



# L'ORÉAL FOR THE FUTURE

**Our sustainability commitments for 2030**



## 2020 MARKS THE DAWN OF A NEW ERA.

As we launch the new phase of our sustainability journey, we want to build on our accomplishments but also strive to make significant leaps forward.

We will take on greater responsibility, engage our entire ecosystem and demonstrate that companies can be part of the solution to the challenges the world is facing.

This is necessary because we need to prepare ourselves for the world of tomorrow and anticipate the challenges that will come with it.

Through this in-depth transformation, we hope to be a catalyst of change in the beauty sector and beyond, and to inspire our customers and all people to take action with us.

### **L'Oréal for the Future.**



## ***“Our vision for 2030”***

**T**his is a pivotal moment. The moment to choose what type of world we want for tomorrow.

Our 2030 commitments mark a crucial new stage in rising to the challenges facing our world.

Taking into account our business, beauty, our position as leader and our global presence, L'Oréal's contribution can be nothing but major.

This isn't new to us.

Over the last ten years, we have undertaken an in-depth transformation to reduce our impact across our entire value chain. We have totally reinvented the way we design and make our products with sustainability as a fundamental requirement. At times, we have even exceeded our already very ambitious objectives. We have proven that decoupling impact and growth is definitely possible. However, as environmental and social concerns increase, we know that this is no longer enough.

This is an emergency. Together, we have one decade to act.

With L'Oréal for the Future, we aim for an even more radical transformation.

More radical, because our commitments put L'Oréal in line with the only possible scenario for humanity: respecting planetary boundaries across the entire lifecycle of our products.

More radical, because it is our responsibility to take into account our impact beyond L'Oréal. We must help our 1.5 billion consumers to limit their impact when they use our products, and encourage them to make sustainable choices. We want to keep rallying our suppliers and clients in this process of sustainable transition, co-creating disruptive solutions. Only together can we have a real impact.

More radical, because we are allocating 150 million euros to support vulnerable women and the fight against the environmental emergency, two causes which reflect the historic values and commitment of our Group.

Our sustainable and inclusive revolution is the dawn of a new era. With one ambition: a more beautiful future for all.

**JEAN-PAUL AGON**  
Chairman and Chief Executive  
Officer of L'Oréal

# Our vision of corporate responsibility



"Since 2013, when we launched our first sustainable development program, the world has changed. The scale of the challenges we are facing is unprecedented. Our ambitions must be in line with these challenges. We must not do better, we must do what is needed."

**Alexandra Palt**  
Chief Corporate Responsibility Officer and Executive Vice-President of the Fondation L'Oréal

Global warming and environmental changes will lead to potentially permanent degradation of human and natural habitats. Sea levels, melting glaciers, ocean warming and acidification as well as extreme weather events are on the rise. With higher stakes must come stronger commitments. The "L'Oréal for the Future" program embodies the two complementary dimensions of what corporate responsibility means to us: transforming our company towards an increasingly sustainable business model, and contributing to solving the challenges facing the world.

## TRANSFORMING OUR ACTIVITIES TO RESPECT THE PLANET'S LIMITS

**It is no longer enough for companies to reduce their environmental impact** with objectives that are "self-set". At L'Oréal, our commitment is to ensure that our activities are respectful of the so-called "Planetary Boundaries", meaning what the planet can withstand, as defined by environmental science. In order to reconcile our needs with the preservation of a resource-limited planet, we are

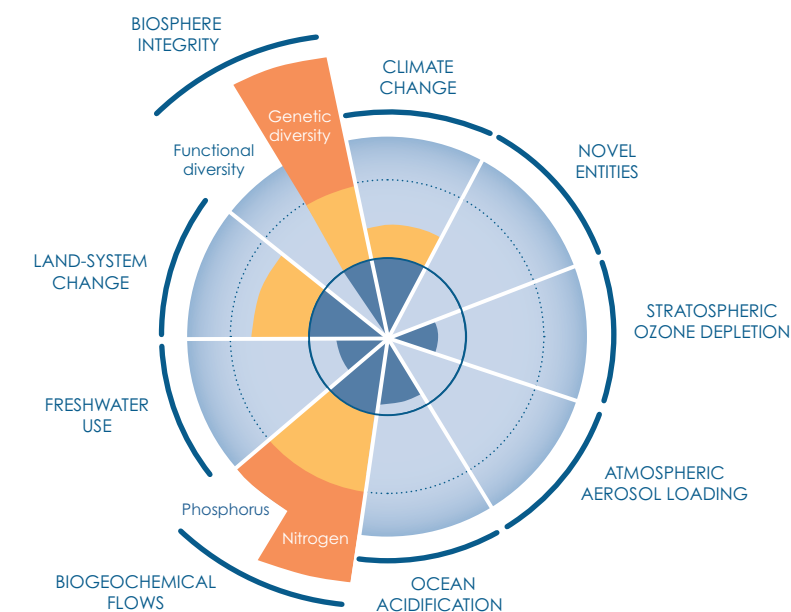
raising the bar and implementing a new internal transformation program.

