in haircare and skincare. Brazil recorded exceptional performance overall, growing each quarter and winning market share in Latin America's largest beauty market, a result of the far-reaching transformation of the business initiated well before the crisis. In Mexico, although challenges remain, the business is stabilising, with the Active Cosmetics Division posting double-digit growth over the year as a whole, and the Consumer Products Division seeing a return to growth in the fourth quarter.



-4.9%

like-for-like evolution
in Eastern Europe⁽¹⁾

6.0%

weight of Eastern Europe
in L'Oréal sales

EASTERN EUROPE

All countries and markets were affected by the pandemic and lockdown measures, except for the dermocosmetics which continued to grow. The Czech Republic/Slovakia/Hungary hub resisted well, Romania and Ukraine recorded growth, while Russia and Turkey were hit harder due to the depressed economic context. The Active Cosmetics, Professional Products and L'Oréal Luxe Divisions gained significant market share, while the Consumer Products Division maintained its positions. E-commerce growth was very dynamic.



-3.3%

like-for-like evolution
in Africa, Middle East⁽¹⁾

2.2%

weight of Africa, Middle
East in L'Oréal sales

AFRICA, MIDDLE EAST

The Zone managed good performance in the second half, despite the lockdown measures implemented in the countries. Growth was driven by Morocco and Egypt, and by the Active Cosmetics Division. All Divisions achieved market share gains.

⁽¹⁾ Like-for-like: based on a comparable structure and identical exchange rates.



Bra



A diverse and complementary brand portfolio in response to the infinite diversity of consumers' aspirations

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| 37 | BRANDS OVERVIEW |
| 38 | CONSUMER PRODUCTS |
| 42 | L'ORÉAL LUXE |
| 46 | PROFESSIONAL PRODUCTS |
| 50 | ACTIVE COSMETICS |

nds



Overview of the Divisions

Nicolas Hieronimus, Deputy Chief Executive Officer in charge of the Divisions, reviews the L'Oréal Group Divisions' year with the Presidents of four major brands: **Rosa Carrico**, Global Brand President of Kérastase; **Penelope Giraud**, Global General Manager of CeraVe; **Adrien Koskas**, Global Brand President of Garnier; and **Françoise Lehmann**, Global Brand President of Lancôme.

“Through a complicated and uncertain context, L'Oréal's four Divisions demonstrated their solidity, their adaptability, and their resilience”



Nicolas Hieronimus
Deputy Chief Executive Officer,
in charge of the Divisions⁽¹⁾



Nicolas Hieronimus: In 2020, through a complicated and uncertain context, **L'Oréal's four Divisions demonstrated their solidity, their adaptability, and their resilience.**

Firstly, all our four Divisions outperformed their markets – three of them significantly. Our Consumer Products Division managed to grow slightly above the market. The Active Cosmetics Division experienced its best year ever at +18.9% like-for-like⁽²⁾ and exceeded the three billion mark despite the pandemic. The Professional Products Division strongly supported its ecosystem and definitively won the hearts of professionals. L'Oréal Luxe managed to outperform the market for the tenth consecutive year.

Secondly, our Divisions also prepared us for the future thanks to their decision to maintain strong, aggressive launch plans, especially in the second half of 2020. We continued to expand our unique brand portfolio.

Thirdly, our Divisions' launches and marketing talents were supported by the Group's investment in digital, tech and of course Research & Innovation.

Thanks to all these accelerations and transformations, our Divisions are more than ready to inspire and lead a beauty market that will bounce back, as soon as there is the possibility of a return to a normal social life.



⁽¹⁾ L'Oréal CEO from 1 May 2021, by decision of the Board of Directors following the 2021 Annual General Meeting.

⁽²⁾ Like-for-like: based on comparable structure and identical exchange rates.



Nicolas Hieronimus: Adrien, Garnier fully rose to the challenges of 2020, didn't it?

Adrien Koskas: Absolutely, Garnier reacted quickly to the crisis and was able to roll out large-scale Back to Beauty campaigns worldwide with great success. Various types of activations were put in place, such as organising Garnier mega brand events to introduce consumers to our brand purpose, "Making beauty green and accessible to all of us", at the point of sale thanks to strong brand cues identifying Garnier as THE Green Beauty brand.

Nicolas Hieronimus: Françoise, the luxury market was particularly hard hit by the lockdown, which resulted in the closing of stores and a sharp fall in travel, and yet we made market share gains.

Françoise Lehmann: That is correct, Nicolas. We have learned a lot from this past year and Lancôme adapted quickly to the situation by being very agile. We capitalised on our strong position in skincare and we responded rapidly to the sweeping trend of well-being and self-care.



Nicolas Hieronimus: Rosa, professional luxury haircare was also impacted by the drastic and unprecedented closure of salons, but your teams showed incredible agility and e-commerce made a significant impact.

Rosa Carrico: That's right. When salons around the world were forced to close their doors, we were ready. We already had a solid global e-commerce infrastructure, and we took it to the next level with new ways of selling, like social commerce leveraging the expertise of our hairstylists, together with Key Opinion Leaders in livestreams.

Nicolas Hieronimus: What a year this has been for the Active Cosmetics Division! Health and wellness has been at the heart of every conversation we have had in 2020, and is at the core of what our consumers need and look for. CeraVe has been incredibly successful.

Penelope Giraud: It certainly has been a great year for the Division, with consumers searching for trusted, dermatologist-endorsed, safe and effective products. CeraVe had an exceptional year thanks to an increase in dermatologists' recommendations, boosted by a strong digital strategy.

