FRAGRANCE AND PERSONAL CARE

L'Oral Group makes $52M investment in circular innovation

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YSL Beauty's gardens harness solar power and employ organic farming techniques. Image credit: L'Oral

By LUXURY DAILY NEWS SERVICE

French cosmetics group L'Oral has launched an innovation fund as it aims to scale up circular economy solutions.

As part of its L'Oral for the Future sustainability program, the group has donated 50 million euros, or about $52.5 million, for the creation of the Circular Innovation Fund. The fund will support startups and established companies in North America, Europe and Asia developing circular use of resources across multiple sectors.

"L'Oral is the initiator of the Circular Economy Fund and its first investor with 50 million euros," said Christophe Babule, executive vice president, chief financial officer of L'Oral, in a statement.

"I am convinced that finance can play a decisive role in mitigating the impacts of climate change and can be a vehicle for progress," he said. "We believe impact investment is one of the ways we can contribute to spur innovation in the circular economy space as part of the L'Oral For the Future program."

Cosmetics circularity

The Circular Innovation Fund is operated by cleantech-focused capital management firms Demeter and Cycle Capital, with other strategic and private investors getting involved.

The fund's 150 million euros in resources, or about $160.7 million, will help organizations develop new materials from the bioeconomy; circular solutions for packaging, recycling and waste, logistics and other eco-efficient processes.

Part of the L'Oral Luxe portfolio, Armani Beauty aims to achieve carbon neutrality for all of its products by 2025. Image credit: L'Oral

Potential portfolio companies will be evaluated per an impact measurement methodology that combines due diligence and continued monitoring on non-financial KPIs such as greenhouse gas emissions reductions, resource use and diversity.

"Impact investing is a perfect illustration of sustainable finance, that is to say, the ability to combine financial value creation with environmental and social value creation," Mr. Babule said.

L'Oral Group is also part of a consortium collaborating on an industry-wide environmental impact assessment for cosmetics products.

The assessment is meant to cover several areas, including providing a common method for measuring the environmental impacts throughout products' lifecycles; a common database of the impact of standard ingredients and raw materials used in formulas and packaging; an easy-to-use tool to empower brands to calculate the impact of individual goods and an independently verified scoring system for consumers to compare beauty products (see story).

"As a leader, we want to act in two complementary and strategic ways: on one hand, reduce the impact of our business by sourcing our ingredients in a sustainable way, using more materials from recycled origin, etc.," said Alexandra Palt, chief corporate responsibility officer and CEO of the Fondation L'Oral, in a statement.

"On the other hand, contribute to addressing some of the most pressing environmental challenges, such as waste management, plastic pollution and also biodiversity loss," she said. "That is why, in addition to be the anchor investor leading the new Circular Innovation Fund, this year, we continue to invest to regenerate biodiversity through a new ambitious and innovative French tech project."