Unlike the first program, our new commitments will not just focus on our direct impact. They will also tackle our indirect, extended impact, related, for example, to the activity of our suppliers and the use of our products by consumers.

All of the Group's new targets for 2030 were set in accordance with the Science-Based Targets (SBT) rationale, which encourages companies to commit to a voluntary transition towards a low carbon economy and to establish targets that are in line with what the latest climate science says is necessary to follow the 1.5°C trajectory. This

methodology was developed to set common international standards for climate-related issues. At L'Oréal, we decided to adopt a similar approach in defining our water, biodiversity and natural resources targets: they have all been set in accordance with what scientific experts demand and what our planet needs.

## UNDERSTANDING THE CONCEPT OF "PLANETARY BOUNDARIES"



**In 2009, the Stockholm Resilience Center established 9 distinct Planetary Boundaries, a concept that has since been endorsed by the United Nations and the international scientific community. These boundaries are limits which, if crossed, will seriously compromise the Earth's suitability as a habitat for human development. Alarmingly, three of these boundaries have already been crossed, the biodiversity boundary, for example, whose effects can already be felt in the loss of pollinating insect populations. And three others are about to be crossed. Staying within the limits – the safe space inside the Planetary Boundaries – must be an urgent goal for all people in the decades to come, which is why L'Oréal has used these limits as the basis for defining our sustainability targets for 2030.**

## CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD

**Over the past years,** expectations as to what the role of companies should be have changed dramatically.

At L'Oréal, we want to take on greater responsibility, go beyond the mere transformation of our business model. With our new sustainability program, we want to demonstrate that companies can be part of the solution to some of today's most pressing environmental and social challenges. For this reason, we are allocating 100 million euros to impact investing dedicated to the regeneration

of ecosystems and the development of the circular economy, and 50 million euros to a charitable endowment fund to support highly vulnerable women.

If we are to build a sustainable and inclusive world, we must support those who are struggling socially or economically, but also focus on preventing climate change and the erosion of biodiversity, which threaten to even more profoundly shake our lives, our societies and our economies, once again with women as the first victims.



# A strategy built on three pillars

**To define and refine L'Oréal's next steps in sustainability,** seven internal expert panels have been working since April 2019, coordinating independent studies and working with outside partners and civil society. The outcome is a strategy with measurable, time-bound impact reduction targets that will guide our internal transformation, that of our stakeholders and our contribution to urgent social and environmental needs.

1

## **TRANSFORMING OURSELVES** AND RESPECTING PLANETARY BOUNDARIES

**Scientists unanimously agree that crossing the “Planetary Boundaries” will threaten humanity's safe operating space.**

Hence, our commitment is to operate within the limits of the planet and adapt to what it can withstand, as defined by environmental science. We are implementing a new internal transformation program, with quantifiable objectives, to limit the impact of all our activities on climate, water, biodiversity and natural resources.

2

## **EMPOWERING OUR BUSINESS ECOSYSTEM** HELPING IT TRANSITION TO A MORE SUSTAINABLE WORLD

**We believe it is our responsibility to involve our customers, suppliers and consumers in our transformation process.**

We are making new commitments to ensure our suppliers' sustainable development policies are as ambitious as our own, and are including the empowerment of the communities we interact with as a key objective for 2030. We are also launching our environmental and social labelling system to allow our consumers to make informed purchasing choices that are in line with their values.