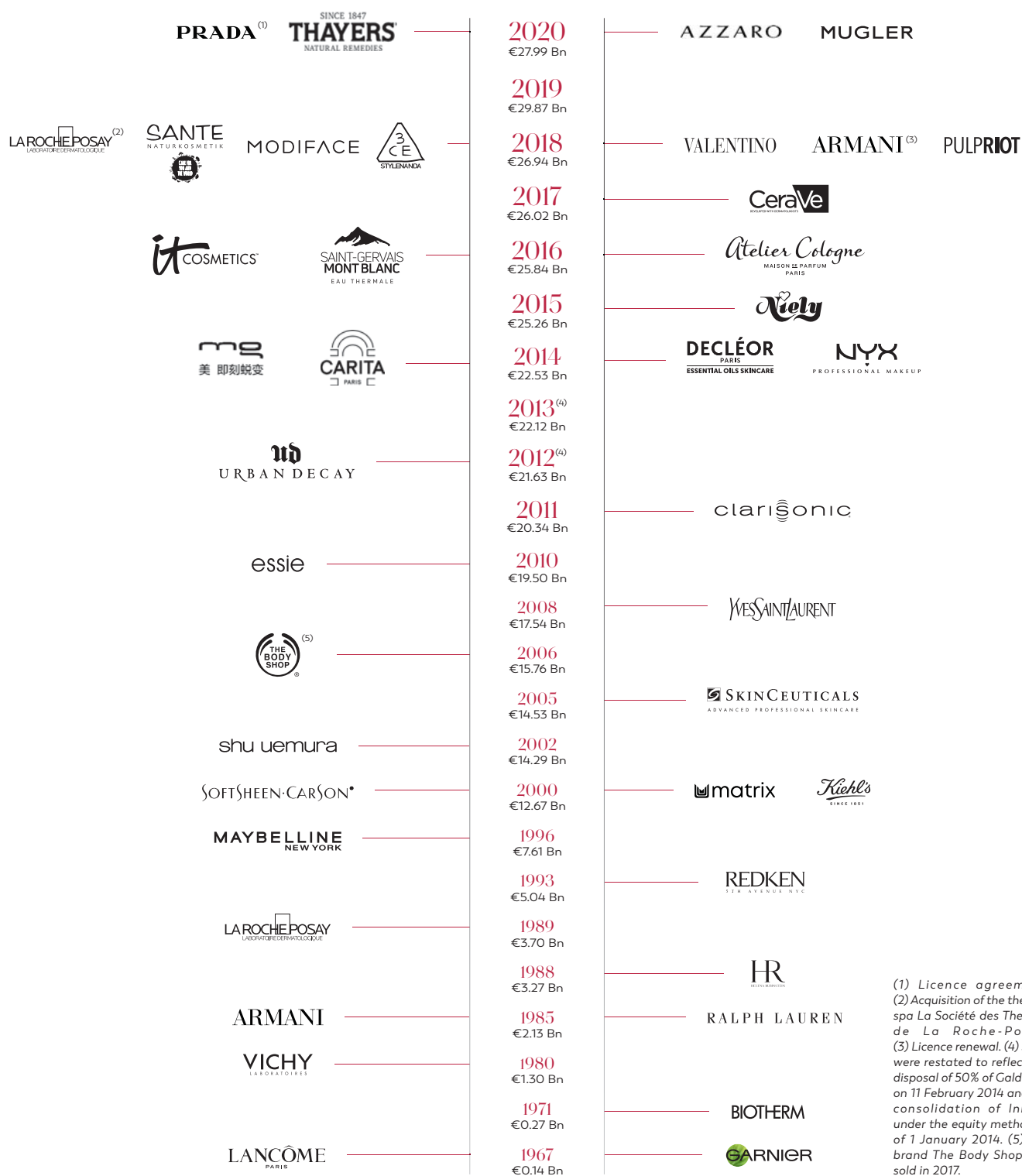
Nicolas Hieronimus: Thanks to the incredible work of our Divisions, we will emerge from this crisis stronger than ever. Thank you all for your dedication, commitment and drive during this unusual year. You have planted the seeds that will drive growth in the decade to come. Together we will create the beauty that moves the world.



Watch the full interview in the digital Annual Report

Acquisitions

Since it was founded, over a century ago, L'Oréal has built a palette of iconic and complementary brands through targeted acquisitions. This portfolio of global brands—the richest and most diverse in the beauty industry—drives the Group's long-term growth.



Brands Overview

L'Oréal's brands are organised by Division, each developing a specific vision of beauty by consumption universe and distribution channels.

Consumer Products



L'Oréal Luxe



Professional Products



Active Cosmetics



Consumer Products



L'Oréal Paris – Garnier – Maybelline New York – NYX Professional Makeup
Stylenanda – Essie – Dark and Lovely – Mixa – Niely – Vogue – Magic Mask
Carol's Daughter – Sante Naturkosmetik – Thayers



“This crisis was an opportunity to further accelerate the transformation of our Division”

Alexis Perakis-Valat, President, Consumer Products Division

Alexis Perakis-Valat, President, Consumer Products Division, L'Oréal, and **Malina Ngai**, CEO Asia & Europe and Group COO of A.S. Watson, discuss the importance of the partnership between their two companies and the keys to its success.



How did the Consumer Products Division react to the Covid-19 crisis?

Alexis Perakis-Valat: The first key word is solidarity.

Right at the start of the crisis we mobilised to help. Our brands quickly produced and donated more than two million bottles of hand sanitiser to hospitals, nursing homes and retail workers around the world. But this crisis was also an opportunity to further accelerate the transformation of our Division. Both our digital transformation with the explosion of e-commerce and the democratisation of innovative digital services, and our environmental transformation.

How did the Division perform? How do you see its future?

Alexis Perakis-Valat: In a very challenging environment, our Division returned to positive territory and outperformed the market in the second half of the year. This was the result of three strategic choices. First, we accelerated our innovation programme in spite of the crisis and launched many exciting products in the second half. Second, we bet on beauty's ability to bounce back. Working with our retailers like A.S. Watson, we developed very ambitious Back to Beauty operations from June. Last but not least, we invested heavily to support these operations and our launches.

So, even though the environment remains very uncertain, we look to the future with confidence and ambition.

What role do the Division's retailer partnerships play?

Alexis Perakis-Valat: These partnerships are at the heart of our success. And what we have built with A.S. Watson over more than a decade, with Malina and her team, is exemplary.

Malina Ngai: The partnership between A.S. Watson and L'Oréal has been one of the longest standing and the most strategic amongst our international suppliers. We have the common vision to universalise beauty around the world. We are both committed to inventing the future together.

Alexis Perakis-Valat: Another very strategic area of collaboration is sustainability.

Malina Ngai: Yes. As we celebrate A.S. Watson's 180th anniversary this year with meaningful programmes to give back to the community, I am confident that we will see more collaborations between L'Oréal and A.S. Watson's purpose-driven brands to look good, do good, feel great together.

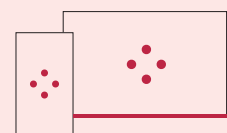
Alexis Perakis-Valat: Yes, you are absolutely right. It's by combining our strengths that we can invent an even more sustainable future for beauty.

-4.7%

evolution in Division sales, like-for-like⁽¹⁾

+47.1%

growth in e-commerce sales⁽²⁾



Watch the full interview in the digital Annual Report

(1) Based on comparable structure and identical exchange rates.
(2) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data) like-for-like.

Skincare: the victor in all categories

The Consumer Products Division is the main driver of the global self-serve skincare market. Read on for a closer look at the keys to its success.

L'Oréal Paris serums: a behind-the-scenes look at their global success

L'Oréal Paris strengthened its position in the skincare category, largely thanks to the impressive start made by its Revitalift Filler serum. Revitalift Filler 1.5% Pure Hyaluronic Acid Anti-Wrinkle Serum was already the number one serum in the United States, and its success story continued in European markets.

Skincare enthusiasm in China and emerging markets

Revitalift Filler [HA] Eye Cream for Face by L'Oréal Paris is a symbol of the Chinese market's enthusiasm for skincare products. Interest in skincare is also growing in emerging markets, where the Fast Bright range by Garnier performed well.

