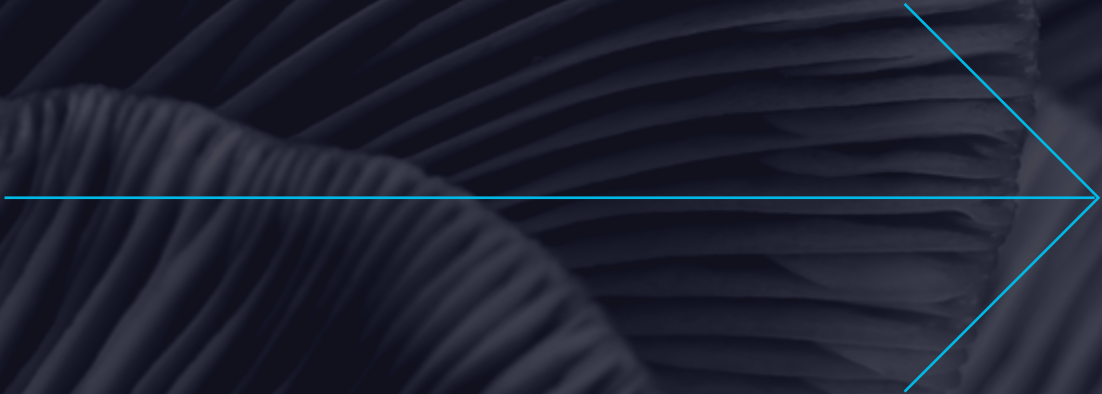


climate tech

for a Sustainable Planet

Quarterly review
N°7 — 2023

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FOR TOMORROW



Executive conversations with...



ALEXANDRA PALT

Chief Corporate Responsibility
Officer, L'Oréal, and CEO of the
Fondation L'Oréal

L'Oréal



COLLABORATION FOR A SUSTAINABLE FUTURE

L'ORÉAL G R O U P E

Founded in 1909, L'Oréal is one of the world's largest manufacturers of high-quality cosmetics, perfumes, hair care, and skincare products spread across 150 countries. In 2022, the company reported a revenue of \$38.2 billion with assets worth \$48.9 billion. The company currently employs more than 85000 people across 150+ countries. The company has been awarded a 'AAA' rating by CDP for seven years in a row.

Alexandra Palt is the Chief Corporate Responsibility Officer of L'Oréal and CEO of the Fondation L'Oréal. A lawyer by training, specializing in human rights, Alexandra joined L'Oréal in 2012 as Chief Sustainability Officer. She was instrumental in launching the Women4Climate initiative. The Capgemini Research Institute spoke to Alexandra about L'Oréal's collaborative sustainability journey.

What are your priorities as Chief Corporate Responsibility Officer of L'Oréal and CEO of the L'Oréal foundation?

At L'Oréal, I'm responsible for internal business-model transformation, making sure that we develop a circular economy within the planetary boundaries model.¹ As CEO of the L'Oréal Foundation, I'm in charge of the organizational contribution to tackling the greatest environmental and societal challenges we face today. These two functions present complementary targets. We cannot continue to follow conventional, profit-driven business models; we need an approach that combines two essential elements: internal transformation and mobilization of economic resources for impact investing.



Alexandra Palt,
Chief Corporate
Responsibility Officer of
L'Oréal and CEO of the
Fondation L'Oréal

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PROFIT-DRIVEN
BUSINESS MODELS**

¹ The planetary boundaries model sets a number of boundaries within which humanity must maintain its activities in order to preserve environmental equilibrium and preserve a safe, survivable operating environment (See interview with Johan Rockström)

SUSTAINABILITY TRANSFORMATION AT L'ORÉAL

Where is L'Oréal on its sustainability journey?

L'Oréal's sustainability journey started way back in 2013. We set ambitious sustainability goals throughout our value chain, which focused on reducing the environmental footprint of our products and increasing our social impact. This led to a profound shift in mindset, which prompted all our employees to begin to address these issues. As part of a virtuous circle, this helped us develop our next generation of sustainability targets. By 2020, we had reduced our carbon emissions by 78% from 2005 levels. We had reduced the carbon footprint of more than 90% of our products.



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In 2020, L'Oréal launched L'Oréal for the future program, a strategy that included pledging to respect planetary boundaries. The strategy is based on setting quantifiable, measurable goals to minimize the impact of business operations on the climate, security of water supply, biodiversity, and natural resources, while addressing some of the most urgent social and environmental challenges facing the world. We aim to improve energy efficiency by transitioning to 100% renewable energy by 2025. And we intend that, by 2030, 100% of our packaging will be either from recycled or bio-based sources.



"We aim to improve energy efficiency by transitioning to 100% renewable energy by 2025."