3

## **CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD** BY SUPPORTING URGENT SOCIAL AND ENVIRONMENTAL NEEDS

**Beyond the mere transformation of our business model, we want to help address some of today's most pressing social and environmental challenges.**

This is our way of giving back to society and demonstrating that companies can be part of the solution. We are allocating 100 million euros to impact investing dedicated to the regeneration of ecosystems and the development of the circular economy, and 50 million euros to a charitable endowment fund to support highly vulnerable women.





# Transforming ourselves

**To step up our internal transformation process** and ensure our activities are compatible with a resource-constrained planet, we have set our 2030 targets on climate, water, biodiversity and natural resources in accordance with what scientific experts demand and what our planet needs.

## FIGHTING CLIMATE CHANGE

Our overarching climate change objective for 2030 is to align our greenhouse gas emissions to the +1.5°C scenario and we will reduce by 50% per finished product all our greenhouse gas emissions (scopes 1, 2 and 3). To achieve this goal, we have set numerical targets for every aspect of our activities to include not only our production and distribution facilities but also the raw material supply chain and the indirect impacts associated with the use of our products by their final consumers.

- We have committed to achieve carbon neutrality in all of our sites by 2025, by improving energy efficiency and using 100% renewable energy.
- By 2030, we will innovate to enable our consumers to reduce the greenhouse gas emissions resulting from the use of our products by 25% compared to 2016, on average and per finished product.
- By 2030, we will reduce by 50% on average and per finished product, the greenhouse gas emissions linked to the transport of our products, compared to 2016.
- By 2030, our strategic suppliers will reduce their direct emissions (scopes 1 and 2), by 50% in absolute terms, compared to 2016.

## MANAGING WATER SUSTAINABLY

We have been working for many years to ensure high water quality and sustainable water quantity across all our value chain, and throughout the watersheds and communities we serve and operate in. Product innovation and evaluation will play a vital role in our efforts to conserve this valuable resource.

- By 2030, we will evaluate all our formulas thanks to our environmental test platform, to guarantee they are respectful of all aquatic ecosystems, whether continental or coastal.
- By 2030, we will also innovate to enable our consumers to reduce by 25%, on average and per finished product, the water consumption linked to the use of our products, compared to 2016.
- In 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.
- In 2030, all our strategic suppliers will use water sustainably in the areas where they operate.

## RESPECTING BIODIVERSITY

The planet is moving towards a sixth mass extinction. The destruction of natural ecosystems, in particular due to agriculture, is threatening our planet and communities' resilience to climate change.

Most of L'Oréal's raw materials are derived from renewable sources, and are largely of plant origin. The Group, which uses approximately 1,600 raw materials from nearly 350 species of plants, sees biodiversity as an important and growing source of innovation and is committed to sourcing its ingredients in a sustainable and responsible manner.

- By 2030, 100% of the biobased ingredients for formulas and packaging materials will be traceable and will come from sustainable sources. None of them will be linked to deforestation.
- To limit our impact on natural habitats, we are committing to holding flat, by 2030, the total land occupancy vital to the sourcing of our ingredients, compared to 2019.
- Furthermore, by 2030, 100% of our industrial sites and all our operated buildings will have a positive impact on biodiversity, compared to 2019.

## PRESERVING NATURAL RESOURCES

As is unavoidable with any human or economic activity, we consume natural resources. This consumption must be managed in a controlled and measured way by finding solutions that allow for recycling and promote the development of the circular economy.

- By 2030, 95% of our ingredients in formula will be biobased, derived from abundant minerals or from circular processes.
- By 2030, 100% of the plastics used in our packaging will be either from recycled or biobased sources (we will reach 50% by 2025).
- By 2030, we will reduce by 20% in intensity the quantity of packaging used in our products, compared to 2019.
- By 2025, 100% of our plastic packaging will be refillable, reusable, recyclable or compostable.
- By 2025, 100% of our new displays will be ecodesigned, taking into account circular economy principles for end of life management, and 100% of our new Free Standing Stores will be designed and built following our sustainability principles.
- By 2030, 100% of the waste generated in our sites will be recycled or reused.



# Empowering our business ecosystem

**We believe it is our responsibility to involve our consumers,** suppliers and the communities we work with in our transformation process, to help them transition to a more sustainable world. We have therefore set quantified objectives to this end.

## BUILDING A MORE INCLUSIVE SOCIETY

We strongly believe that fairness and inclusivity are part of building a more sustainable world.