Hand-in-hand with distributors

On- and offline activation plans were rolled out as part of strengthened partnerships with distributors. The Division worked with Amazon in the UK, for example, to create the Beauty on Demand platform to make beauty more accessible during lockdown. The Division also worked with its brick-and-mortar partners to accelerate their digital transformation and enhance the appeal of their beauty aisles.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



**Jean-Christophe
Letellier**

General Manager
Western Europe,
Consumer Products
Division, L'Oréal

“We were able to
successfully stimulate
consumer appetite during
this period and improve
market conditions for our
partners”



Making beauty e-accessible

2020 was the year of digital technologies, with the acceleration of e-commerce. Bolstered by the resounding success of virtual try-ons, L'Oréal added to its catalogue of online services in 2020. These services meet growing expectations among consumers by enabling them to make informed choices before buying from the comfort of their own homes.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

Committing to more responsible cosmetics

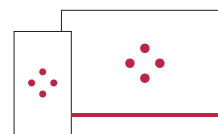
Consumers increasingly expect to be able to take care of their skin and the environment at the same time or to support a cause with their purchases. The brands are committed to having a positive impact on society. For example, Garnier is committed to reducing its environmental impact at every stage of the value chain, and L'Oréal Paris is working to optimise its product packaging and make it increasingly responsible.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



BRAZIL Skincare is a priority

With an already impressive foothold in the Brazilian skincare market, L'Oréal Paris kindled additional consumer enthusiasm through its Revitalift Filler range with hyaluronic acid in the anti-ageing segment, and UV Defender in sun care. Garnier dipped its toe into the skincare category with SkinActive. Its exclusive and comprehensive Uniform & Matte range was specially designed for Brazilian women.



LEARN MORE ONLINE
lorealannualreport2020.com

• Learn more about how lockdowns helped at-home beauty come out on top

• Jean-Christophe Letellier, General Manager Western Europe, Consumer Products Division, L'Oréal, and Katia Nebot-Kaminsky, Global Shopper Activation Director, Consumer Products Division, L'Oréal, tell us more about Back to Beauty operations

L'Oréal Luxe



Lancôme – Kiehl's – Giorgio Armani – Yves Saint Laurent – Biotherm
Helena Rubinstein – Shu Uemura – IT Cosmetics – Urban Decay
Ralph Lauren – Mugler – Viktor&Rolf – Valentino – Cacharel – Azzaro – Diesel
Yuesai – Atelier Cologne – Maison Margiela – Carita – Prada – Takami



“The Division made significant market share gains in skincare, fragrances and makeup”

Cyril Chapuy, President, L'Oréal Luxe

Cyril Chapuy, President, L'Oréal Luxe, and **Daniel Chan**, Global Chief Digital Officer, L'Oréal Luxe, discuss this year's highlights and the Division's digital acceleration.



How did the Division get through this year of unprecedented crisis?

Cyril Chapuy: 2020 was a very challenging year for the luxury industry. With the pandemic, we had to face a massive closure of physical stores and a strong drop in air traffic. So, after several years of double-digit growth, the global market finished 2020 with a significant contraction. In this context, L'Oréal Luxe has proven its remarkable resilience, ending the year at -8.1% like-for-like⁽¹⁾.

Very importantly, the Division managed to gain market shares in nearly every region on the planet.

What assets helped L'Oréal Luxe overcome these challenges?

Cyril Chapuy: This crisis actually enhanced our strengths and confirmed that the transformative choices we made very early in the crisis were the right ones. The choice to ramp up e-commerce. The choice to invest strongly in direct-to-consumer. The choice to believe, more than ever before, in big, meaningful innovations. And lastly, the choice to strengthen our position with Chinese consumers, the most important luxury consumer on the planet.

Digital is one of the strengths of L'Oréal Luxe. Can you tell us more?

Cyril Chapuy: L'Oréal Luxe stepped up the transformation of its distribution channels in order to overcome the closure of a large number of points of sale all around the world with the different lockdowns.

More than ever before, e-commerce, direct and indirect, became crucial in 2020. And D2C, direct-to-consumer, was the priority. I'll let Daniel explain in more detail.

Daniel Chan: Our D2C online business grew significantly in 2020. And one of the key things that our D2C online business allows us to do is leverage our insights and data to create very tailored luxury online shopping experiences at every step in the consumer journey.

Cyril Chapuy: L'Oréal Luxe also continued to accelerate in new digital areas such as social, community management⁽²⁾, advocacy, loyalty and digital services.

Daniel Chan: Digital channels are what consumers naturally turn to when they are locked down in their homes. We recognised the need for our brands not only to accompany our consumers who were stuck at home, but also to entertain them.

Cyril Chapuy: We are convinced that digital technologies, along with responsive marketing⁽³⁾, data and services, will be key in the future of luxury beauty.

-8.1%

evolution in Division sales, like-for-like⁽¹⁾

+62.6%

growth in e-commerce sales⁽⁴⁾



Watch the full interview in the digital Annual Report

(1) Based on comparable structure and identical exchange rates. (2) Online initiatives designed to promote the brands and increase visibility on social networks. (3) Adapting webpages to be compatible with all devices, particularly mobiles. (4) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data) like-for-like.

Virtual luxury: a very real experience

To make up for the closure of brick-and-mortar points of sale during lockdowns, L'Oréal Luxe rapidly accelerated the transformation of its distribution channels.

The incredible rise of e-commerce

Since e-commerce became a preferred distribution channel for consumers from the beginning of the pandemic, L'Oréal Luxe focused on developing it. Underpinned by its experience in recent years, the Division managed to stand out thanks to its perfect understanding of luxury consumer expectations and to its increasingly personalised services, which led to a major increase in e-commerce sales in all geographic Zones.

Innovative formats to strengthen ties with consumers

L'Oréal Luxe teams all over the world put their agility and responsiveness into action to adapt and maintain relationships with consumers, to help support them through this unprecedented time. Beauty advisors from brick-and-mortar points of sale became “e-advisors” or livestreamers⁽¹⁾, providing online skincare consultations, live makeup tutorials or videos on skincare routines.

Attuned to the needs of their housebound consumers, the Division's brands also developed a wide range of services. To provide both advice and a bit of distraction, they invented new fully digital experiences.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

(1) Influencers who broadcast live videos on social networks.



Kiehl's: a generous and committed brand

Despite the closure of its stores worldwide during global lockdowns, skincare specialist Kiehl's managed to stay in touch with its community of consumers through e-commerce and online sampling and advice services.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT





“Well-being beauty”: the new luxury must-have

Lockdowns and mask wearing pushed beauty trends towards well-being. In this context, L'Oréal skincare products stood out thanks to their performance and powerful innovations.

L'Oréal Luxe set itself apart thanks to a portfolio of strong and complementary brands. In skincare, Kiehl's, Lancôme, Helena Rubinstein and Biotherm garnered the enthusiasm of consumers looking for the best products and exceptional experiences.

➤ READ THE FULL ARTICLE IN THE
DIGITAL ANNUAL REPORT

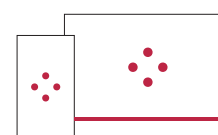


Fragrance takes off

2020 was another big year for fragrances at L'Oréal Luxe. The Division integrated two new brands and launched three new women's perfumes, adding to its established pillars and strengthening the Group's position in the fragrance category.

In April 2020 L'Oréal Luxe acquired the Mugler and Azzaro brands. The Division also decided to maintain the launches of three new fragrances: Voce Viva by Valentino, Angel Nova by Mugler and My Way by Giorgio Armani.

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REPORT



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• In Dubai, the lockdown led L'Oréal Luxe to accelerate its digital technologies

Professional Products



L'Oréal Professionnel – Kérastase – Redken – Matrix – Biolage
Pureology – Pulp Riot – Shu Uemura Art of Hair – Mizani



“Our Division confirmed its leadership thanks to the fantastic mobilisation and agility of the teams”

Nathalie Roos, President, Professional Products Division⁽¹⁾

Nathalie Roos, President, Professional Products Division, L'Oréal, and **Godhands Joe**, a hairdresser in Shanghai, talk about L'Oréal's heightened commitment to supporting professional hairdressers during this unprecedented year.



