

SUSTAINABLE DEVELOPMENT REPORT 2011



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innéov



BEAUTY, BY WING SHYA

To illustrate its 2011 Sustainable Development Report and Annual Report, L'Oréal commissioned Hong Kong photographer and film director Wing Shya. Page after page, his photographs express the benefits of enhanced beauty, and spotlight L'Oréal's employees and the passion that motivates them in their daily work.

ABOUT THIS REPORT

This report summarises the group's sustainable development initiatives in 2011. A complete version together with videos is available on the www.sustainabledevelopment.loreal.com site. The group's practices and results in figures are detailed on data sheets based on Global Reporting Initiative (GRI) indicators. Data on social affairs, environment, health and safety have been verified by Deloitte & Associés and PricewaterhouseCoopers Audit.



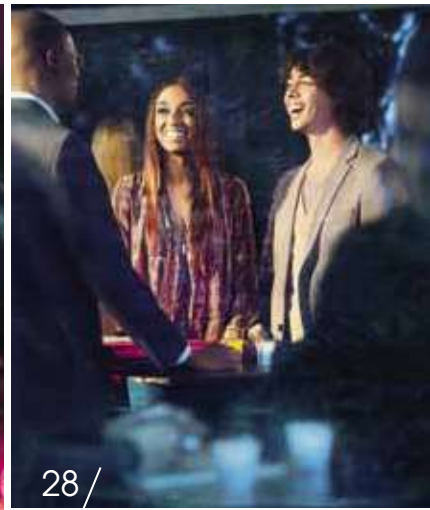
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“*For SUSTAINABLE, RESPONSIBLE and INCLUSIVE growth*”

In a world facing an increasing number of challenges—climatic, environmental and societal—expectations with regard to companies are extremely high. But what could be seen as a constraint is in fact a remarkable source of inspiration, creativity and competitiveness. Our approach to sustainable growth is deliberate and carefully considered. Our ethical values are the basis of coherent policies in terms of responsible innovation, the environment, social and societal responsibility and philanthropy. We are particularly proud to have supported the principles of the United Nations Global Compact since 2003, and to be renewing our commitment again this year through concrete projects that are constantly progressing. In this way, we shall have solid foundations on which to build sustainable, responsible and inclusive growth.

First of all, sustainable growth, because hundreds of thousands of people all over the world are directly or indirectly dependent on the prosperity of our group. Here the key is our ambition to win over a billion new consumers. It is based on our strategy for universalising beauty that respects the diversity of the world. It is expressed in the form of products that are tailored to different needs, cultures and beauty traditions, and it also reflects the cultural richness of our teams. With this strategy, we are targeting solid, sustainable growth.

Secondly, responsible growth. We are all convinced that a company's behaviour is just as important as its performance, and L'Oréal's ambition is thus to be one of the most exemplary companies in terms of ethics. More than any other, the world leader in beauty has a duty to help preserve the beauty of the planet. We long ago began reducing the environmental impact of all stages in the life cycle of our products, with truly sustainable consumption as the goal. We are already well on the way to achieving the highly ambitious objectives we have set ourselves in terms of reducing our environmental footprint, while our business continues to grow.

And lastly inclusive growth, because experience has shown that the healthy state of our ecosystem and the company's performance are inseparably linked. For many years now, L'Oréal has been considerably boosting its societal commitments. Through the initiatives of its Foundation, its brands, “Solidarity Sourcing” and its subsidiaries, the group seeks to share its success and thus contribute to the greater well-being of the surrounding populations.

If we are to get through another century successfully, we need to continue taking action on three fronts. Firstly, being useful through our business, which over a hundred years has given meaning to our action because cosmetics are linked to the identity of all individuals, enabling them to fully express their personality, develop self-confidence, connect with others and find fulfilment. Secondly, aiming for the long-term, because we want all our actions to be lasting, so that we never sacrifice the future for the present; and lastly, committing ourselves, through our innovative force, to an ongoing effort of anticipation and progress that are both concrete and measurable.

The world's great challenges are collective issues in which each one of us has a role to play. Our global presence gives us an amazing capability for action and mobilisation. By facilitating access to products that contribute to the quality of life, protecting the natural capital of our planet and helping the communities around us, we create value that benefits everyone.

————— **JEAN-PAUL AGON** —————
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The new era of “SUSTAINABLE INNOVATION”

At L'Oréal, corporate responsibility is an approach embedded in the history of the group. Once again, 2011 was a year of commitment and progress as regards sustainable development. Sara Ravella, Executive Vice-President, Communication, Sustainability and Public Affairs, looks back over the progress and achievements of the past year.

An approach involving progress at every stage

If 2011 had to be summarised in two words, it would be the year of “sustainable innovation”. We innovated in every field, setting ourselves ambitious goals in terms of respect for the environment and for all stakeholders, and economic support for the communities around us. This notion shows our commitment to innovating right through the entire life cycle of products, in order to offer cosmetics tailored to a diversity of aspirations and purchasing powers while respecting the environment. In other words, sustainable innovation has to be applied from the choice of ingredients used in formulations to the elimination of packaging, including their industrial production, their marketing promotion and their distribution to consumers.

As you will see in this new report, all our divisions and teams have worked to that end. Among many examples, you will discover about the paper and cardboard industry's ambitious forest certification policy pursued by the Packaging teams; awareness-raising in Marketing staff of the principles of environmentally-friendly design; the reformulation of the Ultra Doux shampoo range and the partnership between L'Oréal and Carrefour aimed at educating consumers about responsible consumption issues, and the publication of a set of international ethics guidelines designed for all staff dealing with suppliers. Also in our relations with suppliers, we have taken another step forward by initiating the “Solidarity Sourcing” programme aimed at including small, economically vulnerable suppliers in the socio-economic circuit. And these are just some of a whole range of examples to be discovered in the report.

Substantial advances in pursuing the goals set for 2015

In 2005, L'Oréal committed to a 50% reduction in CO₂ emissions, water consumption and waste production by 2015. Thanks to the Operations teams we have already reduced our CO₂ emissions by 29.8%, water

consumption by 22.6% and waste production by 24.2% per finished product. These results are also due to sustainable innovation: from plants to distribution centres, all our sites have rallied around to find creative, effective solutions. L'Oréal Mexico for example has reduced its CO₂ emissions by 60% by using wind turbines, while in France, after six years' research and development, the Chimex plant has set up phytoremediation gardens unique in their kind to treat wastewater effectively.

“Far from being just a trend, sustainable development encourages us to integrate new ways of working into all our businesses.”

A long-term ambition

Our main goal for 2012 and the years to come is to maintain and extend our field of action. In every area, we must continue to transform environmental and societal constraints into opportunities to stand out: not only in Research and Production of course, but also in Marketing, Human Resources and Communication. Far from being just a trend, sustainable development encourages us to integrate new ways of working into all our businesses. For L'Oréal, it is thus an amazing lever in terms of innovation and progress, and represents a vast field of action so that the group can prove its ability to be a constant pioneer.

————— **SARA RAVELLA** —————
EXECUTIVE VICE-PRESIDENT,
COMMUNICATION, SUSTAINABILITY
AND PUBLIC AFFAIRS



Every L'Oréal innovation arises from the desire to fulfill men and women's dreams of beauty around the world, whatever their origin, age or culture.

Innovating for all types of BEAUTY

As the leader in beauty, L'Oréal has set itself the mission of providing everyone with the very best cosmetics has to offer. Because there is no single model for beauty but an infinite diversity, and because all of the world's populations have their own specific features, rituals and consumer habits, L'Oréal Research and Innovation decided to make knowledge of the consumer the focus of its activities. In 2011, the group made further progress in constantly adapting its products to reflect local characteristics. Making beauty accessible to the vast majority of people also means controlling the parameters specific to each zone in terms of consumption modes, purchasing power, distribution and packaging. From Development to Marketing and Production, all the teams rally around to fine-tune awareness of consumers' needs and provide innovative responses for their requirements.

Geocosmetics: the science of local observation
Products accessible to the vast majority of people

GEOCOSMETICS: *the science of local observation*

An ever-reinvented culture of awareness and proximity has provided L'Oréal with in-depth knowledge of not only skins and hair the world over, but also beauty rituals. It can then offer products that reflect the needs and specific requirements of a given population.



“Consumers talk to us about their habits, the quality of use and their sensorial experience.”

FABRICE AGHASSIAN,
L'ORÉAL'S INTERNATIONAL
PRODUCTS EVALUATION DIRECTOR



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It all started around ten years ago. “We were dealing with new populations of consumers in emerging countries, whose household equipment and daily environment were very different from those of our European customers,” recalls Fabrice Aghassian, the International Products Evaluation Director at the time.

“We found ourselves facing questions with no answers. How do you wash your hair in India? How does a Japanese woman apply mascara or lipstick? What are the beauty rituals in South Africa? How often are they performed? We needed to understand who these new consumers were. Not with the help of figures, but through geocosmetics: an local, ethnographic, ethological approach, which focuses on immersion in the daily lives of consumers to pinpoint their cosmetic behaviour and needs more accurately.”

Laboratory bathrooms

L'Oréal Research's main evaluation centres built various “laboratory bathrooms” reproducing a typical middle class bathroom in each country, equipped with microphones and cameras, so that consumers could be filmed using L'Oréal cosmetic products together with their usual products. Bathrooms like this were created first in Paris, then Canada, the United States, Mexico, Brazil, Germany, India, South Korea, China, Japan and Thailand.

However, some populations, although they use cosmetic products, do not have bathrooms at all. The L'Oréal studies teams thus crisscrossed the world to visit these customers at their homes and observe their behaviour in their daily environment.

Analysing cosmetic rituals

Thanks to this constantly repeated, filmed and now systematic observation of how products are used in each region, L'Oréal has gained invaluable knowledge about hygiene rituals, some of them passed down through the generations, which have never been recorded until now, and which are based on different substances, often food stuffs like butter, oil, honey, eggs, yoghurt and beer. “An analysis of these films has provided us with a wealth of useful information,” says Fabrice Aghassian with enthusiasm. “Consumers talk to us about their techniques, the quality of use and the sensorial experience. We have also noticed how central the question of water is. In many geographical zones the water supply is unreliable, so it needs to be stored. That can be the case in some parts of big cities, like Bangkok. Another example: with some people living in China, there is only one cold-water tap in the kitchen for the use of the whole family. In these areas, too long a rinsing time can be totally unacceptable.”

A GLOBAL APPROACH TO BEAUTY RITUALS

➤ To stay in phase with the beauty of tomorrow, which will need to take into account the specific features of the world's big regions, L'Oréal Research realised that it was vital to place knowledge of the consumer at the heart of its mission and organisation. An “International Department of Studies and Consumer Insights” was thus created within Research, whose task is to develop and disseminate in-depth knowledge of the beauty habits and rituals of consumers in China, Brazil, India and elsewhere. In addition, Research & Innovation hubs, genuine centres of expertise and innovation, have been introduced to each region of the world to respond to consumers' specific needs.



L'Oréal has gained invaluable knowledge about hygiene rituals, some of them passed down through the generations, and also a range of uses which have not been recorded until now.



Products that match needs

"I remember an Indian woman who wanted to make me smell her shampoo: a precious commodity that she had locked up in a little wooden box," says Jean Hénaff, Director of Market Studies for the Asia zone. "After using it, she wanted to put a blob of left-over product back into the bottle, as though it were a drop of inestimable value. For her, a bottle enabling her to control the flow of the product was clearly of primordial importance." In another case, L'Oréal's ethnologists established that the number of strokes of a mascara brush varied greatly in different geographical areas: on average, around a hundred strokes for each eye with Japanese women, compared with around fifty with European women. These different gestures impose constraints in terms of texture. A mascara designed for Japanese women must have a texture that covers less, so that the eye is not unattractively overloaded.

Essential results for Research

At the next stage, these data are analysed by psychologists and ethnologists. The latter draw up a table listing all the consumers' gestures and their duration as statistical units. At the end, comparative studies make it possible to group the individuals into customer types. Once their requirements have been pinpointed, the Research and Marketing teams can adapt the product to the way it is used, and anticipate formulations in line with the habits of a particular population or geographical region—such as a long-hold foundation for a hot, humid country where most people do not have air-conditioning.

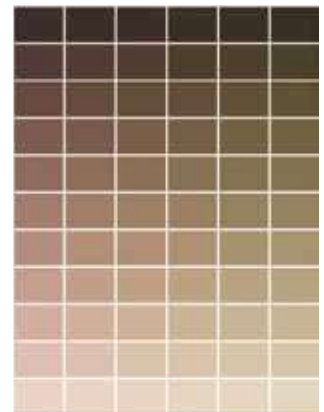
THE IDEAL COMPLEXION FOR EACH PERSON

➤ How does a consumer choose her foundation, and what idea does she have of her own skin colour? To find out, L'Oréal presents her with a skin colour chart containing 66 complexion shades listed by group, from lightest to darkest and from yellow to red. And she is asked three questions:

"In your view, where do you put your own colour in the chart? What is the ideal colour you wish to have? And what colour do you obtain at present?"

