

Responsible sourcing of argan Oil



L'Oréal is a world leading cosmetics company created in 1909 in Paris, France. It employs 67,500 people in 130 countries and operates 42 factories and 63 warehouses around the world. In 2008, the company invested approximately \$763 million Canadian in Research and Development. The company's prestigious brand portfolio of over 25 brands encompasses all aspects of beauty. L'Oréal Canada was founded in 1958 and is a wholly-owned subsidiary of L'Oréal Group. The company employs 1,200 people and in addition to its headquarters in Montreal, it operates a logistics center, a training center and an industrial facility which manufactures professional hair care products.

L'Oréal's perspective on biodiversity

Impacts on biodiversity

L'Oréal's activities have different impacts on biodiversity along the product lifecycle:

- The sourcing of vegetable raw material may have adverse effect on the conservation of sensitive species if not managed.
- The major impacts on the environment of industrial activities at the facility level are water and energy consumption and waste generation.
- After use, the products component may have impacts on biodiversity in terms of ecotoxicity if not properly selected.

L'Oréal's biodiversity management policy

L'Oréal uses an integrated approach to identify the potential impact on the environment (including biodiversity) of its raw materials throughout the product life. Since 2005, the company has put a high premium on biodiversity as part of its Sustainable Innovation commitments in line with the objectives of the Convention on Biological Diversity and is committed to:

- reducing the use of non-renewable resources by increasing the proportion of ingredients from plant origins, which is currently 40% by weight;
- identifying biodiversity issues in the supply chain of ingredients from vegetable sources and implementing appropriate action to minimize negative impact;
- participating in the development of tools to understand, manage and monitor biodiversity;
- promoting the use of renewable raw materials which are most considerate of biodiversity;
- extending this approach to all the company brands, including recent acquisitions.

In 2005, L'Oréal developed the Raw Material Sustainability Assessment Framework to assess the impact of raw materials on five fronts:

- consumer and employee health;
- environmental protection;
- biodiversity conservation;
- fair trade;
- respect for human rights.

The framework is based on collaboration with suppliers to define action plans to minimize the impact of raw materials throughout their life-cycle. L'Oréal's objective is to assess the several thousand raw material references used in the manufacturing of cosmetic products. In 2008, the tool was deployed on 98% of the perfumes used as raw materials.

L'Oréal has implemented operational tools and measures to assess and mitigate biodiversity issues arising from the sourcing of vegetable ingredients including:

- an internal database related to plants used in the manufacture of products that allows an initial screening of issues related to the supply of an ingredient in terms of biodiversity conservation, fair return to communities, and effects on society;
- a supplier questionnaire to identify the performances of substances according to the criteria set out in the Sustainability Assessment Framework, especially biodiversity, if critical issues are identified by the internal database.

This internal assessment of the vegetable substances sourcing chain is carried out by L'Oréal Research and Development department. If needed, it can be completed by a third party review to clarify specific issues and recommend remedial actions. This assessment is applied to all currently used and newly registered vegetable ingredients for all L'Oréal subsidiaries, including new acquisitions.



L'Oréal is also committed to respecting the rights and interests of local communities in terms of access to raw material sources, acknowledgement of their traditional know-how, and shared benefits through "fair trading" practices. The company has established a code of conduct applied by its employees and submitted to its suppliers that includes:

- observing a fair return to communities;
- ensuring traceability of raw materials;
- protecting biodiversity;
- encouraging local community autonomy ofr business development.

L'Oréal has developed a procedure designed for its own and its suppliers' patents to assess the social acceptance of patent registration and the risk of biopiracy. This is done within the context of the intellectual property regime and to ensure the interests of the holders of traditional knowledge of the use of natural extracts are understood and respected.

In 2006, L'Oréal checked its entire portfolio of patents and now conducts a systematic, preliminary study regarding the use of raw materials linked to all new patent applications and requires its suppliers' patents to observe the same principles. In 2008, the company decided not to apply for five patents which failed to comply with this procedure.

Responsible sourcing of argan oil

Rationale

For L'Oréal, biodiversity conservation and the secure sourcing of natural ingredients is key to continuing access to innovative materials and long term business. The sustainable sourcing of argan oil is a L'Oréal initiative contributing to the Convention on Biological Diversity objectives and responds to stakeholders' expectations in line with the company's Corporate Responsibility strategy.

After having been a mainstay for Berbers in southwestern Morocco for centuries, argan oil was widely recognised in the 1990s for its culinary, cosmetic and even medicinal virtues and is now one of the most expensive edible oils in the world. Because of its nourishing, restructuring and cosmetic properties on skin and hair tissues, it is a key ingredient used in 7 of the 25 brands of L'Oréal products sold in Canada and sourced by L'Oréal Canada's factory through one main supplier, Cognis Care Chemicals' active ingredients business Laboratoires Sérobiologiques (LS; a division of Cognis France). The program for sustainable sourcing of argan oil was set up to address the following needs:

- to improve the quality and the traceability of the ingredients and to ensure the compliance of local practices with L'Oréal and Les Laboratoires Sérobiologiques' responsible supply policy;
- to clear suspicions related to the respect of local traditional knowledge raised by international stakeholders about granted patents concerning two new cosmetic active ingredients from the argan tree developed by Les Laboratoires Sérobiologiques (leaves and cake, a by-product of the oil extraction process).