How did the Professional Products Division perform this year?

Nathalie Roos: 2020 was a particularly difficult year for the professional industry. As we all know, all salons worldwide gradually closed. In this context, L'Oréal's Professional Products Division nevertheless confirmed its leadership thanks to the fantastic mobilisation and agility of the teams. We implemented a solidarity plan to provide all hairdressers with both financial and human support.

How did the Division overcome these difficulties?

Nathalie Roos: In 2020, the Division made historic market-share gains in all geographic Zones, thanks in particular to the significant return to growth in the second half. We are stronger than ever because our transformation strategy, which we initiated over three years ago, has enabled us to seize all market opportunities and become truly omnichannel. The Division significantly accelerated e-commerce sales to both professionals and consumers.

What changes lie ahead for the Professional Products Division?

Nathalie Roos: In 2021, we will maintain our lead thanks to major innovations in formulas, packaging, and inclusion and diversity. The Division supports hairdressers to help them better meet consumers' heightened expectations, particularly in terms of sustainable development.

We will be including all hairdressers in a global programme, Salons for the Future of L'Oréal, in line with the L'Oréal for the Future objectives.

What has been your experience as a hairdresser in China?

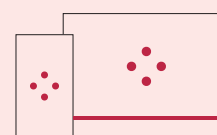
Godhands Joe: 2020 was a very difficult year for us. We faced many hardships, but we found some very good solutions. In 2020, we upgraded the Godhands brand. This period for us was a true challenge, but we were never alone. L'Oréal Professionnel supported us throughout this challenging time, and I can never thank them enough. During lockdown, the various courses available on Access by L'Oréal Professionnel truly improved the abilities of all professionals in the hairdressing industry in China. I feel very honoured to have this partnership with you. Thank you very much!

-6.4%

evolution in Division sales, like-for-like⁽²⁾

+96.6%

growth in e-commerce sales⁽³⁾



Watch the full interview in the digital Annual Report

(1) Omar Hajeri has replaced Nathalie Roos as from 8 March 2021.
(2) Based on comparable structure and identical exchange rates.
(3) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data) like-for-like.

Hair innovations from root to tip

As experts in haircare and colour, Professional Products Division brands are reinventing the haircare experience. Read on for a closer look at the latest innovations now available to professionals and their customers.

Scientific research into all types of hair

Science and expertise are also at work at Kérastase, which offers exceptional products for customised in-salon treatments. For example, the Genesis anti hair-fall range features Edelweiss native cells and Aminexil to anchor the hair more solidly and strengthen the hair fibre.

New-generation hair colour protects hair and gets creative

“Play with Majirel!” The new Majirel tagline is perfectly suited to the range, which now pairs a broader range of colours with its iconic formula known to provide perfect coverage and leave hair softer after colouring—all with environmentally friendly packaging. The creative ideas and tutorials available to stylists to boost salon services are now more than ever a major asset for the range.

The new Steampod poised to conquer the world

In the wake of its impressive success in Europe, the Steampod 3.0 straightener by L'Oréal Professionnel has set out to conquer new regions of the world and China in particular. But what makes this new-generation straightener so unique? Its patented steam-based technology and no-detail-spared design.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

(1) President of the Professional Products Division as from 8 March 2021.



Omar Hajeri
Managing Director,
Western Europe,
Professional Products
Division, L'Oréal⁽¹⁾

“In this acceleration of e-commerce, it is essential for us to put hairdressers at the heart of our activation strategy”



Greening haircare

In 2020, L'Oréal entered a new phase in its approach to sustainable development and set 2030 goals for climate change, water use, biodiversity protection and natural resource management. L'Oréal has gladly committed to pursuing the transition to a low-carbon economy. With this in mind, 85% of Professional Products manufacturing is located in the regions where the products are sold, to reduce transport.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

Blonding gains traction with Redken

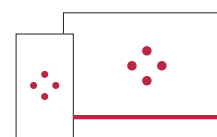
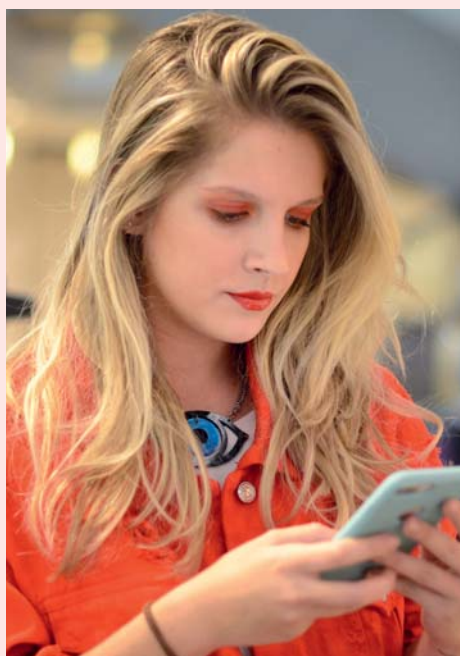
Lightening is a hot trend that has taken on various forms. The Flash Lift Bonder Inside by Redken can replace additives by combining a lightening powder with a protective bonder suitable for all hair types. And the brand now offers an especially handy format for mobile, independent hairdressers in the United States: dissolvable capsules.



UNITED KINGDOM

Technology reinvents distribution methods

The L'Oréal Partner Shop makes L'Oréal's latest technological innovations in distribution available to hairdressers. The platform allows them to directly place their orders online, revolutionising traditional distribution methods and transforming the role of the sales partner. By the end of 2020, 70% of in-salon distribution took place via Partner Shop.



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- The Covid-19 pandemic had an unprecedented impact on the hairdressing market, but L'Oréal was more committed than ever to supporting hairdressers
- In 2020, L'Oréal China performed exceptionally well by bringing the hairdressing community together with digital technologies
- Meet Omar Hajeri, who explains how the Group is welcoming hairdressers into L'Oréal's digital ecosystem

Active Cosmetics



La Roche-Posay – Vichy – CeraVe – SkinCeuticals
Decl or – Sanoflore



“The Division set a new record this year, achieving its best annual growth in more than 20 years”

Brigitte Liberman, President, Active Cosmetics Division

Brigitte Liberman, President, Active Cosmetics Division from 2005 to 2020, and **Myriam Cohen-Welgryn**, her successor as of 1 January 2021, discuss the year's highlights and the Division's prospects for the future.



The Active Cosmetics Division has had an exceptional year. Can you tell us a little about it?

Brigitte Liberman: The Division set a new record this year, achieving its best annual growth in more than 20 years, which is quite an achievement given the health and economic situation in 2020 and the low growth rate of the dermocosmetics market. Following several years of strong growth, the Division continued to win market shares in all Zones.

How do you explain this outstanding performance?