The assessors' role is then to measure the gap between these three colours and find out if existing products enable the consumer to achieve her goal.

To make the study comprehensive, L'Oréal combines this verbal approach with an instrumental one. A patented instrument, the "chromasphere" is used to measure the colour characteristics of each facial zone. The skin colour before and after make-up is applied can then be assessed objectively.



 MORE INFORMATION ONLINE

The skin colour chart and the "chromasphere".

Products that are ACCESSIBLE to the vast majority of people

Today, the western world is no longer the dominant market in the cosmetics industry. Winning over new consumers while ensuring that the products are accessible to them involves continuous work tailoring the economic offer to suit the diversity of local population groups.



Brazil (on the left) and India (on the right), two new markets with extremely different purchasing habits.

The consideration of the local particularities of different markets changes the work carried out on product design within the teams. Claude Rumpler, General Manager of the Asia-Pacific Consumer Products Division, explains: "In order to adapt the product offer faithfully to consumer expectations, the subsidiary directors and local Marketing departments now work closely with the Product and Packaging Development teams. This is because accelerating innovation for New Markets such as India, the Philippines, the ASEAN⁽¹⁾ requires

awareness of the specific expectations of these markets, such as the right format for the product, the correct price and an appropriate distribution system."

Ongoing adaptation to the New Markets

"When we made a start on Southern Asian markets like Thailand, for instance, we initially opted for essentially urban distribution in hypermarkets. The subsequent launch of 10 g sachets sold in a huge number of rural mini-markets has greatly speeded up growth,

meaning that today we are the leader in skin care. This small packaging unit matches the purchasing power of many consumers, some of whom are paid weekly. It's a similar situation in the Philippines, where everything is sold in sachets, from face creams to cigarettes. In India and Indonesia, shampoo is mostly sold in 80 ml bottles, so we simply had to adapt to that reality."

Responding to diverse consumption habits

In parallel with these less well-off groups, the booming middle classes in big cities are aspiring to higher quality or more regular beauty rituals. To meet these wide-ranging requirements, the product offer is progressing simultaneously, in terms of not only bottle size but also brand sophistication. In these New Markets, only China stands apart, due to a lower demand for sachets, and a distribution network based on a more developed infrastructure. However, the growth dynamic is the same there as in the other countries, and can be summed up as higher consumption, greater partiality and more interest in the appearance of products.



“A close collaboration between local Marketing and the Product and Packaging Development teams makes it possible to adapt the product offer more faithfully to consumer expectations: this is essential for winning over new consumers.”

CLAUDE RUMPLER,
GENERAL MANAGER OF THE ASIA-PACIFIC
CONSUMER PRODUCTS DIVISION, L'ORÉAL

(1) Association of Southeast Asian Nations.

**CONQUERING NEW MARKETS
IN A RESPONSIBLE WAY**

➤ L'Oréal is making every effort to reduce the environmental footprint of all its packaging, from single dose products to large-capacity containers. The consumer studies conducted by the International Department of Studies and Consumer Insights guide the Packaging teams in the design of products that better reflect consumer needs in terms of aesthetics, functionality, capacity and cost. The same requirements apply when it comes to the quality of use. For example, as Philippe Thuvien, Packaging and Development Director explains, "the Packaging Department has just completed a major project on single dose sachets that involved replacing aluminium by a metallic film with less environmental impact, thus responding to the twofold issue of sustainable development and value analysis, and at the same time offering users new features (an easier to open sachet which can be re-sealed)". In addition, L'Oréal's industrial policy is to produce as near as possible to its markets (Asia, Latin America, Africa, Middle East), in order to support sustainable, responsible, shared growth in these zones, and to limit the group's environmental and economic impact.

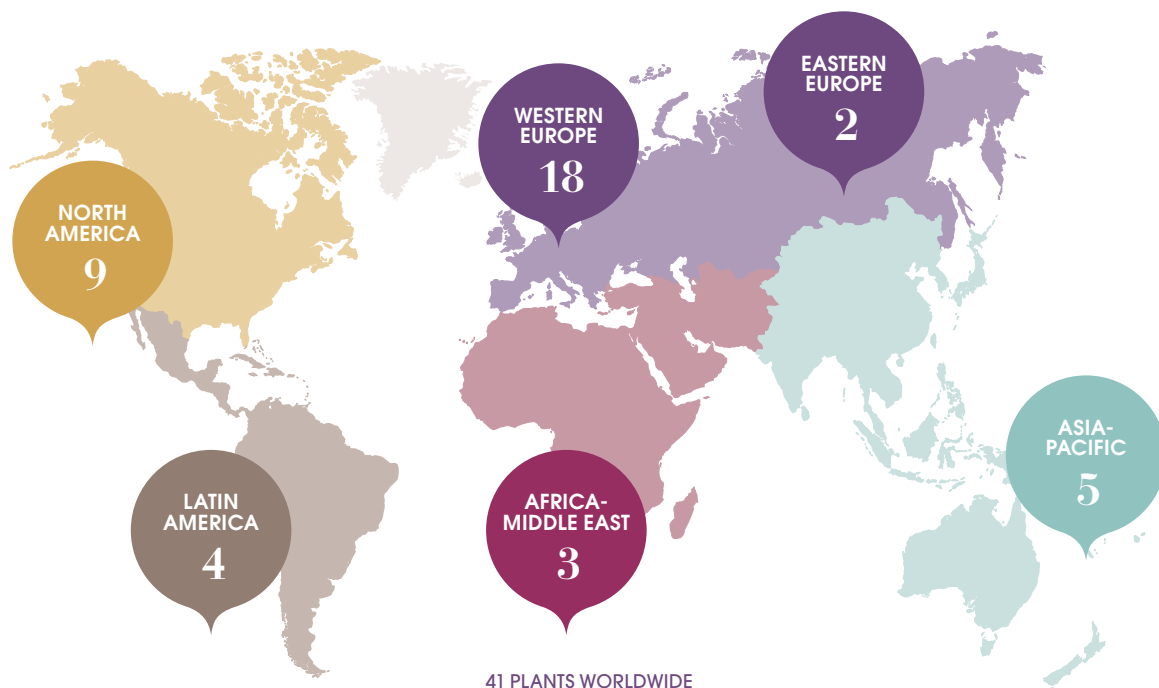
“At L'Oréal, our objective of winning over a billion new consumers does not question our voluntary initiatives of sustainable development, which apply to all geographical areas and packaging.”

PHILIPPE THUVIEN,
PACKAGING AND DEVELOPMENT DIRECTOR, L'ORÉAL



PRODUCTION AS CLOSE AS POSSIBLE TO CONSUMERS

➤ In pursuing this same aim of accessibility, L'Oréal fosters ever-more local production that ensures consumer access to a product at the best possible cost. The group currently has 41 plants, 35 of them certified⁽¹⁾, producing 86% of the units sold. Through this industrial policy, L'Oréal products comply with the same quality standards right along the supply chain, wherever they are produced around the world. New factories will thus be opening shortly in the "emerging" zones. One of these, the San Luis Potosí plant in Mexico, is set to become the group's largest hair colour factory. In Indonesia, a hair and skin care product plant will cater for the needs of all the ASEAN countries. In Egypt, a hair care and colouring product factory will supply the MENA⁽²⁾ countries. In the Asia-Pacific zone, meanwhile, three other plants are to be resized to cope with the considerable growth in the zone.



(1) 88% of the L'Oréal's plants have the ISO 9001 (2000 version) or FDA quality certification; 85% have the OHSAS 18000 or VPP safety certification; and 90% have the ISO 14000 environmental certification.
(2) Middle East and North Africa.



Every day, L'Oréal's Advanced Research teams push back the boundaries of knowledge to enable the development of safe, effective, responsible cosmetics.

A new step towards **RESPONSIBLE BEAUTY**

In 2011, advances in Research continued to reflect the group's desire to provide safe, effective, high-quality products that respect the environment and biodiversity.

Evaluating product safety is a group priority and one of the main aspects of L'Oréal's pact of trust with consumers, focused on quality, safety, efficacy and honesty. In 2011, L'Oréal inaugurated the cosmetic industry's first predictive evaluation centre. This centre is where the latest generation of tests is carried out, enabling the safety and efficacy of ingredients and products to be predicted without using tests on animals. This represents another milestone in the group's commitment to promoting responsible beauty.

For L'Oréal, sustainable innovation also implies designing products that are effective while respecting ecosystems and biodiversity and providing well-being to consumers. In 2011, the group expanded its efforts in terms of limiting the impact of the ingredients used, selecting raw materials with a limited environmental footprint, and adopting the principles of green chemistry. This eco-design approach is applied at all stages of innovation, from Advanced Research to Development.

2011 KEY FIGURES

613

patents registered

55%

of new raw materials
are plant-based

45%

of new raw materials
comply with
the principles of
green chemistry

Focus on predictive evaluation
News round-up
Report on the eco-design of Ultra Doux shampoos



Continuously improving **EFFICACY AND** **SAFETY** *of products*

Inspired by its ethical approach and keen to promote sustainable development, L'Oréal had successfully anticipated events.

In the early Eighties, long before the cosmetics directive banning animal testing for cosmetics as of March 2009, L'Oréal Research began reconstructing skin, thereby paving the way for predictive evaluation.

L'Oréal's main objective is to stop *in vivo* animal testing and replace it with *in vitro* testing on biological tissues that have been reconstructed in laboratories. This is why, over 30 years ago, it began developing predictive evaluation based on alternative ingredient and product testing methods: "This term designates integrated evaluation strategies based on inherited data and the mastery of technologies such as tissue engineering, molecular design, imaging, modelling and automated platforms for tests performed on laboratory-

reconstructed skin, epidermal and corneal tissues," says Estelle Tinois-Tessonnaud, Director of L'Oréal's Predictive Evaluation Centre in Gerland, France.

An ethical procedure with optimum reliability

After several years of research, L'Oréal's biologists succeeded in isolating skin cells, which they then cultured on a collagen matrix for several weeks. A live epidermis formed, nearly identical to that of real skin. "Today, the models produced at

Gerland replace animals in 99% of studies, mainly for regulatory skin and ocular tolerance tests," says Estelle Tinois-Tessonnaud.

An evaluation centre unlike any other in the world

Meeting a huge scientific challenge of this kind required an evaluation centre equal to the task: "This site is unlike any other in the world because of the quality of its infrastructures, which can be used to reconstruct skin under optimum conditions of sterility and safety," explains Estelle Tinois-Tessonnaud with pride. Better still, the Gerland centre is also unique for the diversity of the tissues reconstructed there, since the centre produces 11 different biological tissue models (including epidermal, dermal, and corneal tissues). L'Oréal invested €16 million in developing this ultramodern site, where biologists work in laboratories under controlled atmospheric conditions. Today, these infrastructures produce 130,000 units of reconstructed biological tissue each year: a production rate that has doubled in less than five years. These efforts have enabled L'Oréal to make a noteworthy contribution to medical innovation as well: L'Oréal biologists have shared their expertise with hospital teams to improve the quality of skin grafts for severe burn victims.



MORE INFORMATION ONLINE



**FOCUS ON THE GERLAND
PREDICTIVE EVALUATION CENTRE**

On 11th, April 2011, the “new generation” L’Oréal Predictive Evaluation Centre was unveiled in the presence of Jean-Paul Agon, group Chairman and CEO, at the heart of the Gerland technology centre in Lyon. The only one of its kind in the world, this 4,100 square meters site employs 62 people. A spearhead for predictive evaluation, Gerland houses 1,000 square meters of ISO 6 lean rooms where researchers reconstruct biological tissues used in test platforms to evaluate safety and efficacy. 1,500 raw materials and formulas were tested there during 2011, 100 of them for efficacy.



Laurent Attal, Executive Vice-President Research and Innovation; Jean-Paul Agon, group Chairman and CEO; Gérard Collomb, Mayor of Lyon, and Françoise Soler, General Director of the L’Oréal Predictive Evaluation Centre, at the inauguration.



WORK ACCLAIMED IN MONTREAL

At the 8th World Congress on alternatives and the use of animals in life sciences (WC8), which took place in Montreal in August 2011, L’Oréal’s expertise in terms of predictive evaluation received special recognition. At the leading edge of research into eye irritation and tissue engineering, L’Oréal saw one of its researchers, Reine Note, receive a distinction along with her team for their work on new strategies for acute toxicology.

THE SKIN RECONSTRUCTION SAGA

For over 30 years, L’Oréal has been the global pioneer and leader in the reconstruction of human skin models. Here are the various milestones in reconstructed skin research.

