L’Oréal

Background on L’Oreal

L’Oréal is the world’s second largest cosmetic company. It was founded in 1907 and is headquartered in Clichy, France. It is best known for its hair colouring, skin care, make-up, perfumes, and hair care products across both the consumer and professional cosmetic markets. L’Oréal employs 89,300 people across its operations in over 130 countries and reported revenues of €26 billion in 2016. L’Oréal is a publicly traded company listed on the Euronext.

How did L’Oreal come to start thinking about context?

L’Oréal has a long history of publicly disclosing its GHG emissions data. It was one of the first companies to disclose its GHG emissions performance to investors through CDP back in 2002. Years later and ahead of COP21 held in Paris in 2015, Jean-Paul Agon, L’Oréal’s CEO, announced that the company would extend these original commitments, made under the Sharing Beauty With All program, and pledges to be “carbon-balanced” by 2020 against a 2005 baseline. To achieve this “carbon-balance”, L’Oréal would use an internally developed strategy that balances gains in its GHG emissions against emissions captures in a concept that L’Oréal calls insetting. Later that year, L’Oréal signed up to the Science-Based Targets initiative with Alexandra Palt, Chief Sustainability Officer, commenting that “knowing that our goals are backed by current climate research increases buy-in and commitment at all levels within the company.”

References:
In 2010, a supplemental agreement to the Convention on Biological Diversity was adopted – the Nagoya protocol. The protocol aimed to regulate access to certain resources from specific regions of the world to ensure fair and equitable sharing of the benefits of these resources.

L'Oréal's research teams were already aware of the issues that the Convention on Biological Diversity aimed to address and were already working with its value chain to respond to these issues. L'Oréal has pledged its support for both the Convention on Biological Diversity and the Nagoya protocol. In 2013, L'Oréal formally committed to addressing the issue of diversity by including it in the commitments within its Sharing Beauty With All program.

What does context look like at L’Oreal?

1. **ACKNOWLEDGE** the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG emissions: L'Oréal openly discusses the importance of finding ways to mitigate climate change risks and has committed to “balance” its GHG emissions by 2020. However, while L'Oréal reiterates its commitment to disassociate growth from its environmental impacts, the company has yet to acknowledge the need to operate within key environmental and social thresholds. L'Oréal has made commitments to support its customers and value chain in being more sustainable. Every brand at L'Oréal is targeted to complete an assessment aiming to identify where that brand has the biggest environmental and social impact and share the progress it is making in reducing its impact with consumers. Another commitment aims to make L'Oréal's sustainability training tools available to its value chain, helping them improve their sustainability practices.

Biodiversity: Addressing biodiversity challenges is part of the first commitment of the Sharing Beauty With All program. L'Oréal commits to use “renewable raw materials that are sustainably sourced or raw materials derived from green chemistry” in its products.

---


L’Oréal’s 2015 Sustainability Report states that the company favours “the use of renewable raw materials that are sustainably sourced or derived from green chemistry to respect biodiversity⁹.” Therefore, L’Oréal has yet to make a definitive and strong public statement acknowledging the importance of this threshold or committing to operate within it.

Other thresholds: L’Oréal acknowledges the importance of other socio-ecological issues including water, biodiversity, land-system change, and waste but does not yet discuss them with reference to thresholds.

2 Transparencily understand and PRIORITISE a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

GHG EMISSIONS ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ BIODIVERSITY ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ ⬤

L’Oréal appears to use what we call a ‘classic’ materiality approach whereby the company aims to align its sustainability priorities with the expectations of its external and internal stakeholders.

GHG emissions: L’Oréal has not made a commitment to set a contextual GHG emissions goal, and has not yet outlined how its business activities currently impact this environmental threshold or why it is relevant to its business. The company has involved its value chain in measuring and reducing GHG emissions by asking its value chain to get involved in the CDP Supply Chain programme since 2009⁰.

Biodiversity: Protecting biodiversity is one of L’Oréal’s identified material issues and is highly relevant to its business activities with over 50% of its raw materials being considered renewable⁹. This represents over 1,400 ingredients from nearly 300 plant species sourced from over 80 different countries⁹. L’Oréal has committed to trace all raw materials, ensure value chain compliance with environmental regulations, ensure biodiversity is respected, and have its process verified by an independent third party¹¹. L’Oréal finalised its traceability program in 2015 and launched it across its value chain⁹.

---

### SET STRATEGY AND GOALS

by transparently articulating the current performance gap and what portion of this gap the business will address.

<table>
<thead>
<tr>
<th>GHG EMISSIONS</th>
<th>BIODIVERSITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GHG emissions:** L’Oréal does not have a contextual GHG emissions goal but has committed to a 60% absolute reduction of GHG emissions from 2005 levels by 2020. While L’Oréal continues to prioritise initiatives that support reducing the impact of climate change, it has not explicitly explained the assumptions that were used to determine that a 60% reduction in absolute GHG emissions is needed to operate within this threshold. L’Oréal has already succeeded in reducing its GHG emissions from its business activities by 50% in absolute terms since 2005 and intends to continue to reduce GHG emissions from its operations with progress being monitored through its current 2020 GHG emissions goal. L’Oréal is actively incorporating climate change science through a decision to accompany the above reduction program with an innovative offsetting plan in cooperation with its value chain. To develop this project, L’Oréal formed a committee of carbon specialists (chaired by Christian de Perthuis, Professor at Paris Dauphine University and Founder of Climate Economics Chair) that used international standards for carbon offsetting as its inspiration. To keep the project up to date with the changing climate science, it is envisioned that the committee will meet annually to review the latest climate change science and evaluate the results that have been achieved over the past year.

**Biodiversity:** L’Oréal does not have a contextual biodiversity goal but has committed to improve the environmental profile of 100% of its products by 2020 in its 2015 Sustainability Report. The wording of this goal appears to have evolved from its earlier commitment made in 2013 which stated that “100% of renewable raw materials would be sustainably sourced by 2020.” L’Oréal has yet to outline how it is defining an “improved” environmental profile or how it aims to determine what the gap is between its current performance and the performance needed to operate within this threshold.

**Other thresholds:** L’Oréal has not yet set contextual goals in relation to any other thresholds.
GHG emissions: L’Oréal regularly provides updates on its progress on its sustainability goals in its sustainability reports but has not yet set trajectory targets for these goals as a way to monitor its progress. L’Oréal does have a metric that monitors the percentage of brands that have evaluated its environmental impacts and have pledged to report this progress to consumers.

Biodiversity: L’Oréal has not yet set trajectory targets that illustrate how it aims to achieve its 2020 biodiversity goal. L’Oréal is currently monitoring the overall percentage of products that have an improved environmental profile but, as described above, has yet to outline how this metric has been calculated.

Other thresholds: L’Oréal reports its performance against other socio-ecological issues including water, biodiversity, land-system change, and waste but does not yet report its progress in relation to their associated thresholds.

What is the road ahead for context at L’Oreal?

L’Oréal made its commitment to develop a contextual GHG emissions goal in late 2015 but has not indicated how or when this would be incorporated into the Sharing Beauty With All campaign goals.