Striving to be an exemplary leader, L'Oréal has been recognized as a best performer for its progressive social policies. But our sense of responsibility goes beyond. We are actively working with our business partners to help them improve their sustainable development performance and ensure their policies are as demanding as L'Oréal's. We are also joining forces with our suppliers to develop our Solidarity Sourcing program, through which we direct a proportion of the Group's global purchases to suppliers who give people who are typically excluded from the job market access to work and a sustainable income. This includes companies that employ people from underprivileged communities, firms that may not typically be able

to access major international calls for tenders, or micro-enterprises, across all the regions where L'Oréal operates.

Our brands will also take action and use their influence to raise awareness among their partners, customers and consumers on today's major societal challenges.

Hence, by 2030:

- We will ensure that 100% of our strategic suppliers' employees will be paid at least a living wage, covering their basic needs and those of their dependents, calculated in line with best practices.
- We will help an incremental 100,000 people from disadvantaged communities gain access to employment.
- 3 million people will benefit from our brands' social engagement programs.

## INFORMING CONSUMERS SO THEY CAN TAKE ACTION

Alongside our own in-depth transformation process, we want to inspire our customers to take action with us. The more we know, the better we can act.

An important part of achieving sustainability is accurately assessing the impact of products and acting to reduce that impact. We must also share this information with consumers so they can make informed, sustainable choices.

People are willing to do their part for the environment by making sustainable product choices. To make these choices, transparency is key. This is why we developed a Product Impact Labelling system to inform consumers on the environmental and social impact of their products.

In order to provide consumers with clear and useful information, this Environmental and Social Impact Labelling includes a score on a scale from A to E, with an "A" product considered as "best in class" in terms of its environmental impact. The score will give an accurate vision of the impact of a L'Oréal product by taking into account 14 planetary impact factors such as greenhouse gas emissions, water scarcity, ocean acidification or impact on biodiversity, measured at every stage of a product's life cycle.

In addition to this information, L'Oréal will share details about the manufacturing conditions and packaging profile of each product. The labelling will also display key information regarding a product's social impact, including compliance by raw materials and packaging suppliers with the fundamental principles of the United Nations



on labor standards and the number of suppliers committed to social inclusion and having contributed to the product, if any.

The method has been approved by independent scientific experts and data have been verified by Bureau Veritas, an independent auditor.

- By 2022, this labelling system will apply to all the Group's rinse-off products<sup>1</sup>.
- By 2030, 100% of our products will be ecodesigned<sup>2</sup>.

<sup>1</sup> Except travel sizes.

<sup>2</sup> Thanks to SPOT (Sustainable Product Optimization Tool), a unique tool developed by our Packaging and Research teams, whenever we produce or renovate our products, we simulate diverse design options in order to assess their impact on the environment and society, and quantify the impact reduction across every aspect of the product.



# Contributing to solving the challenges of the world

**At L'Oréal**, we have long been committed to making a positive contribution to society. The time has come to accelerate our efforts. We want to demonstrate that companies can be part of the solution to the challenges the world is facing and, to do so, we are allocating 150 million euros to address urgent social and environmental needs.

## SUPPORTING HIGHLY VULNERABLE WOMEN

The crisis triggered by the Covid-19 pandemic exacerbated many existing inequalities, with devastating effects on those who were already struggling socially or economically or were victims of abuse, especially women.

For this reason, L'Oréal, which has long been committed to supporting women's rights, is creating a 50 million euro charitable endowment fund to support on the ground organizations and local charities in their efforts to:

- help women out of poverty,
- help women achieve social and professional integration,
- provide emergency assistance to refugee women,
- provide emergency assistance to disabled women,
- prevent domestic/sexual violence against women and support survivors.

***"We wish to reaffirm our commitment to the environment and to the preservation of biodiversity, and to help address the social crisis for women. These two causes reflect the values and the historic commitment of L'Oréal."***

**Jean-Paul Agon**,  
Chairman and Chief Executive Officer of L'Oréal

## CONTRIBUTING TO THE REGENERATION OF NATURE

We believe reducing our impact is necessary but insufficient and that the damage that has already been done needs to be repaired. To help tackle this problem, we want to go beyond our efforts to reduce our impact on biodiversity across our value chain and contribute to repairing natural ecosystems. This is why we are creating the L'Oréal Fund for Nature Regeneration.