1979

First epidermis reconstructed from a culture of keratinocytes.

1983

First epidermis reconstructed with a functioning corneal layer.

1986

Development of a human skin model with an epidermis and dermis.

1994

First reconstructed epidermis model, produced on a large scale for toxicological studies.

2010

First Asian skin reconstructed in L’Oréal Advanced Research laboratories at Pudong (China).

2011

130,000 units of reconstructed biological tissue (skin and cornea) produced at Gerland.



Page 12 and above: researchers at the L’Oréal Predictive Evaluation Centre working on reconstructed skin samples, which have enabled discoveries about pigmentation.

RAW MATERIALS

Miniature tests *to limit waste*

The principle is a simple one: to generally reduce as much as possible the quantity of substances used during tests, as well as the quantity of substrate required to conduct them. For instance, when testing a hair colour product, the evaluation teams had, for decades, worked on either wigs of several hundred grams of hair, or locks of a few grams. To reduce the consumption of both hair and chemical products, it was necessary to gradually decrease the quantities of hair used down to mini-locks, then to samples in small test tubes, and then finally to the stage of hair powder. Today, only 10 milligrams of hair and just a few milligrams of chemical products are used for our hair colour, hair care and make-up tests (mascaras, for example). Historically, this systematic miniaturisation was initiated by biology, which can go as far as conducting tests on a single molecule. L'Oréal's approach thus consisted of extrapolating these concepts to far more physical tests that are closer to the actual usage properties of cosmetics products.

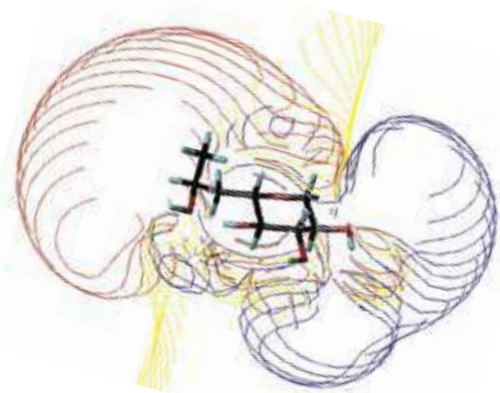
SUCCESSIVE MINIATURISATIONS



Miniaturising the tests means that now only a few milligrams of hair powder can be used to test hair products.

GREEN CHEMISTRY

Less solvent for Pro-Xylane



Since 1999, the Research teams have placed the principles of green chemistry at the core of their eco-design approach, redefining their methods year after year. In 2011, they improved the processes used to obtain Pro-Xylane, a natural sugar derivative extracted from beech wood. By reducing the quantity of solvents used, its "E-factor" (the quantity of waste generated by each product quantity) was reduced still further to 4.9 (compared to 13 in 2006 and 6.6 in 2009): a performance regarded as remarkable by the experts.

TESTIMONIAL

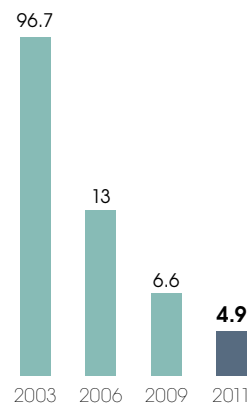
MANY ADVANTAGES

“ Apart from the economic benefit, miniaturising tests limits waste and is totally in line with a sustainable development approach. Handling small samples has also led to productivity gains, because tests are more widely automated. The result is time saved, improved traceability, increased reliability and the possibility of carrying out as many experiments as required. ”

FRÉDÉRIC LEROY,
DIRECTOR OF THE PREDICTIVE
EVALUATION DEPARTMENT AT L'ORÉAL'S
AULNAY RESEARCH CENTRE



20 TIMES LESS WASTE
COMPARED TO
THE 2003 PROCESS



Quantity of waste per 1 kg of Pro-Xylane produced (in kg)



GREEN CHEMISTRY

Acclaimed progress

Over the years, L'Oréal has been improving the proportion of plant-based raw materials in its portfolio. In 2011, 55% of new raw materials registered came from plants, compared with 40% in 2010. The same year, the teams increased the amount of incorporated raw materials respecting green chemistry principles to 45% compared with 26% in 2010. And in scientific circles like the Annual Green Chemistry Conference held in Washington in June 2011, L'Oréal was acclaimed and cited in this field as the main industrial player in cosmetics.

 MORE INFORMATION ONLINE

FORMULATION

Biodegradability: a value on the up

To constantly minimise the environmental impact of ingredients, Research teams work on improving the biodegradability of formulas. This property is assessed by working out the total percentages of biodegradable ingredients. Once the calculations are made, strict internal criteria are applied to award "biodegradable" status to the formula. So 2011 saw the launch of the 97% biodegradable Ultra Doux Almond and Lotus Flower shampoo and conditioner, and the 94% biodegradable Fructis Pure Brilliance shampoo and conditioner.



BIODIVERSITY

Ever more responsible sourcing

In 2010, the signatory countries to the Convention on biological diversity approved the Nagoya Protocol, aimed at regulating access to resources in a given territory and the fair sharing of benefits resulting from those resources. L'Oréal Research was aware of these issues well before the protocol came into effect, and since 2005 has continuously striven to secure its supply chains so that they meet the issues of sustainable development. This awareness goes hand in hand with the increasing use of renewable plant-based ingredients in our products. For instance, Biotherm launched a men's deodorant with 100% natural ingredients this year. Palm oil supply is a significant example here: in 2011, L'Oréal's sourcing was again recognised as sustainable by the WWF with a score of 9/9 on their rating scale. Similarly, the group's argan sourcing was the subject of a presentation by an external expert, Daniel Robinson (South Wales University, Australia), during the "Union for Ethical BioTrade" conference, where it was hailed as a proactive initiative for "accessing and sharing benefits".

Shampoos ultra-kind to the ENVIRONMENT

Designing an environmentally friendly product means factoring in the whole of its life cycle and applying environmental excellence criteria at every stage. This is what the laboratories have done with the GARNIER Ultra Doux range, completely overhauled in 2011.

L'Oréal's eco-design approach, now the focus of all stages of development, is illustrated by the choice of ingredients, automated trials on minute quantities to limit waste, the enhancement of "co-products"⁽¹⁾, manufacturing processes that reduce energy and toxic solvent use, and recyclable packaging.

Scrutiny of the whole product cycle

Within this ambitious framework, L'Oréal decided to review the GARNIER Ultra Doux range using these environmental excellence criteria as a yardstick. The challenge for Research was to develop a new formula while reducing its impact on the environment, by checking the ingredient quantities. They also had to factor in and respect biodiversity and limit waste production while reducing the quantity of packaging, encouraging the use of refills and recycled materials and ensuring that communication on the products was in line with the various criteria. To fulfil this mission, the teams used the L'Oréal eco-design charter which pinpoints five areas for vigilance throughout the product's life cycle: maintaining people's health, respecting the environment, protecting biodiversity, promoting fair trade and managing the social impact of innovations.

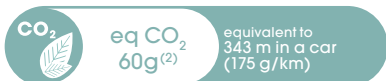


MORE INFORMATION ONLINE

PICTOGRAMS DEVELOPED BY GARNIER AND CARREFOUR TO INCREASE CONSUMER AWARENESS

As part of the environmental labelling experiment introduced in partnership with Carrefour, the following pictograms are used on the Garnier and Carrefour websites dedicated to the programme: www.c-laterre.fr/affichage-environnemental/ www.garnier.fr/_fr/_fr/engagements-garnier/ultradoux-environnement.aspx

GREENHOUSE GAS EMISSIONS



WATER CONSUMPTION



WATER POLLUTION



Packaging ratio = 0.28. This ratio takes account of the weight of the shampoo packaging, the inclusion of recycled material and the eco-design of the packaging. The lower the ratio, the lower the packaging's environmental impact.

(1) Material created during the same manufacturing process at the same time as the main product. (2) Average value for all shampoos investigated.

RECONCILING ECO-DESIGN AND PERFORMANCE

How did you formulate the range?

To develop this eco-designed product, the challenge we set ourselves was to ensure that the cosmetic properties and quality of use were comparable to other classical shampoos. The criteria for creating an eco-designed formula are based firstly on the choice of raw materials. We seek naturalness, biodegradability, no impact on biodiversity and low ecotoxicity. The final formula must be very largely biodegradable ($\geq 95\%$) and not ecotoxic for aquatic organisms.

Is it possible to go further in eco-design?

These recently developed formulas have the performances sought by L'Oréal to meet consumer needs. A totally biodegradable formula would be ideal, of course, but for the moment this target is not attainable while maintaining the performance standard we have set. Nevertheless, this stringent target is a constant idea driving the way we formulate on a daily basis.

What new goals are you setting yourselves to further eco-design in the group?

As the years go by, we offer formulas that are ever-friendlier to the environment in terms of biodegradability, with performances equal to or better than the market's. We also work directly with Marketing to provide increasingly educational information for consumers (as in the case of environmental labelling). The idea is to help them to understand the issues immediately, and then be able to make fully-informed choices.

STÉPHANIE NEPLAZ,
SHAMPOO DEVELOPMENT MANAGER, L'ORÉAL



ENVIRONMENTAL LABELLING: A JOINT INITIATIVE BETWEEN GARNIER AND CARREFOUR

➤ Since 1st, July 2011 in France, GARNIER joined forces with Carrefour for a year-long national experiment on environmental labelling launched by France's Ministry of Ecology and Sustainable Development. It involves giving consumers a reliable, understandable indication of the environmental impact of the complete life cycle of shampoos and their packaging: greenhouse gas emissions, water consumption and water pollution. In a large number of France's Carrefour supermarkets, "spotters" placed by Ultra Doux shampoos invite consumers to go to websites where they can find further information.

TESTIMONIAL

“The experiment puts consumers at the heart of the information system, making it possible to check their adherence. Through an on-line survey, consumers can contribute by giving their own views on this labelling. Carrefour wants to find the most suitable method of information so as to meet its customers' requirements.”



AGATHE GROSSMITH,
SUSTAINABLE DEVELOPMENT MANAGER, CARREFOUR GROUP



(1) "With Carrefour and Garnier, you now know whether your shampoo is as kind to the environment as it is to your hair. Go to carrefour.fr."



Production and logistics at L'Oréal are run by thousands of men and women whose daily work all over the world is focused on high quality products and customer satisfaction. The motto they all share: respect for the environment.

Innovating to reduce **THE ENVIRONMENTAL FOOTPRINT**

L'Oréal integrates the principles of sustainable development into all stages of a product's life cycle, from its design to its use by the consumer. For many years now, the group has been committed to an eco-responsible approach as regards the impact of its activity and aims for excellence in terms of environmental performance. In 2011, thanks to the mobilisation of all the teams in the field, further progress in reducing the environmental footprint was achieved, focusing on two strategic areas: the efficiency of resources and technological innovation projects.

As part of its 10-year environmental strategy (2005-2015), L'Oréal has set three clear targets for its plants and distribution centres: to reduce by 50% greenhouse gas emissions (in absolute value), water consumption per finished product unit and waste production per finished product unit.

L'Oréal's ambition to win over a billion new consumers in the coming years while still achieving its environmental targets is driving the group to be even more stringent. So day after day, the group seizes every opportunity for savings and rationalisation, as well as innovating in order to deploy completely new technologies in line with its environmental excellence approach.

2005-2011 RESULTS

-29.8%
greenhouse gas emissions
(in absolute value)

-22.6%
water consumption
(in litre per finished product)

-24.2%
transportable waste
(excluding shuttle packaging)

Focus on packaging
News round-up
Report on L'Oréal Brazil

Packaging pursues its ECO-REVOLUTION

Central to innovation within the group, packaging plays a key role in L'Oréal's ambitious environmental approach. From one end of the life cycle to the other, it is continuing its journey of transformation on the path to eco-friendly design.



Since 2007, L'Oréal has been committed to a strict policy of forestry certification for its paper and cardboard packaging through the active promotion of FSC (Forest Stewardship Council) certification. Previously only applicable to wood, this international standard has now been extended to cardboard and paper. Produced via responsible forestry operations that guarantee the forest's sustainable management, FSC-certified materials are committed to the employment of local and regional workforces and the enforcement of stringent safety standards.

"It's a socio-environmental label which guarantees the preservation of the forest and combats deviations from labour law, such as the infringement of civil or human rights or the use of an illegal workforce," explains Charles Duclaux, Packaging and Environment Director at L'Oréal's Operations Department. "It is a real guarantee of ethical practices and quality. Today, more than 90% of our cardboard boxes are certified, over half by the FSC. The same approach has now been adopted by our printers as well, and 92% of their sites are now FSC-certified.