Myriam Cohen-Welgryn: First of all, our brand portfolio addresses more than ever the current concerns of consumers seeking to tend more actively to their health. In the context of the Covid crisis, our products for cleansing, protecting and taking care of the skin have been particularly relevant and have been incredibly successful. Furthermore, the situation has also given more importance to healthcare professionals and therefore the strength of our business model, which is founded on close, trust-based partnerships with doctors and pharmacists. The latter have been at the forefront in recommending and prescribing our products. And finally, we quickly and radically adapted our activities, thanks to the commitment and agility of our teams worldwide, who managed to reinvent themselves. This was backed by the successful digital engagement of communities around our brands, and incredible sales in 2020 thanks to our expertise in e-commerce.

How did the Active Cosmetics Division contribute to the collective effort to fight the pandemic?

Brigitte Liberman: I am especially proud of the responsiveness and generosity that all our employees demonstrated in the fight against the pandemic. All our brands and all our countries participated. In Europe, we donated 20,000 hand creams. In our Vichy factory, 10 million bottles of hand sanitiser were produced, of which more than a million were distributed free of charge. And finally, we undertook many actions to support healthcare professionals.

How do you see the future of the Division?

Myriam Cohen-Welgryn: In a market where, more than ever, “health is the future of beauty”, I am confident in our ability to grow our entire brand portfolio and continue to balance our geographic footprint. We will be able to capitalise on our digital and e-commerce expertise and rely on our partnerships with healthcare professionals.

+18.9%

growth in Division sales, like-for-like⁽¹⁾

+82.8%

increase in e-commerce sales⁽²⁾



Watch the full
interview in the digital
Annual Report

(1) Based on comparable structure and identical exchange rates.
(2) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data) like-for-like.

The incredible success of health and beauty brands

L'Oréal's dermocosmetics brands have met with remarkable success in a medical beauty market which had an exceptional year.

Taking care of fragile skin

Consumer expectations focused on skincare and cleansers, which were particularly successful thanks to their efficacy and tolerance. Daily mask-wearing and constant hand sanitiser use required by public health measures left sensitive skin irritated and fragile. As a result, demand grew for safe, effective, healthcare professional-recommended products perfectly suited to sensitive or problem skin.

Europe, Asia, America: dermocosmetics are hot

The dermocosmetics brands met with great success in the United States in 2020, particularly CeraVe, which had an exceptional year in its traditional market. La Roche-Posay, the leading brand recommended by dermatologists worldwide⁽¹⁾, also accelerated strongly in the United States. In China, SkinCeuticals stood out with remarkable growth. Vichy remains the anti-ageing leader in Europe⁽²⁾ thanks to its star products: Liftactiv Collagen Specialist cream and Liftactiv Peptide-C ampoules.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

(1) Source: International Dermatologists Barometer Wave 2, IQVIA study, August 2020. (2) Source: IQVIA - Pharmatrend International - France, Italy and Spain (in pharmacies and parapharmacies); Germany, Belgium, the Netherlands, Switzerland, Greece and Austria (pharmacies), in volume, 2020 up to November.



Marc Toulemonde
Chief Digital &
Marketing Officer,
L'Oréal USA

“The United States is the Active Cosmetics Division’s number one market, and sales growth there was spectacular”



Using digital technologies to build closer relationships

Faced with the many difficulties related to lockdowns around the world, the Active Cosmetics Division teams demonstrated their ability to adapt quickly by transforming their relationships with healthcare professionals including dermatologists, pharmacists and distributors. Several alternatives were rolled out to replace face-to-face meetings. Visits moved to new remote formats thanks to online collaboration platform Microsoft Teams, messaging apps like WeChat in China, and webinars. This new hybrid approach blending on- and offline contact strengthened the Division's relationship with its stakeholders.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



Dermocosmetics: combining performance and science

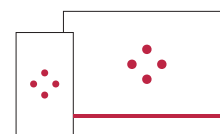
The Active Cosmetics Division boasts a portfolio of brands that rely on ground-breaking innovations produced by scientific advances in fields such as the microbiome, an ecosystem that protects the skin and minimises the risk of inflammation and skin reactions. The patented postbiotic ingredient, Aqua Posae Filiformis, included in the formula of Lipikar Baume AP+M by La Roche-Posay directly affects the microbiome to sustainably strengthen the skin barrier and protect sensitive skin from over-drying and irritation.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



FRANCE Vichy distribution centre mobilised to support healthcare workers

As part of the European solidarity programme L'Oréal rolled out to help fight the pandemic, the teams at the Group's Vichy distribution centre mobilised to provide the medical teams working in ICUs with over a hundred boxes of Cicaplast hand cream by La Roche-Posay. Their goal? To soothe healthcare workers' skin, left dry and irritated by frequent hand sanitiser use.



LEARN MORE ONLINE
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• In Japan, sunscreen products are the new stars

• Learn more about how British consumers fell in love with dermocosmetics



Ex



Five domains of expertise
boosting the Group's
financial, environmental and
social performance

| | |
|----|-----------------------|
| 56 | FINANCE & LEGAL |
| 58 | RESEARCH & INNOVATION |
| 60 | OPERATIONS |
| 62 | DIGITAL |
| 64 | TECHNOLOGIES |

pertise



Finance & Legal



Christophe Babule
Chief Financial Officer

“The work of Finance & Legal teams continues to evolve to support the Group as it faces new challenges”

Despite the many upheavals in 2020, Finance & Legal teams are more determined than ever to build trust-based relationships with all stakeholders.

Finance & Legal functions have played a key role since the start of the health crisis, thanks to early, large-scale mobilisation. They were key players in the European Solidarity Plan established by the Group in March, which froze sums owed by SVE/SMEs⁽²⁾ in L'Oréal's distribution channels and sped up payments to the Group's most vulnerable suppliers.

Finance teams are fully involved in the Group's strategy and convinced of the importance of non-financial and responsible performance going forward. They are also an essential partner in the Group's ambitious new sustainable development programme, L'Oréal for the Future. With impact investing—or socially responsible investing—Finance has confirmed its commitment to act on environmental and social issues.

The work of Finance & Legal teams continues to evolve to support the Group as it faces new challenges, while remaining a lever for strategic decision-making.

More than
2.28

million visits for the digital version of the 2019 Annual Report⁽¹⁾

Over
5.92

million views for videos in the 2019 Annual Report⁽¹⁾

(1) At 31 December 2020. (2) Very small enterprise/Small and medium-sized enterprises.



Proximity and transparency: the core values of financial communication

An exceptional year calls for exceptional measures: following a decision by the Board on 12 May 2020, the Annual General Meeting of L'Oréal shareholders was held behind closed doors on Tuesday 30 June 2020. For the first time ever, the meeting was also held entirely online. The Group was keen to use this special event to talk to shareholders and bring them up to speed with all the latest developments. L'Oréal's Annual Report is part of the Group's commitment to cultivate close ties with its audiences and is entirely designed with them in mind. It aims to explain the Group's strategy, present key initiatives from the past year in complete transparency and outline its future prospects.