As a 50 million euro Impact Investment fund, it will simultaneously generate positive social and environmental impacts as well as economic returns with a single purpose: to support projects restoring degraded marine and terrestrial habitats. More specifically, the portfolio will include projects that support the restoration of degraded land, the regeneration of mangroves as well the restoration of marine areas and forests.

Beyond ecological restoration, these projects will also help address the social needs of surrounding communities through the development of sustainable livelihood opportunities (sustainable agriculture and fisheries, ecotourism, commercialization of carbon credits). They will live in a healthier environment, enjoy new economic opportunities and enhanced resilience to climate change.

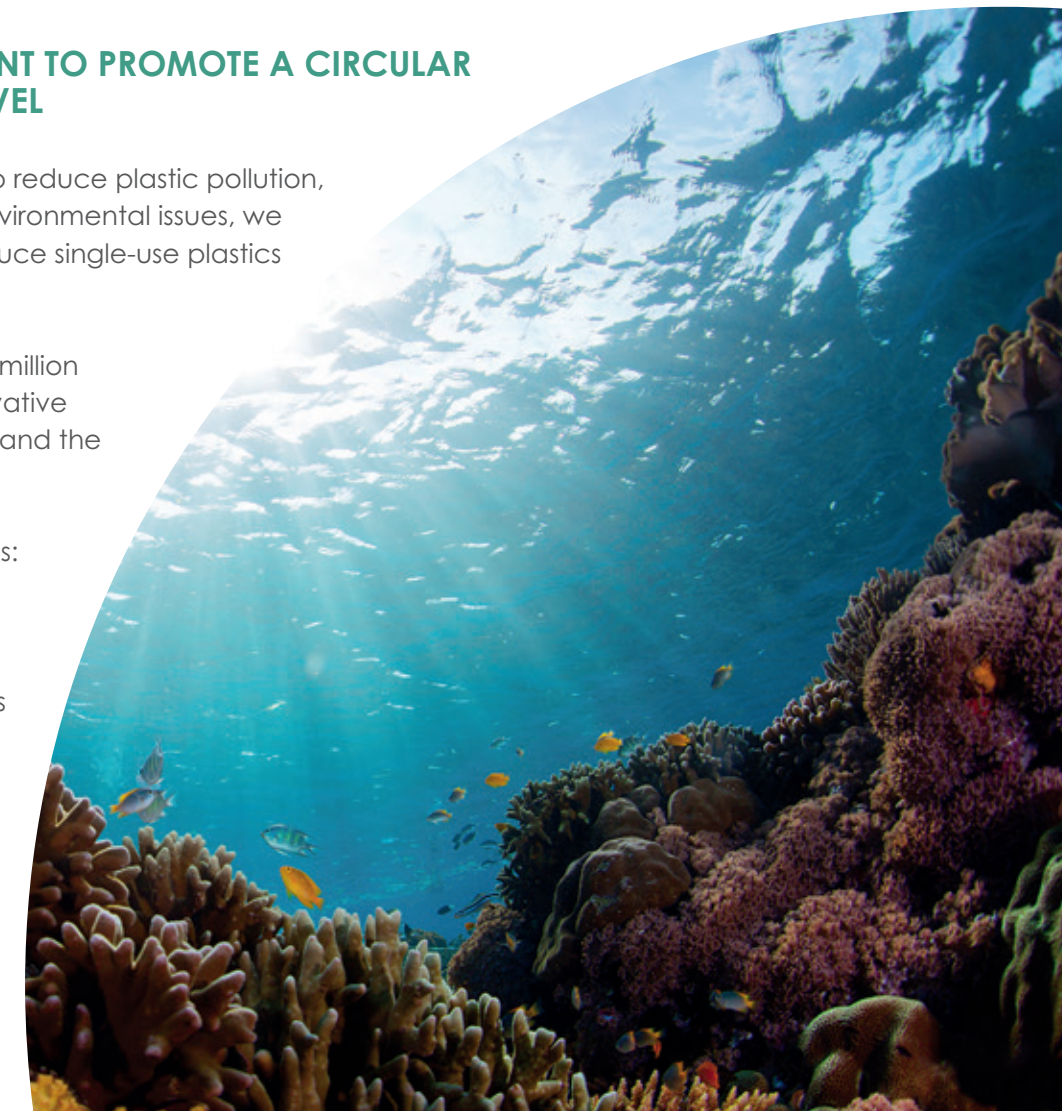
- By 2030, the L'Oréal Fund for Nature Regeneration will have helped restore one million hectares of degraded ecosystems.
- By 2030, the Fund will have helped capture 15 to 20 million tons of CO<sub>2</sub>.
- We will have created hundreds of job opportunities.