But we don't plan to rest on our laurels, as certification is not sufficient if parallel actions are not instigated to reduce the weight and volume of our packaging, and lessen its impact on the environment. So every time an item of packaging is updated, we perform a simplified comparative life cycle analysis so that we can select a design that will help reduce these effects. This study takes into account all the stages of the packaging's life cycle and is based on eight impact indicators, including CO₂, water, eutrophication and waste."



IN 2011,
THE FOREST FOOTPRINT
DISCLOSURE PROJECT
RANKED L'ORÉAL
AMONG THE LEADERS
IN ITS SECTOR

TESTIMONIAL

INCREASING CONSUMER AWARENESS

“Since L'Oréal became an FSC France member in 2010, we have observed a genuine commitment on the company's part, not only in the use of FSC-certified packaging, but also in raising consumer awareness by including the FSC label on FSC-certified packaging and accompanying this label with an explanation, wherever possible. In order to protect the forests and the population groups that depend on them, we need all consumers at the end of the wood and paper product chain to make a point of buying FSC-certified products.”



FSC MARIE VALLÉE, DIRECTOR OF FSC FRANCE

 MORE INFORMATION ONLINE AND ON WWW.FSC.ORG

BIOHERM SAVES TONS OF PACKAGING

➤ The brand has been going for practical action, meaning that in 2011, 80% of the 50 ml glass jars used for its skin care cream contained 40% recycled glass. 100% of the cardboard packaging was certified (70% FSC and 30% PEFC, with a target of 100% FSC). The elimination of instruction leaflets, now printed on the inside of the box, saved 24 metric tons of paper in 2011 (30 metric tons expected in 2012). The plastic PE bottles have also been redesigned, resulting in a 6g reduction in the 400-ml version, from 40 to 34g, and a 2.5g cut for the 200-ml bottle, from 25 to 22.5g. That's 10 metric tons of plastic saved in 2011, with a saving of 26 metric tons planned for 2012. A community-spirited brand, BIOHERM encourages consumers to recycle by using unscrewable pumps and providing helpful information on the packaging.



GARNIER ECO-DESIGNS ITS PACKAGING

➤ Several years ago, GARNIER embarked upon an eco-design initiative consisting of successive stages in line with the existing design of its products and packaging. The aim was to reduce its environmental impact. The flagship 50-ml skin care jar initially used 40% recycled glass, enabling a reduction in the energy consumed in producing the jars. Then, for its latest makeover in 2011, GARNIER opted for a lighter plastic design which is not only more attractive but also cut the packaging's impact on the environment by 30%⁽¹⁾ (according to the life cycle analysis carried out by an independent market research firm, confirmed by a jury of experts, in accordance with the ISO 14040 and 14044 standards).



TESTIMONIAL

THE WHOLE SECTOR IS INVOLVED

“ We've been working with L'Oréal for over 35 years and the group was the first client to talk to us about FSC certification. Of course, it involved real organisational constraints, as even though the Autajon printing group has been FSC-certified since 2007, L'Oréal required all its suppliers to commit to the initiative. At the moment, some of our paper and cardboard manufacturers are still being certified, but 80% of this sector now has certification. ”



HERVÉ FERRON, ENVIRONMENT AND QUALITY MANAGER FOR THE AUTAJON GROUP, AN FSC-CERTIFIED PRINTER

SUSTAINABLE DEVELOPMENT AT THE HEART OF OUR BUSINESS LINES

➤ In order to increase awareness of eco-design principles in not only all the Packaging and Development teams but also Marketing and Purchasing, L'Oréal has developed a three-day training course, the Sustainable Packaging Seminar, carried out in Asia, the United States, Europe and shortly Latin America. Thus far, nearly 230 staff have been trained in materials, life cycle analysis, good environmental communication practices and the end of packaging life cycles. This is part of a more general move to raise team awareness that began four years ago. For the group, it's about being able to put figures on the effects of the packaging chosen. But it's also about harmonising and restructuring eco-design within L'Oréal through the set-up of an environmental approval system, a dedicated intranet site and simplified life cycle analysis software that can be used by non-experts. And then there's the use of position papers: documents describing the group's position on a certain number of subjects, such as PVC, bio-plastics, recycling, paper and cardboard, etc. In order to perpetuate our knowledge and expertise, a Packaging and Environment Guide—the first of its kind, published in 2010 by the Packaging and Environment Department—has been distributed to all the Marketing, Packaging, Development and Purchasing teams, setting out the 10 commandments of eco-design according to L'Oréal and recommending good environmental communication practices with a view to avoiding greenwashing⁽²⁾.

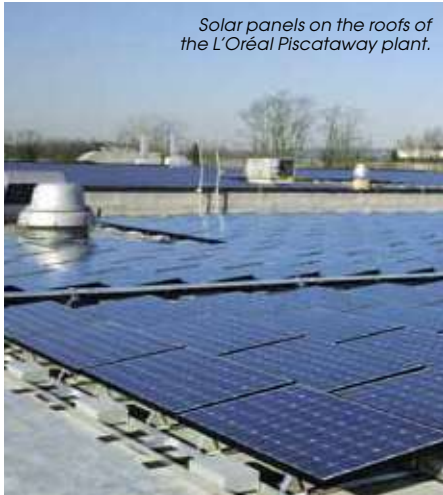
“ For the group, it's about being able to put figures on the effects of the packaging chosen. But it's also about harmonising and restructuring eco-design within L'Oréal through the various tools made available to staff. ”

CHARLES DUCLAUX,
PACKAGING AND ENVIRONMENT DIRECTOR, L'ORÉAL



 MORE INFORMATION ONLINE

(1) Study available on GARNIER's website. (2) Environmental discourse not followed by concrete actions.



Solar panels on the roofs of the L'Oréal Piscataway plant.

SOLAR ENERGY

Solar wins over the subsidiaries

New initiatives abound in L'Oréal plants the world over. In each case, the project is tailored to its location and configuration, as with the Ychang plant in China, which has installed 2,000 solar tubes to preheat the water, thus permitting a 6% cut in its fuel consumption. Spain's Burgos plant, meanwhile, will be achieving carbon neutral status thanks to a major biomass project and is already using green technologies such as solar panels and biomass to heat one of its buildings.

At Pune in India, the plant uses solar energy to preheat the washing water, enabling a 7% reduction in its overall energy consumption level. It is already equipped with 320 solar panels spread over 970 square meters. Another shining example of the group's commitment to concrete environmental results comes from the United States, where Piscataway will soon have reduced its CO₂ emissions by 60%: thanks to the installation of LED lighting and solar panels on the roofs of the site, it has achieved a reduction equivalent to 1,000 metric tons of CO₂. At the Franklin site in New Jersey, where electrical consumption is lower than at the Piscataway factory, the solar panels should permit a 25% cut in CO₂ emissions, equivalent to 1,700 fewer metric tons of CO₂ in 2012. In Montreal, solar walls are being used not to produce electricity but to preheat the cold air outside before distributing it within the buildings during the winter. One hundred metric tons of carbon are thus saved on heating, which previously came from the use of natural gas.

WIND TURBINES

Mexico's wind of change

Since 1st, December 2011, L'Oréal Mexico has had access to wind energy via its stake in the company Eurus, a producer of this form of renewable energy. Now 84% of the electrical energy used by the Mexico plant and the Centrex site comes from wind turbines, which from 2012, will reduce CO₂ emissions by 60% compared with 2005. During the course of 2012, L'Oréal is also set to open its largest-ever hair colour plant at Villa de Reyes in San Luis Potosí state. This new production site, the group's second in Mexico and the fourth in Latin America, will also make use of solar energy.



BIO-GAZ



Bio-methanisation unit at the L'Oréal plant in Libramont.

Libramont's plant leads the way

In 2009, a unique bio-methanisation system was installed at Libramont in Belgium. Within this plant, electricity and hot water are produced from the combustion of methane gas generated by processed food waste. This production meets over 100% of the electrical energy needed to run the plant, and 80% of the plant's heating requirements, using the steam from the production process. This facility has enabled a reduction in the use of

fossil fuels and, in 2010, the surplus electricity injected into the national grid was equivalent to the consumption of 4,000 households.

This highly successful experiment is sure to inspire other projects within the group over the coming years.



MORE INFORMATION ONLINE

The good performance of France's Vichy plant

An ambitious partnership between L'Oréal and EDF: this was the basis of the environmental challenge adopted in 2007 at the historic Vichy plant founded in 1969. The aim was a 50% cut in the site's CO₂ emissions. To achieve this, EDF Optimal Solutions (a subsidiary specialising in energy eco-efficiency) designed a tailor-made comprehensive energy solution factoring in Vichy's specific industrial processes. Unveiled in June 2011, the new facilities now include not only triple energy recovery (enough to heat the equivalent of 12 Olympic swimming pools each year, or 88,000 m³ of washing water), but also an efficient geothermal system that heats the whole of the 50,000 square meters premises in the off-season, together with a free-cooling system that makes use of cool external air instead of conventional air-conditioning. A speed variator on one of the air compressors allows its operation to be tailored to the site's needs, while remote management tools have also been incorporated to provide the real-time monitoring of energy consumption and CO₂ savings as production progresses.



MORE INFORMATION ONLINE



Energy eco-efficiency installation in the Vichy plant.

L'Oréal Luxe ahead of its targets

In 2011, L'Oréal Luxe achieved a 53% reduction in its CO₂ emissions compared to 2005 across all its sites worldwide, thus exceeding the target of 50% set by the group for 2015. Having deployed effective energy efficiency actions and innovative renewable energy projects, it can be proud of having reached the targets early, while saving 2,300 metric tons of CO₂.



An all-American challenge



For a six-month period beginning on 1st, August 2011, L'Oréal USA employees at the New York City headquarters were called to action for the "I've Got the Power" Energy Conservation Challenge,

implemented in partnership with the US Environmental Protection Agency (EPA). This challenge was motivated by the knowledge that: 45% of the US's greenhouse gasses are emitted by business premises, and it is estimated that 30% of the energy consumed in these buildings is wasted. The aim was to reduce the energy consumption of L'Oréal USA's head office by rewarding the floor that obtained the best rate of reduction. With this in mind, the participating employees were reminded of the simple actions that they could take to prevent energy waste, such as switching off lights and computers when leaving their workstations and offices. A Facebook page was also created to raise participants' awareness. But this challenge was only one facet of the numerous energy-saving measures taken by L'Oréal USA, such as

the installation of solar panels on the Piscataway and Franklin sites, the use of hydro-electricity, and the installation of LED lighting. In 2011, ahead of schedule, these actions enabled the subsidiary to reach a 46% cut in greenhouse gas emissions.

“Apart from raising employees' awareness of the simple gestures they could take to conserve energy, L'Oréal's USA headquarter office realised an energy savings of 9% between August and January with the winning floor reducing energy consumption by -37%.”

PAM ALABASTER,
CORPORATE COMMUNICATIONS DIRECTOR,
SUSTAINABLE DEVELOPMENT
AND PUBLIC AFFAIRS, L'ORÉAL USA



TRANSPORT

All-electric delivery



For many years now, L'Oréal has been looking to introduce an all-electric transport policy within France in order to achieve "zero CO₂ emissions". The problem was finding a way to do it while still ensuring high-quality, safe, eco-friendly delivery: three constraints which appeared to rule out all the providers on the market. "In 2010, we discovered Deret, a reliable all-electric distribution network that could deliver to all our 400 Parisian outlets," says Frédéric Lagacherie, Director of the L'Oréal Luxe Distribution Centre in France. "Since August 2010, the goods picked up by Deret in Orléans have been transported to the Gennevilliers distribution hub, then delivered in

all-electric trucks. Instead of the 5% cut in CO₂ emissions targeted, L'Oréal achieved a 17% reduction from the very first year." And while awaiting the arrival of electric trailer-drawing vehicles with sufficient battery life to cover the distance between Orléans and Gennevilliers, L'Oréal has indulged in a little environmental humour: when Deret offered the free use of one of its vehicles as an advertising medium, the group chose to decorate its electric truck with the brand... DIESEL.

 MORE INFORMATION ONLINE

“Instead of the 5% cut in CO₂ emissions targeted, L'Oréal achieved a 17% reduction from the very first year.”

FRÉDÉRIC LAGACHERIE,
DIRECTOR OF THE L'OREAL LUXE
DISTRIBUTION CENTRE IN FRANCE



WASTE

Asia: targets achieved

In 2011, the countries in L'Oréal's Asia zone reached the 2015 50% reduction target for waste emissions per finished product and achieved the astounding feat of bringing the amount of waste generated per product unit down to 10.6 g. Thanks to ambitious sludge reduction projects (for instance, the vermiculture experiment at Pune in India) and the continuous improvement of manufacturing processes (including at the Suzhou site in China), a 17% improvement was achieved in comparison with 2010.