The objective of the program is to assess strengths and weaknesses of the existing supply system of argan oil and to propose relevant and realistic measures to:

- ensure the argan oil extraction poses no harm to local biodiversity;
- guarantee fair social and economic benefit sharing of the argan oil production with local communities;
- establish the actual novelty of the patented uses of these raw materials (argan cakes extract and argan leaves extracts) compared to the traditional use of the argan products and ensure that the patents granted do not limit access of indigenous communities to argan products and derived substances;
- help monitor good collection and processing practices and increase local control over the management of the local biological resources.

Description

The argan tree (*argania spinosa* (L.) Skeels) is a species endemic to southern Morocco, largely found on the Souss plain bordering the Sahara desert. It is the second largest forest ecosystem in Morocco covering about 2% of the country surface and providing habitat for a wide variety of wildlife species.

The argan forest ecosystem, threatened by over-exploitation, soil erosion, desertification and changes in agriculture practices, is experiencing an estimated annual decline of 1%. The forest acts as a natural barrier against the advance of the desert and is instrumental in preventing erosion and protecting water resources. Argan products represent a major income for about 6% of the rural population and up to 90% of the economy in areas of native argan stands.

The argan oil is extracted from the fruit seeds and from the leaves which are picked manually by women from local communities and processed in the local production and preparation cooperatives.



In 1998, UNESCO classified the argan forest as a Biosphere Reserve to protect the remaining forest and to assist in reforestation efforts. Due to this status, 2% of the Argan Forest Biosphere Reserve has been protected from human activity to date.

L'Oréal has developed an agreement with its supplier, Les Laboratoires Sérobiologiques and Yamana, a local development NGO to:

- secure the argan oil supply for L'Oréal;
- establish and test the basis of a framework for sustainable argan oil production that could expand to the whole argan economy of Morocco and to other vegetable raw materials for L'Oréal.

There are 500 women working in 6 production cooperatives, one extraction and oil facility and 15 preparation cooperatives. Shipping is organized through a commercial organization (*Groupement d'intérêt économique*) who represents 1% of argan oil activities in Morocco.

Yamana is working locally to assist the cooperatives in the implementation of action plans to improve environmental, social, technical and economical aspects in the harvesting of argan fruits and leaves and in the production of the oil. Through engagement with local stakeholders, Yamana is identifying actions and programs to:

- determine methods for benefit sharing with local communities, in particular wages, working conditions and production processes;
- improve the traceability of substances, ensuring the quality of the ingredients and the compliance of harvesting and industrial processes with social and environmental practices;
- assess the impacts of the patent on communities and ensure that the local traditional knowledge related to this resource is respected;
- develop the economic autonomy of local communities to deliver a wider range of high quality products;
- identify and address other needs related to the sustainable livelihoods of the local community including healthcare, education, and preserving culture and traditional knowledge.

Stakeholders and roles

L'Oréal's responsible supply policy rests on working closely with its network of suppliers. The development of this fair trade supply chain of argan oil involves the supplier, Les Laboratoires Sérobiologiques and a local development NGO, Yamana, who is helping develop relationships with local communities.

The project is coordinated by the L'Oréal Research & Development Division through quarterly reports and meetings with the NGO and the supplier, and monthly follow-up reports with the NGO.

Communication

The program and its successes are promoted in a variety of ways, including:

- the 2008 Sustainable development report and internal newsletters;
- conferences and press kits from L'Oréal brands for some of the products containing the argan oil;
- presentations of the program in professional meetings;
- product information for two products using argan oil and bearing a double organic and fair trade certification;
- conference and press release.

Outcomes

Benefits

Biodiversity

The development of additional cosmetic actives from argan tree leaves and from the cake, plus the observance of strict harvesting guidelines monitored enhancing the traceability of raw materials, has contributed to optimizing the use of local natural resources and to limiting damage to the argan trees.

Beside government efforts to protect the argan forest ecosystem, the increased market value of products produced from argan trees has fostered community involvement and ownership of the resource as well as dramatic changes in behaviors, since argan wood is no longer used as charcoal thus contributing in a concrete way to its conservation.

Finally, the project has contributed to secure the recognition and respect of traditional knowledge and the access to the resource for local communities.

Economic and social

Working conditions of women in the cooperatives have improved through fairer wages and through the establishment of management tools (i.e., technical guides and training) which translates into better environment, health and safety and economic performances.

The development of commercial activities of diversified argan products with other clients has increased the capacity and revenue building of the cooperatives. It is hoped that by the end of the two year program, knowledge transfer will enable local production methods to meet international industrial standards and enable local sustainable livelihoods and self-sufficiency.

Lessons learned

This project only covers approximately 1% of the argan forest ecosystem with the majority of other industrial operations in the area uncontrolled, so it is difficult to assess its overall impact on the conservation of the forest. Close follow-up is needed to ensure compliance with social and environmental practices over the long term.

The program has shown that expectations from stakeholders at both an international and local levels can be different. While international stakeholders were urging the company to engage with local stakeholders to assess the impacts of patents on their communities, local priorities appear to be more focused on capacity building. Local stakeholders may not be sufficiently informed on patent issues to identify potential impacts on their communities and additional information is needed to enhance local comprehension of economical mechanisms.

The program also revealed the challenge of combining the timeframe needed for long term changes in local practices and customs with short term priorities of an international cosmetic market.

Changes in company's practices

This project has allowed the company to develop a new know-how in project engineering processes involving different stakeholders from different cultures and background, at both a local and global level.

It will be used as a reference to establish in-house standards for an up to date generation of fair trade sourcing of other vegetable ingredients. Some similar projects on other natural ingredients are already on progress.

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