## TAKING OUR COMMITMENT TO PROMOTE A CIRCULAR ECONOMY TO A NEW LEVEL

Conscious of the urgent need to reduce plastic pollution, one of today's most pressing environmental issues, we are continuing our efforts to reduce single-use plastics and plastic waste.

To do this, we are creating a 50 million euro fund that will finance innovative projects in the field of recycling and the management of plastic waste.

We are aiming for breakthroughs: our ambition is to accelerate the development of innovative, responsible solutions and the creation of new business models that will help promote a more circular economy.



# We are not starting from scratch

**Very early on, L'Oréal became aware of the urgent need to address the challenges arising from the global environmental crisis.**

As an industrial company, we decided that tackling the environmental impact of our factories and distribution centers was an important priority and a necessary first step to begin our transformation.

By the end of 2019, we had already reduced the CO<sub>2</sub> emissions of our factories and distribution centers by 78% compared to 2005, while the volume of our production increased by 37% over the same period.

In 2013, we realized that we had to go further and, under the "Sharing Beauty With All" program, we set tangible and clearly defined goals. Through this program, while continuing to reduce the environmental footprint of our production, we addressed the core of our activity: the development of beauty products.

From 2013 to 2020, L'Oréal reinvented its way of doing business, transitioning to a more sustainable business model, mitigating our environmental impact and maximizing our positive contribution to society at large.

In 2019, we improved the environmental or social profile of 85% of our new or renovated products. Through our social inclusion programs, including our Solidarity Sourcing program, we had also helped 90,635 people from disadvantaged communities gain access to employment.

These achievements did not go unnoticed and L'Oréal was recognized by experts, organizations such as the CDP, and by our suppliers and peers, as a leader in sustainability.

With the second phase of our sustainability journey, presented in this document, we aim to build on our experience and accomplishments and to strive to make significant leaps forward.

## REPORTING ON OUR PROGRESS

**As our sustainability program enters its second and even more ambitious phase, we know what is at stake and will do everything in our power to contribute to addressing the challenges facing the world and accelerate our efforts on a global scale.**

**We are committed to reporting regularly on our progress against each goal, with clear and transparent indicators. We will not wait to be perfect to share our efforts and progress, internally and externally. Through this in-depth transformation, we hope to be a catalyst of change in our own category and beyond, and to inspire our customers and all people to take action with us.**

**L'Oréal for the Future.**

## OUR COMMITMENTS TRANSFORMING OURSELVES

### CLIMATE

**By 2025**, all of our sites will achieve carbon neutrality by improving energy efficiency and using 100% renewable energy.

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**By 2030**, we will reduce by 50% on average and per finished product, the greenhouse gas emissions linked to the transport of our products, compared to 2016.

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### WATER

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### BIODIVERSITY

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sustainable sources, none of them will be linked to deforestation.

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### RESOURCES

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management, and 100% of our new Free Standing Stores will be designed and built following our sustainability principles.

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## EMPOWERING OUR BUSINESS ECOSYSTEM

**By 2030**, 100% of our strategic suppliers' employees will be paid at least a living wage covering their basic needs and those of their dependents, calculated in line with best practices.

**By 2030**, we will help an incremental 100,000 people from disadvantaged communities gain access to employment.

**By 2030**, 3 million people will benefit from our brands' social engagement programs (access to water, access to education and vocational training).

**By 2022**, the Product Environmental and Social Labelling system will apply to all the Group's rinse-off products.

**By 2030**, all the Group's products will be ecodesigned.

## CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD

**By 2023**, we will have invested 50 M€ to support highly vulnerable women.

**By 2030**, the L'Oréal Fund for Nature Regeneration will have invested 50 M€ to help restore one million hectares of degraded ecosystems.

**By 2030**, the Fund will have helped capture 15 to 20 million tons of CO<sub>2</sub> and we will have created hundreds of job opportunities.

**By 2030**, we will have invested 50 M€ to finance projects that will help promote a more circular economy.



L'ORÉAL

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