WATER

Operation 100% clean water at Chimex

L'Oréal's French subsidiary, specialised in the production of cosmetic ingredients using chemistry and biotechnologies, is a perfect example of environmental innovation and performance in the use of water. Six years of studies were needed to combine a physicochemical system with treatment by phytoremediation. Today the "100% clean water" project makes it possible to treat the wastewater from a Chimex factory so effectively that it can be returned to the natural environment. A first for the chemical industry! "And what's so amazing is that the project was thought up by one of the factory employees," says Chimex Operations Director Karine Melloul. "We have now successfully completed phase one of the operation. Soon this innovative solution should make it possible, through the phytoremediation gardens (phytoremediation is a group of technologies using the bacteria that develop around plants as the main treatment agent) to restore wastewater to the natural environment, and to function in a closed circuit, re-using the water." This means real savings in water consumption. Inaugurated in October 2011, the phytoremediation gardens at Mourenx enable savings in basic resources like water, while preserving the social aspects and landscapes of sites where the technology is set up. Above all, they represent the hope of cleaner, more responsible chemicals.

“Soon this innovative solution should make it possible, through the phytoremediation gardens, to restore wastewater to the natural environment, and to function in a closed circuit, re-using the water for production.”



KARINE MELLOUL,
CHIMEX OPERATIONS DIRECTOR,
L'ORÉAL

RECYCLING

KIEHL's USA's eco-bag

The chic, eye-catching "Recycle and Be Rewarded Initiative" launched between April and June 2011 for Earth Day was a sensation. To draw the public's attention to the importance of recycling and minimising waste, the brand KIEHL's offered its customers the gift of an elegant and colourful eco-friendly bag in a limited edition. Designed exclusively for KIEHL's by American Grammy Award winning musician/producer Pharrell Williams, each bag was made in Bionic® Yarn material produced from plastic bottles. An emblematic gift for customers who chose environmentally-friendly products with a capacity of 500 ml to 1 litre, or who brought empty packaging back to the shop.



COMMUNITY-SPIRITED CAMPAIGNS

GARNIER and DOP clean up beaches



There were plenty of volunteers for the "Love your Beach" campaign launched by GARNIER Australia in partnership with the Surfrider Foundation Australia, with 300 people rallying around to clean up the beaches of Freshwater, St Kilda, Noosa and Gold Coast. They removed 20,000 items (i.e. 450 kg of rubbish). The foundation received 2,000 letters from people who also wanted to protect their beaches. The most convincing letter received a donation of 5,000 dollars to maintain the quality of the water and halt the erosion of the dunes on Kings Beach at Caloundra. At the same time as this operation, DOP and the French National Forestry Office launched another environmental campaign to rehabilitate the beaches of the Ile d'Oléron, ravaged by the hurricane Xynthia. 30th, April 2011 was a great community-spirited day spent cleaning up the shore and dunes of the Ile d'Oléron, with 400 people rallying around to eliminate the traces of the storm. Besides, the site www.adopteundechet.com incited web users to adopt a piece of rubbish, with a playful and highly original approach. The total weight of rubbish adopted up till 30th, June was then actually collected, thanks to financial support from the brand.

BRAZIL, A MODEL of eco-responsibility for the group

In the third largest global cosmetics market, the Brazil subsidiary is not only exemplary in terms of economic performance: the Brazilian model—a prototype that is still unique—is also a showcase for the group's environmental and ethical progress.



On the left, returnable transport packaging at the São Paulo L'Oréal plant; on the right, natural lighting in the Rio L'Oréal distribution centre.

With two plants—in Rio and São Paulo—combining the highest standards of safety and environmental performance (triple certification: ISO 9000 Quality, ISO 14001 Environment and OHSAS 18001 Safety), L'Oréal Brazil displays unrelenting determination to implement an ambitious eco-responsibility policy in parallel with its economic development. At the São Paulo production unit, the group's biggest plant in terms of volume production, one exemplary initiative in terms of EHS⁽¹⁾ is a "Water Working Group" programme, which helped cut water consumption by 25% between 2005 and 2011. Similar efforts have been made in Rio with the Eyedropper group, a work team whose task is to raise staff awareness in terms of reducing resources and optimising industrial processes.

Some of their achievements include the automation of the water used to clean the vessels, the installation of spray nozzles preventing waste, and daily monitoring—all of which slashed water consumption by 30% over the same period. This amounts to an overall saving of 89 million litres of water per year since 2005.

Allying rapid growth with sustainable development

In Brazil, L'Oréal is thus achieving one of its key goals: to combine production growth with sustainable development. The Brazilian subsidiary has already reached its target of reducing CO₂ emissions by 54%, and has cut its use of energy by 38%, water by 27% and waste production by

17%. The fall in CO₂ emissions is the result of introducing good energy efficiency practices (as at Rio de Janeiro, where the heat from the effluents is collected to preheat the washing water) and the use of solar energy to heat the water (an initiative implemented at both plants). Other innovative projects are in progress at the São Paulo plant, such as housing its plastic bottle supplier on site from January 2012. This move will improve productivity and environmental performances right along the supply chain (180 fewer metric tons of CO₂ emissions per year and 80 metric tons less packaging required annually from 2012 for transporting bottles).

Combining talents and social diversity

More than anywhere else in the world, diversity is part of Brazil's DNA. For L'Oréal, it was therefore essential to construct a recruitment strategy factoring in the major social and cultural disparities of this market.

As well as the more traditional recruitment pools of big cities, states other than Rio and São Paulo and less well-known universities are now included, enabling young talent to be unearthed on the spot. The "pépinières" programme (for management trainees) attracted young talents in 2011 from all over the country, with a wide range of educational and social backgrounds. With 60% of short-term contracts and trainees taken on at the end of their contracts, L'Oréal Brazil boasts a youthful average age (around 36) among its management and supervisory teams. And a further advantage is provided by the expa-

(1) Environment, Health and Safety.

opposite: L'Oréal Brazil's management trainees. On the right, the Brazilian Ethics representative Rosmari Capra-Sales leading a training session for Ethics Day 2011.

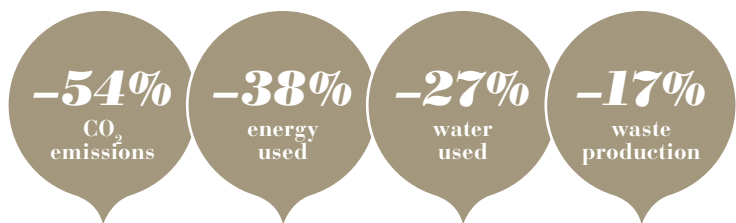


triation programme, designed to create loyalty and develop internal skills by encouraging mobility among the group's Brazilian staff. In 2011, 27 members of staff went off to work in France, Portugal, the United States, Dubai and Argentina.

A unique ethical programme

After the set-up of a new international network of Ethic representatives, L'Oréal Brazil has had an Ethics representative since 2009. Her task is to implement the group's Ethics programme and establish a reference in view of promoting good practices. She is also there to provide advice and guidance in making ethical decisions at all levels of the company. All staff members are informed about L'Oréal's ethical values and culture as soon as they arrive.

Ethics is part of all HR training programmes. At the "Ethics Days" held on 20th, October 2011, during which staff were able to chat informally about ethical issues with Chairman and CEO Jean-Paul Agon, Brazil came second in the Top 10 countries asking the most questions.



SPECIFIC REPORTING

► To illustrate the subsidiary's numerous environmental initiatives, L'Oréal Brazil has produced its own report on sustainable development, to highlight the actions carried out and the results already obtained in terms of sustainable development. Due to come out in 2012, it will focus on the subsidiary's challenges and values, its respect for ethics and the consumer, and the search for local talent.



Above, a young woman training at a hairdressing workshop for the "Oficina de Beleza" project. Opposite, a class at the L'Oréal Professionnel Institute.

THE SOCIAL ROLE PLAYED BY EDUCATION

► Several educational programmes bear witness to L'Oréal Brazil's commitment to help local communities develop. The first concerns the 12 communities making up the Complexo do Alemão in the north of Rio de Janeiro, where 70,000 people lived under the control of the drug barons, as well as in Rocinha and Cidade de Deus. The aim is to develop MATRIX micro-distributors in these communities by giving interested residents all the necessary training and tools for them to create their own businesses and increase their income. Another impressive social project is "Oficina de Beleza". Launched during the group centenary, the project provides disadvantaged young people with comprehensive training on hair and make-up, to help them be competitive when it comes to enter the work market. So far, "Oficina de Beleza" has already trained 131 young people, 66% of whom have now found jobs. In addition, the L'Oréal Professionnel Institute—a school providing professional hairdressing and manicure training with 384 hours of courses—which opened in Rio in 2010, has enabled the training of 300 hairdressers, all of whom have been recruited by local hair salons. In 2011, two more institutes opened, one in São Paulo, the other in Rio, and four others are planned for 2012. The overall target is to create 100 franchises in 10 years. Finally, the "Hairdressers against AIDS" project has raised awareness in almost one million individuals since 2006. This key educational programme promoted by the L'Oréal Foundation has made hair salons standard-bearers in the fight against AIDS, mainly through the deployment of banners in the salons and the production of a celebrity calendar with a message on how to avoid the disease.

 MORE INFORMATION ONLINE



L'Oréal's main asset is the talent of its teams. Recruitment, career management, training and safety at work are priority issues for the group.

A daily commitment to all **THE STAKEHOLDERS**

For L'Oréal, being the leader implies being a responsible company whose relations with others are beyond reproach, whether they be staff members, suppliers or partners. As a community-spirited company, L'Oréal's first duty is to provide a healthy, risk-free working environment to its staff. The group also pays close attention to managing its talents. Taking care of them, focusing on their human qualities as well as their performance and looking beyond the mere compatibility of profiles with the group's needs are key elements in the group's policy. In 2011, the Human Resources teams continued to be driven by these goals, especially in making the most of the wide-ranging cultures in L'Oréal subsidiaries and staff.

Being responsible also means building solid, transparent relations with the group's suppliers, and making them more than just commercial connections. This year, thanks to a new guide, the Purchasing teams have reaffirmed their ethical commitment in their dealings, and proved their desire to see suppliers as real partners in shared growth.

Being responsible means that L'Oréal needs to take account of major global issues in terms of sustainable growth, and raise awareness in the group's stakeholders every time the opportunity arises. This is the goal pursued by the Professional Products Division, which throughout the year continued to open "Green Academies": the new training centres with their entirely environmentally-friendly design.

For L'Oréal, attentiveness to others and excellence are inseparable, because the group is convinced that success in its business lines is also due to the way it runs them: with humanity and community spirit.

2011 KEY FIGURES

44,060
employees
have been trained

8.5%
reduction in
industrial accidents with
sick leave versus 2010
(based on the enlarged frequency rate)

793
social audits
conducted at
group supplier sites

Focus on talent
News round-up
Report on Green Academies



The L'Oréal Pakistan team.

Attracting, training and creating loyalty in **TOMORROW'S TALENT**

To respond to the sharp growth in New Markets, L'Oréal has implemented an innovative human resources policy. It is designed to form suitable teams who must be recruited, trained, made loyal and developed. An ambitious, tailor-made strategy that gives a considerable place to local talent.

Faced with the New Markets whose growth is accelerating, developing teams more quickly has become a necessity. L'Oréal now has to meet a new challenge: finding the right balance between local and international talent. First of all, how do we recruit junior staff—tomorrow's managers—in an extremely competitive context? "To attract the most talented students, apart from our Reveal and Brandstorm recruitment games, we work with the top universities in every country," says Olivier Lecocq, Director of Human Resources for the Asia-Pacific zone. He adds, "in a very dynamic Asian context, with annual growth of 15% and peaks of 25% in China and India in particular, we are looking for young staff with mental agility, able to manage this constant fluctuation and anticipate a market that is growing at a tremendous rate".

Promoting local talent

There is one big advantage: L'Oréal is an employer brand that is very attractive to students in Africa and the Middle East. "In the Africa-Middle East zone, where people have a beauty culture, L'Oréal is a company they aspire to," says Galina Kouzina, Director of Human Resources for the Africa-Middle East zone. "We are planning strong growth in countries where we are already operating," she adds. "And ambitious objectives require genuine talent. We select applicants who show the potential to move up through the various levels over the next two to five years." Another challenge lies in recruiting and ensuring the internal mobility of experienced managers, guardians of the L'Oréal culture. This strategic task falls to Talent Management Directors, who work in close cooperation with local HRDs. "These 'talent

hunters', whom I meet monthly, are invaluable: they are based in the country, so have an in-depth understanding of the local context and needs. They initiate recruitment, meet applicants and can instantly pinpoint the strengths and weaknesses of our staff," continues Olivier Lecocq.