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“The environmental and social challenges are such today that as a company we must try to contribute to the ecological transition”

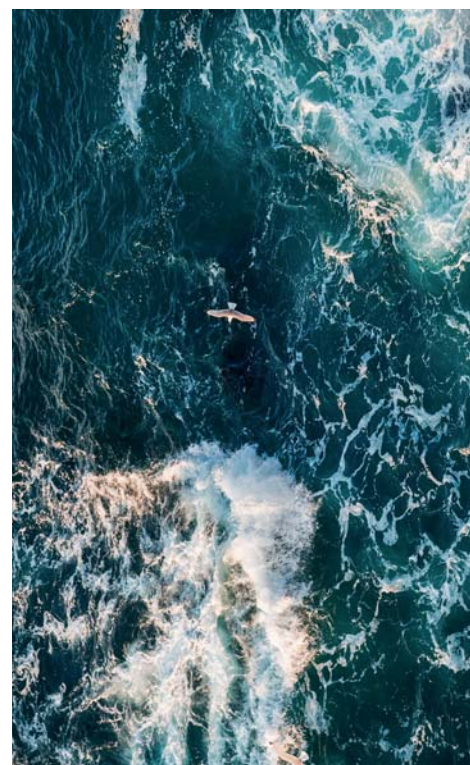
Alexandra Palt Chief Corporate Sustainability Officer and L'Oréal Foundation

Creating value and investing in a more sustainable future

L'Oréal works in the interests of all stakeholders by developing a long-term, profitable growth strategy. It is an approach that places the Group's financial and non-financial performance at the heart of value creation.

With the L'Oréal for the Future programme, the Group has signalled its desire to further accelerate its efforts and show that businesses can offer solutions to major global challenges. Finance plays an essential role in this programme, particularly through impact investing, in conjunction with the Group's Corporate and Social Responsibility teams.

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Thayers Natural Remedies and Takami Co join L'Oréal's brand portfolio

In June 2020, L'Oréal signed an agreement with Henry Thayer Company to acquire Thayers Natural Remedies. The US skincare brand has joined L'Oréal's Consumer Products Division. L'Oréal also announced in December 2020 that it had signed an agreement to acquire Japanese company Takami Co, which develops and markets skincare products.



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- Discover the pivotal role played by Finance in L'Oréal's Solidarity Plan
- L'Oréal supports its long-standing customers in the United States during the pandemic
- Technology enhances financial expertise with algorithms and artificial intelligence

Research & Innovation



Laurent Attal

Executive Vice-President,
Research & Innovation⁽¹⁾

“Our innovations
are born of science”

Throughout this tumultuous year, L'Oréal's top priority has been and continues to be protecting its employees. The Research & Innovation teams and their organisational structure, including scientists working in laboratories and test rooms, presented unique challenges. The teams nevertheless adapted quickly, modifying their ways of working, to keep the business running and secure all launch plans.

This reorganisation was only possible thanks to unprecedented employee mobilisation. Research & Innovation coordinated with the major brands and at the Group level to outline the absolute priorities for each open project.

In terms of long-term innovations, this remarkable mobilisation also enabled L'Oréal **to continue developing its extremely promising portfolio of innovations**, placing the Group in an excellent position from which to build the future of beauty.

L'Oréal Research & Innovation confirmed its move towards Green Sciences⁽²⁾, meeting heightened expectations for products that respect human health and the environment while delivering ever higher levels of performance. Green Sciences, underpinned by accelerated digitalisation, lie at the heart of the Research & Innovation strategy. Major advances in environmental science, agronomy and biotechnologies make it possible to consider producing ingredients and environmentally friendly materials from renewable raw materials by harnessing the power of life.

At L'Oréal, innovation starts with science.

964

million euros (3.4% of sales)
invested in Research &
Innovation

4,000

scientists worldwide

(1) Through 31 January 2021, Barbara Lavornos became President, Research, Innovation and Technologies on 1 February 2021. She will become Deputy CEO in charge of Research, Innovation and Technologies from 1 May 2021. (2) Disciplines L'Oréal is moving towards to meet its sustainable development goals all while providing consumers with unprecedented levels of product performance.



Green Sciences⁽¹⁾: harnessing the power of life

L'Oréal announced the launch of its new sustainable development programme for 2030, L'Oréal for the Future, and the Group's innovation programme is underpinned by Green Sciences, which include biotechnologies, synthetic biology and green chemistry, among other fields. Green Sciences perfectly meet consumer expectations for beauty products that respect human health and the environment without compromising on performance. The transition to Green Sciences combines access to new raw materials with eco-designed formulation, for a new approach that is more environmentally friendly.

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Skincare: combining science and digital innovations

To accelerate the transformation of its laboratories and develop its portfolio of innovations, L'Oréal Research & Innovation has incorporated the use of data to help scientists make new discoveries more quickly. Relying on both artificial intelligence and algorithms, Research & Innovation has strengthened its ability to create increasingly personalised products and services for consumers. Science, paired with new technologies, is the key to the innovations that make skincare products so successful.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

INDIA At the cutting edge of phytochemistry: the Advanced Research centre in Bangalore

The 2,000-square metre Advanced Research centre in Bangalore is specialised in safe, high-performance natural extracts developed using Green Sciences⁽¹⁾. It is well-known for its innovations in advanced raw materials produced using green chemistry.



“We are delighted to begin this new partnership with L'Oréal to deepen our research on green solvent”

Dr Estelle Métay

CNRS researcher, University of Lyon in France



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- Research for inclusive beauty, or how to perfect measurement tools and combine them with digital advances to create the best products
- Spotlight on Solidarity at Research & Innovation
- L'Oréal and the University of Lyon have rolled out a partnership to create the solvents of tomorrow

⁽¹⁾ Disciplines L'Oréal is moving towards to meet its sustainable development goals all while providing consumers with unprecedented levels of product performance.

Operations



Barbara Lavernos
Chief Technology and
Operations Officer⁽¹⁾

“Agility, engagement and operational excellence: the keys to Operations’ success as they rise to the challenges of the pandemic and support L’Oréal’s growth”

Throughout this year of unprecedented global upheaval, L’Oréal Operations played an even more crucial role in overcoming the challenges facing the Group, first and foremost, to protect all of our employees, but also to satisfy our consumers and ensure deliveries worldwide. Operations teams mobilised across the globe to participate in the solidarity programme rolled out by the Group to combat the Covid-19 pandemic.

Thanks to technological advancements at L’Oréal Operations and their ability to achieve agile transformation, teams were able to rise to the challenge of dual acceleration created by this year’s unforeseeable circumstances. They made effective use of digital solutions—which lie at the heart of our teams’ daily work—to keep all industrial and logistical activities operational while successfully coping with the unprecedented acceleration of e-commerce.

Solidarity—and the strength of longstanding ties with our supplier ecosystem—was also key during this crisis. It proved its critical importance in the way suppliers consistently supported us by providing all the materials needed to manufacture hand sanitiser while adapting supply flows to new order profiles.

Yet again this year, L’Oréal Operations have proven their expertise, engagement, ability to constantly adapt, and operational excellence in a volatile context, all while working towards the L’Oréal for the Future programme to achieve the Group’s ambitious new sustainable development goals for 2030.

5.8

million litres of hand
sanitiser manufactured
by L’Oréal

50

plants and distribution
centres have achieved
carbon neutrality

(1) Through 31 January 2021, then President, Research, Innovation and Technologies. Deputy CEO in charge of Research, Innovation and Technologies as from 1 May 2021. Antoine Vanlaeys was named Chief Operations Officer from 1 February.