In defining and setting our new targets, we not only focused on reducing emissions and carbon footprints; rather, we went about designing an entirely new, scientifically based business model that will assist us in maintaining our operations within the planetary boundaries. This won't be easy; it's a completely circular model that will oblige us to make difficult choices.

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SHARING RESPONSIBILITY AND HELPING CONSUMERS MAKE THE RIGHT CHOICES

How does a global organization such as L'Oréal engage consumers on sustainability?

We engage our customers by advocating an approach based on shared responsibility. We believe it is our responsibility to produce the most environmentally sustainable products. We have started sharing information with consumers on the carbon footprint of our products and their material impact on the environment.

We also encourage the consumer to make sustainable choices; they might not be prepared for a major shift in their consumption behavior, such as refilling or recharging, rather than buying new every time. So, the onus is on us to help them make these choices. There are various strategies that can help us do this; for instance, by making refilling and recharging available in the most impactful categories; by encouraging specific behaviors through price discounts; and through nudges [using environmental factors such as in-store signage and advertising to subtly influence behaviors].



“

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COLLABORATING WITH COMPETITORS FOR A SUSTAINABLE PLANET

How do you balance the pros and cons of the collective approach initiated by L'Oréal through the EBS Consortium² in a highly competitive industry?

As we strive for global sustainability, some things belong to a non-competitive space. There will be no business to compete for in a world where consumption is no longer possible. The challenge for us is not to occupy the leadership position, but how we can facilitate shared progress in a limited timeframe. Through the EBS, we can hold discussions across the industry about how to achieve sustainability and protect the environment without curbing our commercial ambition.

What are the key success factors in fruitful collaboration?

There must be a shared vision, and a willingness to look for common ground. We need to understand the realities of the climate crisis and align targets to maximum effect. By doing this, we can preserve our industry and continue to operate, create, and grow within the planetary boundaries.

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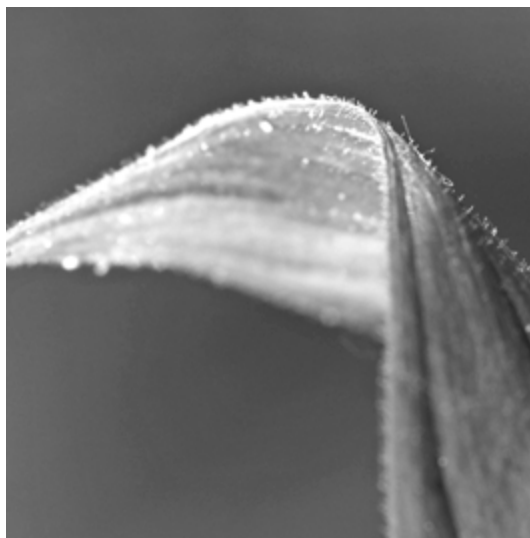
² The EcoBeautySystem Consortium, comprising around 60 leading industry players, has the aim of developing an industry-wide environmental impact-assessment and scoring system for cosmetics products.

INNOVATION AND BEHAVIORAL CHANGE NEED TO GO HAND IN HAND

Innovation or behavioral change – which will be the greater driver of the transition?

In order to overcome the challenges we face, we will need to pursue scientifically based innovation. It is the responsibility of organizational leaders to foster this approach. For the past half-century or so, since the climate became a topic of concern, people have reassured themselves by saying, "We will find a technological solution, we will find a scientific solution." But, to date, one hasn't been found. Even when someone does come up with a viable solution, that will only be half the battle, because we will need to find the financing to realize it.

Technology will be part of the solution, but only if we start to innovate with sustainability as the goal. Likewise, science will help us, but we will also have to change our consumption behaviors. Businesses need to accept that they are not just carrying on with business as usual, with a few green tweaks; they are looking at wholesale change of the business model. It doesn't matter how much it costs to do it either; the cost of not acting will be infinitely greater.



**"Science will help us,
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MAKING THE TRANSITION FAIR FOR EVERYONE

Can you tell us a bit more about the “just transition” concept?

We still operate in a system that only works for a minority. Most of the global population lives in poverty and suffers from a lack of decent living conditions. As long as this situation persists, the environmental transition is going to be uneven.

We have to work together as a global society to provide populations with basic living essentials, so that they can then become invested in environmental issues. One of the most important issues is fair pay – it’s not just about our employees but also our value chain. Our suppliers have to pay a living wage.

But what is a living wage? A living wage is a salary that allows a person working in the value chain to cover their basic needs and the basic needs of their dependents.

Unfortunately, a lot of companies don’t consider this their responsibility. So, L’Oréal has decided not only to pay a living wage to our employees, but also to work with suppliers, where necessary, to help them do the same. By 2030, all our strategic suppliers will be paying living wages to employees in their value chain if they want to continue to work with us.

Climate change is not a local issue, it’s a planetary issue. We have to take vital decisions now, both individually and collectively.



Alexandra Palt,
Chief Corporate Responsibility
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