Exceptional opportunities for mobility

Once staff are recruited, L'Oréal, as a responsible employer, has the strategy of retaining them in a context where staff turnover is ingrained. "The loyalty creation process means having attractive prospects for career development, with the rapid assumption of responsibilities," says Christophe Gamet, Director of Human Resources for the Latin America zone. Another key aspect encouraging loyalty is the exceptional regional and international mobility offered by L'Oréal in its new subsidiaries. "The students recruited can have their first international experience after only three years, in highly attractive countries like Brazil or Mexico," adds Christophe Gamet. Not forgetting that "international mobility gives expats greater openness, a more refined approach and a better understanding of the field. In short, personal development that enriches the group..."



DIVERSITY AT L'ORÉAL

◉ A Global Diversity Department was set up in 2005

On an international level, a network of some thirty local coordinators carries out actions in the field.

◉ A policy for promoting diversity focusing on six priority areas:

Nationality, socio-cultural and ethnic origins, gender, handicap and age.

◉ European label

In 2011, L'Oréal was awarded the first European label for professional equality, the Gender Equality-European Standard (GE-ES), for seven European countries: France, Italy, Spain, Belgium, Germany, the United Kingdom and Ireland.

INTERVIEW

TALENT MANAGEMENT ISSUES

You were appointed in July 2011.

What exactly is your role?

My job is to spot talent for the Latin America zone, both within and outside the company. In-house, this involves knowing all the teams in the various countries in the zone: understanding their motivation, knowing their strengths and expectations and helping them build a local, regional and international career in the group. Outside the company, it involves a thorough knowledge of the local markets. The work consists of sourcing, which requires being proactive, having the right partners and knowing the cultural features of each country in order to pinpoint the best talents. It is in-depth, long-term work, for which you need to build up relationships of trust with our teams, our talents, and of course external applicants.

What are your systems and techniques for locating, identifying and meeting emerging talents in your zone?

When we assess applicants, we have to take into account the various aspects making up their potential, in the right proportions, like their career path, achievements, ambitions, abilities and sensitivity to the beauty business. We need to have the hunter approach:

whether we have a position available or not, we constantly seek the right talent for the group, and recruit it when we find it. The group's network of Talent Management Directors is also very important: when we are considering an international transfer, we all confer with one another so that we have an overall idea and can look ahead: we need to be more proactive and anticipate more.

How do you identify employees' expectations?

Interviews alone are not enough to pinpoint their needs. You need to dig deeper, and find out what their expectations really are. So you need to spend time with them. The development of their careers is the most essential part of our role. We have regular formal meetings several times a year in the country, in the zone and at group level, which we combine with a daily, individual follow-up of our staff. In addition, developing and monitoring careers begins on the very day they join the group. In my view, a new employee's induction and integration is a crucial stage. Our aims are very clear: to increase

the quality of talent in the Latin America zone by making the best possible use of regional and international mobility, as well recruiting new "gems" from outside, who will help us continue expanding the group over the coming years.

“Knowing the cultural features of each country in order to pinpoint the best talents.”

JUDITH RUIZ DE ESQUIDE,
TALENT MANAGEMENT DIRECTOR
FOR THE LATIN AMERICA ZONE, L'ORÉAL,
BASED IN BRAZIL



ENVIRONMENT, HEALTH AND SAFETY

An ambitious organisation

To pursue its ambitious policy successfully, the group has an Environment, Health and Safety Manager for each geographic zone (North America, Latin America, Asia, Africa-Middle East and Europe) whose task is to assure that the group's EHS⁽¹⁾ standards are implemented. These zone EHS Managers liaise with the International EHS Department. Since this organisation was introduced in December 2010, the International EHS Department, reporting to the group's Operations Division, has been able to cover all fields of business throughout the world with a single reference EHS system. The results are more than encouraging: the target of a 25% reduction in accidents set for 2011 has been exceeded. In 2011, the number of accidents fell by 36.8%. The ultimate target of "zero accidents" remains to be achieved. To attain it, L'Oréal needs to maintain a safety culture of the very highest standard of excellence. As Environment, Health and Safety International Director Miguel Castellanos explains, "Our ambition is to be one of the best companies in the world in terms of environment, health and safety. Because our goal is to be a community-spirited company, we have a duty to be responsible not only to our customers, our suppliers and our 68,000 employees, but also the communities with whom we carry out our business."



“Our ambition is to be one of the best companies in the world in terms of environment, health and safety.”

MIGUEL CASTELLANOS,
ENVIRONMENT, HEALTH AND SAFETY
INTERNATIONAL DIRECTOR, L'ORÉAL

L'ORÉAL'S 6 EHS PRINCIPLES

- 1 Committing to "zero accident"
- 2 Being proactive and exemplary
- 3 Respecting the environment in all our activities
- 4 Nothing justifies a risk of injury at work
- 5 Management is responsible for the safety of its staff and must show this in the field
- 6 Contributing to our safety at work and that of our colleagues

Ergonomic Attitude



In the Sicos plant, an ergonomic arm to avoid lifting boxes manually.

ERGONOMICS

A shared culture

Launched in 2010, the "Ergonomic Attitude" programme aims to improve priority areas in ergonomics. Programmes that have already been developed and launched include packaging line design and computer workstations. Since then, the programme has been extended to the North America and Europe zones within Operations (factories and distribution centres). In addition, several administrative sites in France, Italy and the United Kingdom have launched "Ergonomic Attitude" initiatives via training courses and awareness-raising in managers. Since 2011, good worldwide ergonomic practices database is maintained on an intranet sharing platform on the group EHS Intranet site. In France, the Sicos L'Oréal Luxe factory created an Ergonomics position and developed specific focused ergonomic training courses. Consumers Products Division Rambouillet factory won the L'Oréal Health & Safety 2011 Award for its "zero lifting" programme. It is now aiming for "zero manual handling." "In barely a year, a real culture of ergonomics has emerged within the group," notes Malcolm Staves, group Health and Safety Director, "and though 2011 was an excellent year, 2012 promises to be even better for the "Ergonomic Attitude" programme.

(1) Environment, Health and Safety.



Safety rules in the Manchester distribution centre.

SAFETY

Training to perform

“So that everyone feels involved in the company’s approach to safety, the key priority is managers’ awareness as the prime players in the safety of their staff, and the daily implementation of the environment and ergonomics of workstations,” says Nathalie Carletto, Lfd⁽¹⁾ Operations Manager in L’Oréal. The group’s EHS department and Operations’ Lfd department have provided them with two training courses.

“Safety and Leadership”

is a course intended for site directors and their managers, technical directors and supply chain managers, and members of plant management committees, distribution centres and administrative sites, including EHS managers. The seminar, organised with the CEDEP⁽²⁾, is multi-company, which enables discussion about different points of view in safety culture. The programme provides practical content on safety culture, with hands-on reports by DuPont de Nemours and

personal stories from industrial managers from various companies, and theoretical content on managing stress and risk in decision-making. 88 L’Oréal managers have already been on the course, including 42 in 2011.

“EHS Operations & Labs”

is a training course designed for team leaders and members of plant management committees, distribution centres and laboratories, as well EHS managers. The course, which is very operational, answers the question: “How do you manage day to day while including the aspects of EHS, and how do you incorporate those aspects into plans for change?” Designed in early 2011, the course was taken this year by 132 Europeans and 24 Mexicans, and will be rolled out in North America and Asia in 2012.

 [MORE INFORMATION ONLINE](#)



The Pudong R&I centre and Mexico’s distribution centre (below) which obtained LEED Gold certification.



SUSTAINABLE BUILDINGS POLICY

Model buildings

For the last five years, L’Oréal has sought to obtain the international certification most representative of its geographic zone for every new building. Among the best known are the American LEED, the British BREEAM and the French HQE certifications. Every time, obtaining the certification requested depends on the number of environmental actions undertaken, such as water recovery from the roof, the quality of insulation, the amount of natural rather than artificial light and the choice of recyclable carpeting. Ten buildings have already been certified around the world, and this figure will be doubled in two years. In 2011, a plant extension in the United States gained the LEED Gold certification, the last step before LEED Platinum certification, the highest standard of quality recognised in the USA. Issues linked to sustainable buildings concern not just reducing the environmental impact of the building on energy and water, but also the health of staff, their comfort, the accessibility of the premises and respect of biodiversity.

 [MORE INFORMATION ONLINE](#)

(1) Learning for Development, the group’s training and development department. (2) European Centre for Executive Development.

TESTIMONIAL

CONFRONTING PRACTICES

“ The CEDEP⁽²⁾ has provided us with world class professors/researchers. And connecting with other companies has enabled managers to compare their safety culture and practices with other site managers in various sectors with different responsibilities. Site managers in every company are now aware that they share the same issues and challenges.”

NATHALIE CARLETO,
LFD⁽¹⁾ OPERATIONS MANAGER, L’ORÉAL



PRODUCTION

Suppliers at the heart of L'Oréal

"In-house" production consists of installing a supplier's machines and staff on the actual premises of the L'Oréal production plant. The concept, which requires a substantial production volume to be attained to justify all the investment, is ideally suited to mass production cosmetics and the technological specialisation of L'Oréal's plants. The process is dedicated to simple packaging with a short production line that is easy to install at an existing site. In L'Oréal, "In-house" production was introduced for the first time in 2010. It concerned making plastic bottles for *Elsève* and *Fructis* hair care products for the European market at Rambouillet and Settimo respectively. At present, five production sites are concerned: in France at Rambouillet, in Belgium at Libramont, in Italy at Settimo, in the United States at Florence and in Brazil at São Paulo. In 2012, more than a billion finished products will be made using this principle. L'Oréal is planning to inaugurate two new installations by the end of 2012 in Poland and Mexico, and is investigating other sites, wherever the system can be used.



"In-house" production in the Settimo plant.

5
L'Oréal production sites use the "In-house" system



"In-house" production in the Florence plant.

TESTIMONIAL

SAVINGS AT ALL STAGES

“In terms of direct impact on the environment, the “In-house” system eliminates the road transport of empty bottles and all the associated packaging, especially pallets. For the supply chain, the closeness of bottle production at the filling site results in more flexible production scheduling, which is adjusted on a daily basis. So a bottle can come off the line in the morning and be filled right away. Stock is reduced to the minimum and for some lines we produce just-in-time. Additionally, these products are made with very innovative investments in terms of industrial production, and they improve economic performance. The “In-house” system is a comprehensive project in direct line with the group’s sustainable development targets.”

CHRISTOPHE GUESNET,
GENERAL PURCHASING DIRECTOR, L'ORÉAL



PARTNERSHIP

New stage in cooperative innovation



For the second year running, a private packaging innovation trade fair, Cherry Pack 2, has been staged in France, at the heart of L'Oréal.

Seven packaging suppliers—Jackel, Rexam, RPC, Yonwoo, RLC, Bioplan and the Pochet Group—briefed in advance by Research and Marketing, were preselected by a multi-sector L'Oréal team. Coming from all spheres, the packaging suppliers presented their innovations.

They were able to interact with 700 staff from L'Oréal, including the managers of international brands, with the aim of stimulating innovation and the launch of new products. By getting suppliers to participate in this strategy, they become real partners in the group's development.

MORE INFORMATION ONLINE

RESPONSIBLE PURCHASING



A new international ethical guide for purchasing

The Purchasing Department has worked hand in hand with the Ethics Department to create a guide named "The Way We Buy", for all staff in the group who deal with suppliers. It is an integral part of the group's Ethical Charter, and shows how L'Oréal's ethical values such as integrity, mutual respect and excellence lie at the heart of the purchasing process.

L'Oréal's purchasing is extremely varied, and covers raw materials, packaging, packaging machinery and buying services alike. For all these areas of purchasing, L'Oréal has produced an ethical guide to help the 600 professional buyers and 10,000 occasional buyers involved in purchasing decisions in their daily relations with suppliers.

The guide is laid out as four chapters (Buying is teamwork, Buying with integrity, Buying with respect, Working with suppliers who respect our ethical standards). It answers very practical questions, rather like a user manual. The guide is currently translated into 12 languages, is available to everyone, and is the sole reference in all the group entities.

TESTIMONIAL

AMBASSADORS FOR A CODE OF ETHICS

“When the “The Way We Buy” guide was launched in July 2011, we organised question and answer sessions to discuss ethical questions with professional buyers. We gave each of them their own printed copy of the guide. They are ambassadors for the guide, both in-house and with our suppliers.”

EMMANUELLE BAILLOU,
DEVELOPMENT MANAGER
FOR THE PURCHASING COMMUNITY, L'ORÉAL



GREEN ACADEMIES:

going to schools for responsible hairdressing

With Madrid, Santiago de Chile and Strasbourg in 2011, and soon Brussels and Hamburg, the new environmentally-friendly professional training centres known as "Green Academies" are on the increase, laying the foundations for 21st century hair salons.