Boosting agility with digital technologies

The digital turn taken by the Group several years ago laid the groundwork for a dual acceleration at L'Oréal Operations this year: this included the roll-out of efficient solutions enabling new ways to work remotely and increased agility at plants and in the supply chain to meet the boom in e-commerce demand. The determination of teams to adapt incredibly quickly to this new context and accelerate technological transformations was just as crucial as the new technologies themselves, which are constantly enriching Operations professions.

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“We are working on different types of packaging that replace most of the plastic with a renewable material from certified sources”

Delphine Bromberger, Director Packaging Innovation Fragrances & Open Innovation Packaging, L'Oréal



Working together to become even more sustainable

In 2020, with the L'Oréal for the Future programme, the Group announced a new, more ambitious phase in its sustainable development approach. L'Oréal Operations plays a critical role in this bold transformation strategy by including the Group's entire ecosystem—in other words, all suppliers—in the effort to embrace a more sustainable model. To meet changing consumer expectations, L'Oréal places innovation at the heart of its strategy. Strengthened by partnerships with suppliers, innovation helps to reconcile optimal product quality with reduced environmental impact. These efforts have been particularly fruitful in packaging.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

CHINA Suzhou distribution centre revolutionises the supply chain

The Suzhou distribution centre is a benchmark in terms of agility thanks to automation and advanced order flow planning overseen by experts, allowing the facility to keep pace with swiftly growing demand in the Chinese market and the boom in e-commerce. Robotisation also ensures a more ergonomic workplace for employees. The centre is continuing to accelerate its transformation with the roll-out of automated package preparation and the use of high-performance stock management software.



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- Spotlight on Solidarity at L'Oréal Operations, which sprang into action at the outset of the pandemic
- What led to the creation of the first ever cosmetics tube including cardboard? A closer look at the partnership between L'Oréal and Albéa
- L'Oréal supported the authorities through public health crisis, working with the French government's crisis management committee to locate and purchase necessary medical equipment
- When cosmetics use new traceability technologies to ensure transparency for consumers

Digital



Lubomira Rochet
Chief Digital Officer

“Digital is one of L'Oréal's main growth drivers, and this became even more apparent during the crisis”

Lubomira Rochet, Chief Digital Officer of L'Oréal, and Parham Aarabi, Founder and CEO of ModiFace⁽³⁾, talk about ModiFace's augmented reality technology and how relevant it has become to the consumer experience.

Lubomira Rochet: Digital is one of L'Oréal's main growth drivers, and this became even more apparent during the crisis. We owe our digital edge to the digital muscle we have been building for the past 10 years, which has now transformed L'Oréal into a true digital-first company, leading us out of adversity and shaping the future of our beauty industry.

L'Oréal was able to accelerate its e-commerce capacities and maintain a close relationship with its consumers thanks to digital media. Our agility is also a key factor that made it possible for us to absorb a large part of the decrease in sales in brick-and-mortar points of sale. E-commerce compensated for 50% of the decrease. Partnerships and startups also play a major role in pioneering beauty tech to redefine the beauty experience for our consumers.

Parham, maybe you could tell us about ModiFace and why augmented reality technology is so relevant to the consumer experience today?

Parham Aarabi: ModiFace technology allows consumers to understand and explore products from the comfort of their own homes. The experience is both fun and useful, especially given the current situation.

Lubomira Rochet: Thanks to this collaboration, ModiFace virtual try-on technology, which has developed five different services, is now available in 80 countries for 30 of L'Oréal's brands. There are so many ways in which we will continue to innovate and I'm very happy to continue this partnership with all the ModiFace teams.

[▶ WATCH THE FULL INTERVIEW IN THE DIGITAL ANNUAL REPORT](#)

26.6%

share of e-commerce⁽¹⁾
in consolidated sales

1.25

billion visits to our
websites⁽²⁾

(1) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data).
(2) Source: Google Analytics data - L'Oréal accounts. (3) L'Oréal acquired ModiFace in 2018.



THAILAND

Social commerce⁽¹⁾ is thriving

Thailand is one of the countries in South-East Asia with the strongest social commerce potential due to the significant penetration of social media and e-commerce, which grew considerably during the Covid-19 lockdown. Team engagement, L'Oréal's advance in the field of e-commerce on social networks and the quality of the relationship between the brands and their consumers all contributed to this success.



Digitalisation: a winning strategy on all fronts

L'Oréal's digital transformation has enabled the Group to build new relationships based on innovation, relevance, transparency and trust with both consumers and employees. When brick-and-mortar stores had to close because of public health lockdowns, L'Oréal had all the necessary tools to maintain contact with its consumers and continue to sell its products. The Group capitalised on innovation and e-commerce, which grew to account for nearly 27% of sales in 2020⁽²⁾.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)

“Now that people spend more time in their homes, virtual try-on is becoming a really key metric, a key technology for experiencing beauty products”

Parham Aarabi, Founder and CEO of ModiFace⁽³⁾



The new e-commerce: social commerce⁽¹⁾

Social commerce enables consumers, influencers, experts, beauty advisors and salespeople to advertise brands and sell products on social networks via several formats including livestreaming⁽⁴⁾. L'Oréal is an important player in this new world of even more connected beauty—beauty 3.0—which is accelerating on YouTube, Facebook, Instagram, WeChat, TikTok and other platforms. With this new model, the Group's powerful network of prescribers become brand ambassadors and online salespeople.

➤ [READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



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- L'Oréal wants to make beauty tech available through all points of sale to give consumers access to augmented services

- Canada, which is one of the most connected countries on the planet, is home to a diverse e-commerce landscape

(1) Social commerce enables consumers, influencers, experts, beauty advisors and salespeople to advertise brands and sell products on social networks. (2) Sales on our brands' own websites + estimated sales by our brands via retailer websites (non-audited data). (3) L'Oréal acquired ModiFace in 2018. (4) Live video broadcast by influencers on social networks.

Technologies



“Propelling
L’Oréal into
the future with
Beauty Tech⁽³⁾”

Barbara Lavernos
Chief Technology and
Operations Officer⁽⁴⁾

In 2018, L’Oréal announced its intention to become the Beauty Tech champion and embarked on an acceleration programme putting new technologies at the heart of its strategy—its ambition being to create the beauty of the future by becoming the business of the future.

As well as extensively restructuring its IT⁽⁵⁾ assets, L’Oréal has accelerated the global deployment of new technologies to everyone involved in the company and also to consumers. These technological solutions enable us, within the company, to transform our working methods and boost our capabilities with tech solutions based on real-time data, algorithms, and artificial intelligence.

During the Covid-19 health crisis, L’Oréal Technologies and Beauty Tech teams have played a decisive role in ensuring business continuity and supporting the needs of employees, suppliers and consumers.

Technologies have also enabled us to rise to the challenge presented by the acceleration of e-commerce, with demand increasing at an unprecedented rate.

Thanks to the development of its Beauty Tech programme, L’Oréal provides its customers with highly personalised, “augmented” products and services that offer unmatched experiential quality while inventing new ways of working with its employees.