The project was instigated by the Professional Products Division, which distributes the L'ORÉAL PROFESSIONNEL, KÉRASTASE, KÉRASKIN, REDKEN, MATRIX and PUREOLOGY brands in hair salons. Each "Green Academy" meets three key requirements: innovation, excellence and sustainability, and is entirely focused on respect for the environment. Stringent environmental standards are factored in right from the construction stage: access for the disabled, economical use of water, purified air, controlled heating, a healthy environment and architecture that promotes natural light. Locations are chosen for their accessibility, building materials are environmentally-friendly or certified, wastewater is reused and a selective waste sorting programme is operated. To save water, taps are fitted with flow reducers.

A comprehensive sustainable development approach

"Green Academies" also promote well-being for users. To eliminate noise pollution, the market's least noisy—and lightest—hairdryers are purchased, and insulating slabs are installed. Chairs and stools are adjustable, and the air is purified by a photocatalyst. In addition to energy savings and the well-being of haircare professionals, the programme aims to instil the principles of

"This approach testifies to a new stage in meeting our commitments to both the environment and our customers and consumers around the world."

HUMBERTO CASILLA,
DIRECTOR OF THE PROFESSIONAL PRODUCTS DIVISION,
L'ORÉAL CHILE

sustainability in the people working there, and encourage them to disseminate green values while providing them with high-quality training and access to a worldwide professional network. User manuals based on the concepts of sustainability are offered to them, and are also accessible online.

 [MORE INFORMATION ONLINE](#)

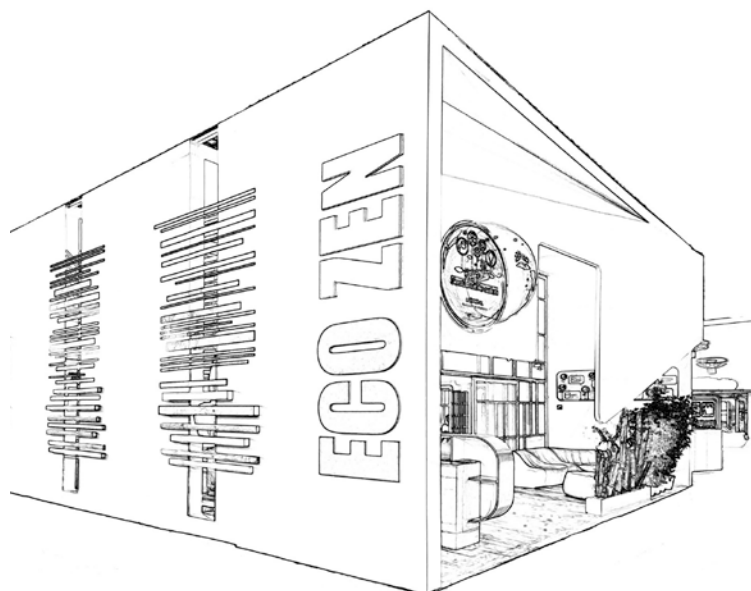
STRASBOURG

Inaugurated on 21st, June 2011 in the presence of Laurent Dubois, Managing Director of L'Oréal Professional Products France, Christophe Ruffat, Deputy Managing Director of the Professional Products Division, and Robert Hermann, First Deputy Mayor, the Strasbourg "Green Academy" has developed a variety of sustainable innovations to benefit the hairdressers of the future, and can now welcome and train over 1,000 professionals each year.



MADRID

Inaugurated on 5th, May 2011, this "Green Academy" located in L'Oréal's Madrid headquarters is designed to welcome 8,000 hairdressers each year. For Didier Tisserand, President of L'Oréal Spain until 2011, "the support we have given this academy, a pioneer in Spain and the first of its kind in the world, reaffirms our commitment to the environment. An eco-sustainable salon costs roughly 15% more than a conventional one, but this cost should gradually decrease with changes in legislation, innovative materials and medium- and long-term savings".



THE 10 FUNDAMENTALS OF A "GREEN ACADEMY"

- 1 Easy access for disabled people
- 2 Certified, recycled, non-toxic building materials
- 3 Energy savings through controlled heating, architecture that promotes natural light, lighting control systems and presence detectors
- 4 Purified air (photocatalyst)
- 5 Healthy environment (insulating slabs, phosphate-free paints)
- 6 Water savings through more efficient plumbing systems (reduced tap flow, better pipe insulation, taps with timer controls or presence detectors, dual-drainage sinks, etc.)
- 7 Sorting, recycling and destruction of waste
- 8 Waste and water treatment
- 9 Elimination of noise pollution
- 10 Reduced paper consumption



SANTIAGO DE CHILE

On 8th, March 2011, the L'Oréal Professional Products Division opened the doors of the Academia Santiago, which aims to train 3,000 professionals each year. Designed in accordance with the sustainability principles of recycling, green materials and reduced consumption, the centre will endeavour to boost the creativity of haircare professionals through high-technology products, innovative marketing, high-quality training and access to a global network of top stylists.





Taking care of themselves and their appearance can help vulnerable people find the will and strength to rebuild themselves or be reintegrated into society. This conviction drives many solidarity programmes sponsored by L'Oréal and its Foundation.

GIVING MEANING *to beauty*

Sharing growth is one of the main themes underlying L'Oréal's citizen commitment. In particular, it means that the group pays increased attention to its surrounding communities. In 2011, solidarity was the common theme for several emblematic initiatives supported by the group, its brands, its subsidiaries and its Foundation. This significant progress illustrates the commitment of all the group's employees and partners around the world, who are willing to support projects that benefit communities, are consistent with the group's activities and meet real social needs.

"Solidarity Sourcing", a global purchasing programme launched in 2010, thus moved into full gear this year. Because a group's primary economic and social contribution is its purchasing power, L'Oréal decided to make its sourcing an original way to help economically vulnerable communities by giving them long-term access to jobs and incomes.

Solidarity has been one of the L'Oréal Foundation's guiding lines ever since it was created, expressed in programmes designed for people made vulnerable by illness or precarious situations in life. In 2011, L'Oréal had a number of commitments: promoting education and equal opportunity, restoring personal appearance—the foremost factor in social ties—and providing access to beauty for everyone, with a common ambition: to give meaning to the beauty business.

Beyond the major global programmes initiated by the Foundation, each L'Oréal entity is encouraged to undertake local actions relevant to its local situation. In 2011, the group witnessed particularly widespread mobilisation on "Citizen Day"—for the second edition of this Day organised each year in the subsidiaries, thousands of employees took part in practical, beneficial solidarity actions in the field.

2011 KEY FIGURES

€33.2

million allocated to philanthropy actions

More than

40

subsidiaries involved in Solidarity Sourcing programmes

15,600

employees mobilised for the Citizen Day

Focus on Solidarity Sourcing

News round-up

Report on Citizen Day



SOLIDARITY SOURCING

A global socially responsible purchasing programme

Launched within the Purchasing Department in 2010, the "Solidarity Sourcing" programme took on its full scope in 2011 and now boasts over one hundred initiatives in more than 40 countries. Its mission is to help economically vulnerable people find long-term access to work and an income.

Because a group's primary economic and social contribution is its purchasing power, L'Oréal decided to make its sourcing a lever to combat exclusion and damaged social ties. Drawing inspiration from The Body Shop, the pioneer behind Community Fair Trade, the group profoundly transformed its purchasing process, opening it up to new types of suppliers. These include companies working for the inclusion of disabled people, companies promoting social integration, very small, small and mid-sized businesses that have difficulty in accessing major contractors, minority-owned companies and producers practising fair trade.

A global solidarity programme at the heart of business

"Our programme is not a form of sponsorship or charity," explains Chea Lun, Solidarity Sourcing Director. "It is a new, more attentive purchasing method and is thus totally integrated into L'Oréal's business model. Although many companies are currently turning to responsible and even socially-oriented purchasing, their projects primarily target a single raw material or specific service. At L'Oréal, the programme covers all our geographic areas and purchasing activities (raw materials,

packaging, indirect purchases, etc.). We are therefore aiming for deployment across the board."

New objectives for buyers

Fully integrated into the roadmap for the group's buyers, this programme is part of their purchasing objectives. They are therefore encouraged to seek out new types of suppliers and assist these companies, which are not used to working with major international groups. Buyers also have to adhere to a rigorous supplier selection process in order to guarantee the programme's social impact and the seriousness of its projects. As Chea Lun explains, "companies that meet the programme's criteria are not given special treatment: like any other, they have to respect L'Oréal's commitments in terms of ethics, the environment and social regulations, while proving that they are competitive". In 2012, "Solidarity Sourcing" is looking to raise awareness about this approach in more traditional suppliers in order to convince them, in turn, to be more socially responsible in their purchasing.

"The main idea is to use L'Oréal's purchasing power to promote the integration of vulnerable populations and thus recreate economic and social ties."

CHEA LUN,
SOLIDARITY SOURCING DIRECTOR, L'ORÉAL



MORE INFORMATION ONLINE

FROM SPAIN TO CHINA: THE SERVIGEST EXAMPLE

➤ Located in Burgos, Spain, Servigest is a company that for several years has been packaging Professional Products Division products for L'Oréal Spain. Every single one of its employees is disabled, and many of them play basketball in a club that manages a basketball school for physically disabled children and young people. Wanting to expand to China and thus give local disabled people the opportunity to become integrated through work, the Managing Director of Servigest contacted L'Oréal for help. Today it has a branch in Suzhou, where L'Oréal China has agreed to be its first client and support its purchasing teams, to help them get set up and find other clients. This project was developed in partnership with the China Disabled Persons' Federation. To date, 12 employees are involved in Spain and will soon be joined by about ten more in China. With L'Oréal's support, Servigest is also continuing its efforts to improve the social lives of its disabled Chinese employees by encouraging them to play sports, just as they do in Spain.

Workers from Servigest China, members of the Chinese national wheelchair basketball team, and workers from Servigest Spain, members of the Spanish basketball club for physically disabled young people.



TESTIMONIAL

“We simply want to give our employees the same opportunities as anyone else: a normal salary, the opportunity to play sports, a normal life. With L'Oréal's help, we are launching our new centre in Suzhou (China) and are convinced that there will be further similar experiments.”


ANGEL ACHA GUTIÉRREZ,
 MANAGING DIRECTOR OF SERVIGEST

ORGANIC ALOE VERA:
BUYING FAIR TRADE PRODUCTS THANKS TO THE BODY SHOP'S EXPERTISE



➤ Raw materials are one of the main purchasing activities affected by “Solidarity Sourcing”. Used by L'Oréal in the organic formulas it markets in Europe, aloe vera is a representative example: this plant, which has been known for its healing properties for centuries, has been purchased by L'Oréal since 2011, in collaboration with The Body Shop, the driving force behind the fair trade programmes now deployed in the group. Aloe vera is produced in a region of Guatemala called “Tierra del Calor”. As it is drought-resistant, it is an ideal crop for the farmers in this infamously arid region. The fair trade group that works with The Body Shop and L'Oréal consists of nearly 30 families of farmers specialising in organic agriculture, who are guaranteed a fair price for their output. In addition, the volume of trade generates premiums that benefit the community's development projects. In 2010 for example, a water pump was installed to irrigate the land of 25 families in the town of El Jicaro, and in 2011 over 60 families in Piedra Parada benefited from water purification systems.

Created in 2007, the L'Oréal Foundation supports international programmes in three key areas for the group: science, solidarity and education.

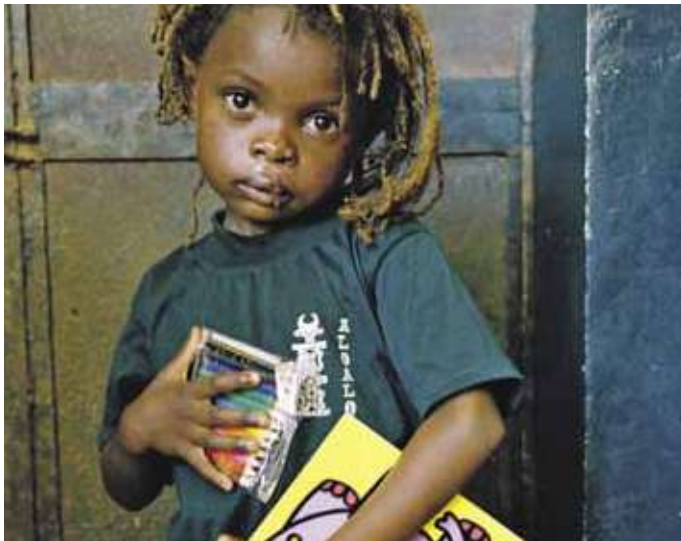
They are implemented in every country where L'Oréal operates.

Below, two of the Foundation programmes in the spotlight during 2011.

For information on all the Foundation's programmes, visit www.loreal.com.

OPÉRATION SOURIRE

Restoring someone's face... *and social life*



For the third year running, the L'Oréal Foundation supported "Opération Sourire", a reconstructive surgery programme led by Médecins du Monde. Created 20 years ago, this programme aims to reconstruct the faces of people who have been disfigured by war, disease or malnutrition. Even more than physical reconstruction, surgery enables people excluded because of their disability to regain their dignity, identity and social life.

The programme involves short-term surgery assignments carried out by volunteer surgeons. In 2011, over 1,000 operations were performed in Asia and Africa thanks to the Foundation's support. In addition to the operations themselves, the programme provides training for local surgeons and post-operative surgical care for children. "The L'Oréal Foundation's support gave new impetus to the programme," says Dr. François Foussadier, a volunteer surgeon and founder of Opération Sourire. "We are assisted by people who believe in it, want to help us and play a key role in developing our assignments. The support is not only financial, but psychological and moral as well."

JOSÉPHINE BEAUTY SALON

A story of transformation through beauty

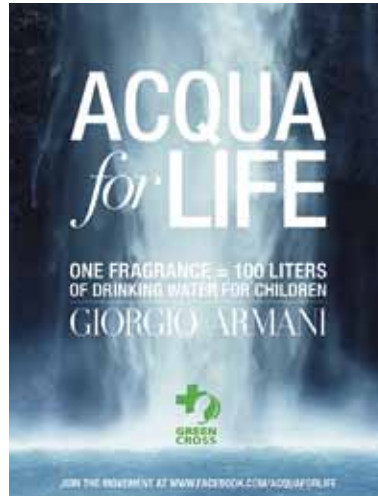
The Joséphine Salon is the first social beauty salon in Paris: a venue dedicated to re-integration and self-esteem. It was therefore only natural that the L'Oréal Foundation should support it, alongside the Professional Products Division and the MAYBELLINE NEW YORK brand. The salon opened on 23rd, March 2011 in the Goutte d'Or neighbourhood. Because appearance and self-esteem are closely linked, its founder Lucia Iraci made beauty for vulnerable women her driving cause. With the fieriness and strength of conviction that characterise her, this former studio hairdresser, who has worked for top names like Yves Saint Laurent, Bettina Rheims and Peter Lindbergh, now uses her talent to benefit underprivileged women, to whom she offers beauty care services at a token cost — "useful frivolities" as she likes to call them. Lucia, who asserts the "right of women to be whoever they want," welcomes these women to help them regain self-confidence and take the first step towards reintegration. For the L'Oréal Foundation, this initiative is a way to help vulnerable people regain their self-esteem and reappropriate their appearance,



thus reconstructing broken social ties and getting back on the road to employment. With product donations, financial support, the provision of furniture, educational assistance and professional work projects, the Foundation's commitment to the Joséphine Salon takes many forms. It also contributes to its success: over 800 women have been through Joséphine's hands since the salon opened.



MORE INFORMATION ONLINE



ACQUA FOR LIFE

GIORGIO ARMANI provides access to drinking water

Between 1st, March and 31st, May 2011, the GIORGIO ARMANI brand joined forces with Green Cross International in an operation to promote access to drinking water in Ghana. During the period of the challenge, every bottle of Acqua di Giò or Acqua di Gioia sold generated a donation of 100 litres of drinking water. A code affixed to the bottles enabled participants to double their donations by creating their own active community on a dedicated Facebook page. By the end of the

operation, the GIORGIO ARMANI brand had collected 43,314,986 litres of safe drinking water. Sixteen communities have been equipped with new water supply systems, which will eventually provide 27,000 people with access to drinking water, including 3,500 children, who will then have it in their schools. An experience that is to be repeated, as a further programme is being set up for 2012.



MORE INFORMATION ONLINE

GOLDEN HAT FOUNDATION

LANCÔME supports Kate Winslet's foundation



LANCÔME is supporting the Golden Hat Foundation created by Kate Winslet, the brand's ambassador for the last four years. The purpose of the foundation is to combat autism and eliminate or reduce obstacles for children affected by it. To support this cause, LANCÔME designed a limited edition make-up collection launched during the Christmas period in 2011, and pledged a donation of at least €150,000 to the Golden Hat Foundation out of profits from the sales.



MORE INFORMATION ONLINE

STOP SEX TRAFFICKING CAMPAIGN

THE BODY SHOP more committed than ever

The Body Shop puts its ethical values into practice every day, whether in developing its products, bringing its stores to life or making a commitment to its customers. In 2011 the brand continued to engage with customers with its ground-breaking campaign to stop the sex trafficking of children and young people. Teams around the world mobilised more than seven million people to sign petitions calling on national governments to take concrete measures to protect vulnerable children and young people at risk of sex trafficking. In addition to being presented to national governments, the petitions were submitted to the United Nations in Geneva. Achieving impressive media coverage, the campaign has already created change on an unprecedented scale, convincing 15 governments to introduce legislation and take practical action to protect children and young people.

The Body Shop team in front of the United Nations Office in Geneva.



Citizen Day: “We all have A ROLE TO PLAY”

To involve its staff in its community spirit and commitment to solidarity, L'Oréal decided to introduce a “Citizen Day”. In 2011, for the second in the series, 15,600 staff all over the world contributed to solidarity actions during one day.



(1) 114 employees rallied around in Colombia, including 35 in Bogota, to plant trees as part of the “Adopt a Tree” programme developed by the Botanic Garden Institution. (2) 3,000 volunteers mobilised in the United States for the “Giving Back” programme, consisting of around 20 actions, including 580 people assigned to a paint factory. (3) In France, over 2,200 employees turned out, including L'Oréal's Chairman and CEO, Jean-Paul Agon.

In 2010, the very first “Citizen Day” enabled staff throughout the world to discover or rediscover the philanthropy programmes of the group and its Foundation. In 2011, there was a change of scene: convinced that “we all have a role to play,” in making L'Oréal an ever-more community-spirited company, the group decided to move up a gear by enabling every single person to get involved with practical, useful solidarity actions in the field.

Over 15,600 staff in the field

From Asia to Europe and Latin American to the Middle East, over 15,600 staff in 58 countries stepped forward. The programme included a wide choice of social and environmental actions carried out with hundreds of partner associations around the world: cleaning beaches, collecting waste, renovating a school, giving blood, visiting

an orphanage and reaching out to people alone or without resources.

Playing out the group's commitment

During the day, everyone gave their time, energy and enthusiasm to making a useful contribution to the communities around us. A day that undoubtedly marked a turning point in the group's commitment. “It's no longer just L'Oréal being committed, but each and every one of us rallying around in a tangible way,” says L'Oréal Chairman and CEO Jean-Paul Agon. “By enabling everyone to become players, not mere spectators, this mobilisation has given another dimension to L'Oréal's commitment in corporate citizenship.” Next stage: “Citizen Day” 2012, with the same claim: “We all have a role to play.”

58

**countries
involved**

15,600

**staff
mobilised**

- (4)** In the Serbian subsidiary, 81 people renovated a primary school in Belgrade.
- (5)** 25 employees in Peru inaugurating a class of children with special needs.
- (6)** Over 100 employees mobilised in Russia around various projects, including a waste collection initiative in Moscow.
- (7)** In Slovenia, 32 volunteers turned out including a dozen who work with people in difficulty at the Soča University Rehabilitation Centre.
- (8)** 374 employees in India rallied around, including 83 who worked in a plantation.
- (9)** In Poland, 40 employees in action at a neighbourhood primary school.



A beautiful idea that became a reality

How did "Citizen Day" come about? In 2009, to celebrate its centenary, the group launched 100 community-spirited projects around the world. In practical terms, each subsidiary devised and produced a solidarity action to help local disadvantaged communities. The aim was to make the centenary a moment of sharing, and reassert the group's commitment to be a responsible, socially aware company. To perpetuate these actions and prolong the impulse of generosity demonstrated by all its subsidiaries, it was decided to devote a whole day to community-spirited actions every year. In 2010, the first "Citizen Day" was celebrated: an occasion for discovering the group's sponsorship actions; in 2011, 15,600 staff rallied around, "the beautiful idea became a reality," according to Jean-Paul Agon: "'Citizen Day' has been established as a highlight in the life of the group."

RESULTS for 2011

GROUP	2011 KEY FIGURES ⁽¹⁾
Total yield for shareholders over 20 years	12.15%
Consolidated sales	20,343 million euros
Net profit ⁽²⁾	2,583 million euros

RESEARCH	
Cosmetics and dermatology research	613 patents filed
Expenditure on research and development	721 million euros, i.e. 3.5% of sales
Raw materials	55% of new raw materials are plant-based
	45% of new raw materials comply with the principles of green chemistry

ENVIRONMENT		
Greenhouse gas emissions (scope 1 and 2)	29.8% reduction (2005/2011)	✓
Total energy consumption	6.4% reduction (2010/2011). 8.3% reduction (2007/2011)	✓
Energy consumption	145 kWh per 1,000 finished products	✓
Water consumption	22.6% reduction per finished product (2005/2011)	✓
Water quality after on-site treatment	7% increase in terms of COD (Chemical Oxygen Demand) per finished product	✓
Waste and recycling	24.2% reduction in transportable waste, excluding returnable packaging (per finished product) (2005/2011)	✓
	95.7% of our waste is reused, recycled or used for energy production	✓
	More than 50% of our industrial sites send no waste to landfill	✓
Atmospheric emissions	10.3% reduction in volatile organic compounds (VOCs)	✓
	8.4% reduction in sulphur dioxide	✓
International standards	88% of the L'Oréal's plants have the ISO 9001 (2000 version) or FDA quality certification, 85% have the OHSAS 18000 or VPP safety certification and 90% have the ISO 14000 environment certification	

SOCIAL AND CORPORATE RESPONSIBILITY

Workforce worldwide	68,886 employees	✓
Professional training	44,060 employees received training	✓
Female representation	58% of managers	
	41% of Management Committees	
L'Oréal Buy & Care programme	793 social audits of supplier sites	
Social audits, breakdowns of non-conformities	Child labour 6%	
	Compensation and benefits 23%	
	Working hours 25%	
	Health and safety 41%	
	Other 5%	
Collaboration with suppliers	48 suppliers joined the CDP (Carbon Disclosure Project) in 2011	
	About 40% of the L'Oréal base of raw materials and packaging components suppliers, by revenue, were covered by the CDP	
Lost time injuries	8.5% reduction based on enlarged frequency rate	✓
Consumer advice	1,520,422 contacts with consumers in 54 countries	

SOLIDARITY

Philanthropy	33.2 million euros assigned to philanthropy actions	
L'Oréal Foundation	Multi-annual budget of 40 million euros	
L'Oréal-UNESCO "For Women in Science"	Some 200 women recognised each year, i.e. nearly 1,300 women from 106 countries. 48 L'Oréal subsidiaries now give fellowships to promising young women scientists in their country	
Solidarity Sourcing	More than 40 subsidiaries are running Solidarity Sourcing projects affecting 46 countries	
Citizen Day	15,600 employees rallied around	

✓ Data on social affairs, environment, health and safety have been verified by Deloitte & Associés and PricewaterhouseCoopers Audit.
(1) Comparisons are with 2010, unless stated otherwise.
(2) Net profit, excluding non-recurrent items, after minority interests.

For further information, you can refer to all the group's publications



THE SUSTAINABLE DEVELOPMENT REPORT

➤ A summary of the group's commitments and initiatives for sustainable, responsible and inclusive growth. (More details and GRI sheets designed for experts are available on the site www.sustainabledevelopment.loreal.com)



THE ANNUAL REPORT

➤ L'Oréal in 2011, with its divisions, brands and countries, driven by its mission: the universalisation of beauty and beauty for everyone.



THE REGISTRATION DOCUMENT

➤ This document includes the 2011 financial statements, the Management Report of the Board of Directors, the Annual Financial Report and a section on Social and Environmental Responsibility.

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

ENVIRONMENTAL CALCULATOR ⁽¹⁾



size
22 x 30.5 cm



quantity
6,600

INSIDE PAGES



brand
Cocoon Silk



grammage
150g/square meter



number of pages
48

COVER



brand
Cocoon Silk



grammage
300g/square meter



number of pages
4

By using Cocoon Silk rather than a non recycled paper, the environmental impact was reduced by:



1,717 kg of landfill



433 kg of CO₂ of greenhouse gases



3,096 km travel in the average European car



48,174 litres of water



4,693 kWh of energy



2,790 kg of wood

(1) Carbon footprint data is calculated by the Edinburgh Centre for Carbon Management in partnership with The CarbonNeutral Company. Calculations are based on a comparison between recycled paper versus virgin fibre paper produced at the same mill, and on the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to change.

Edited by the Image and Corporate Information Department.

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