55,633

employees connected
remotely during the
Covid-19 crisis⁽¹⁾

5

million virtual meetings
organised via Microsoft Teams⁽²⁾

(1) Between 1 March and 30 June 2020. (2) Source: L’Oréal estimate. (3) New technologies for the beauty industry.
(4) Through 31 January 2021, then President, Research, Innovation and Technologies. Deputy CEO in charge of
Research, Innovation and Technologies as from 1 May 2021. (5) Information Technology.

“The Covid-19 crisis has shown that we already had everything we needed to reinvent our work, innovation and production practices”

Étienne Bertin, L'Oréal Chief Information Officer



How Beauty Tech⁽¹⁾ is inventing the future of beauty

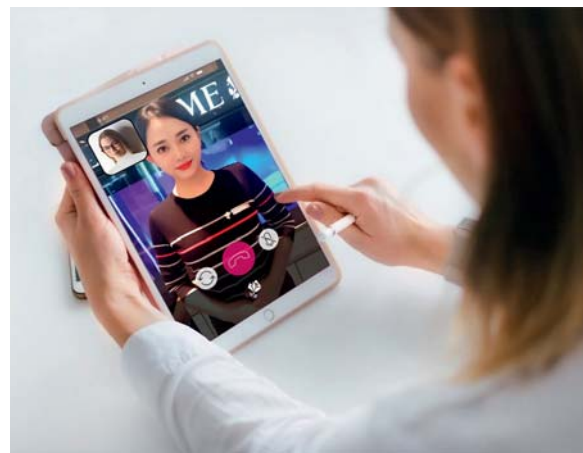
In order to accelerate the pace of innovation, Technologies teams have developed a specific programme known as the Tech Accelerator. The TrendSpotter application was launched as part of this initiative. Its detection technology relies on artificial intelligence to identify avant-garde beauty trends. Combined with L'Oréal's expertise, this makes it possible to quickly develop products tailored precisely to consumers' emerging expectations. In this increasingly uncertain context, expectations are high: improving sales forecast accuracy, ensuring product availability... All these challenges are addressed by Demand Sensing, another Tech Accelerator programme and a key enabler for the digital transformation of L'Oréal's supply chain.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



When technology defines new ways of working

L'Oréal Technologies teams successfully coped with an unprecedented acceleration in the face of the crisis caused by the pandemic. As the majority of countries where the Group is present introduced lockdown measures, teams rose to the dual challenge of widespread remote working and the need to ensure business continuity. Technologies have been a cornerstone of the solutions developed to better meet individual needs, particularly those of consumers during the period when the majority of stores were closed.



Augmenting researchers' innovation capability

Technologies teams work closely with L'Oréal Research & Innovation to continue developing cutting-edge technologies in the area of personalisation and beauty equipment. Their shared ambition is to constantly improve understanding of consumers' needs, design the best formulas, guarantee quality and measure efficacy to continuously improve performance. Chloé 2.0 draws on the ability to compare information to speed up development and the transition to raw materials derived from Green Sciences⁽²⁾.

➤ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



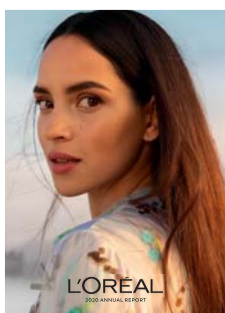
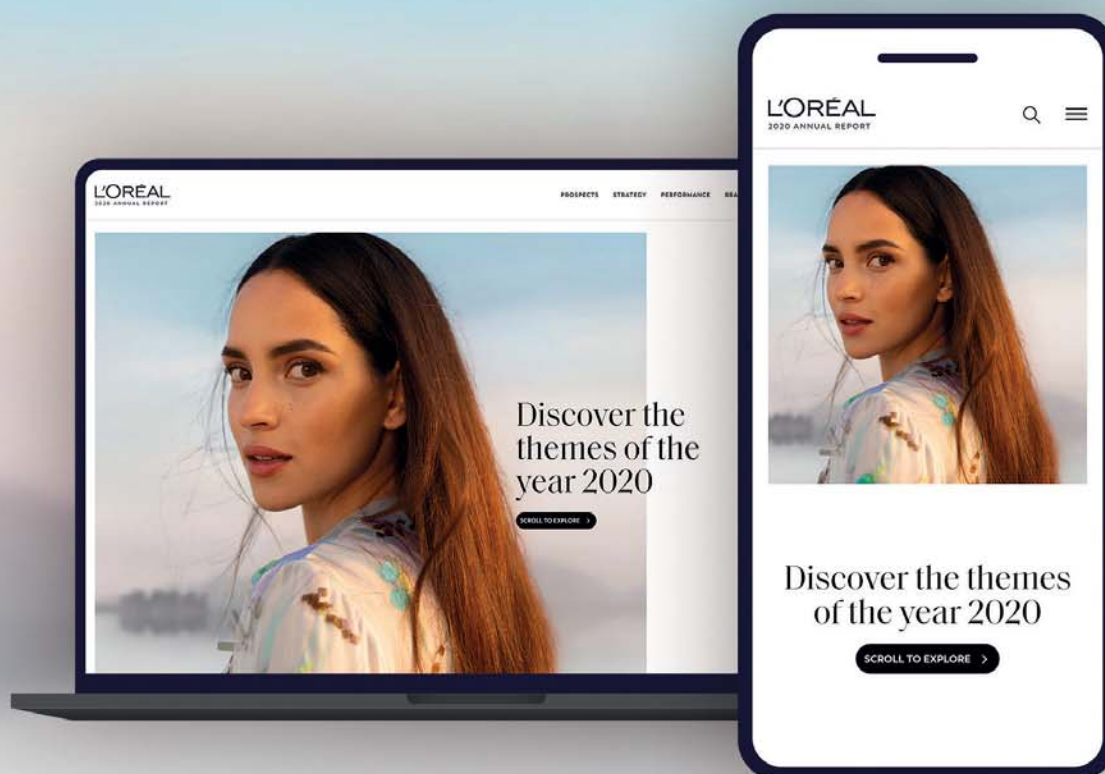
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- Our experts explain how teleworking and digital acceleration go hand in hand
- Tablets in hospitals to keep in touch with loved ones, a solidarity project with L'Oréal in Brazil
- Meet Andréa, Feng and Sinead, three women driving tech forward

(1) New technologies for the beauty industry. (2) Disciplines L'Oréal is moving towards to meet its sustainable development goals all while providing consumers with unprecedented levels of product performance.

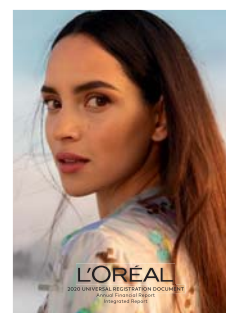
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► ANNUAL REPORT

Overview of L'Oréal in 2020, its Divisions, brands and countries, driven by its financial and non-financial performance.



► UNIVERSAL REGISTRATION DOCUMENT

This document includes the Integrated Report, the Annual Financial Report and the Social and Environmental Responsibility Report.

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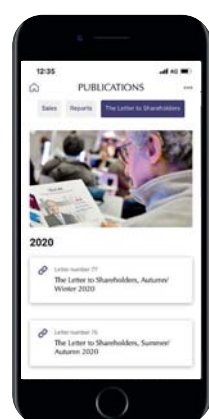
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L'ORÉAL

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