

L'ORÉAL

GLOBAL CLIMATE CHANGE

Our Work on Reducing our Impact Historical-Current-Prospective

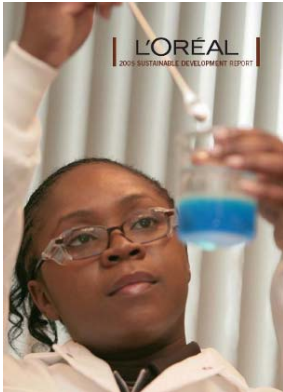
Zack Mansdorf
L'Oreal

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Agenda

- A few words about L'Oreal
- Why we care about Global Warming
- Our situation
- Our actions
- Some issues
- Conclusions

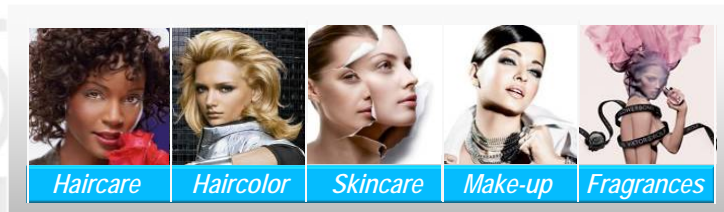


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What is L'Oréal ?

- N°1 Cosmetics company worldwide 15,790 €M Sales
14.4 % market share (2006)
- A **Pure Player** in Beauty

→ Focused on **5 added-value categories**



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What is L'Oréal ?

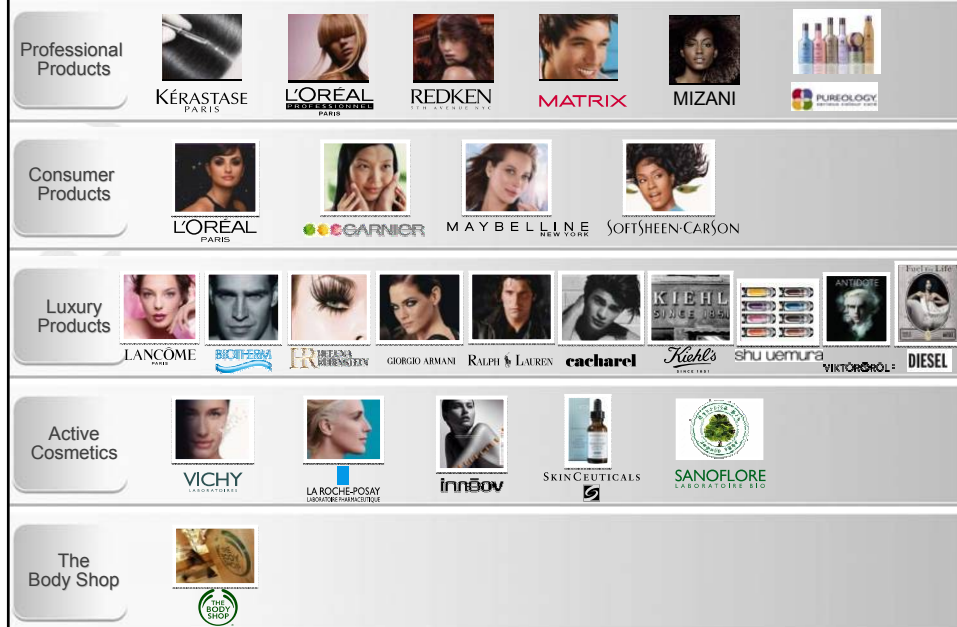
Present in **5 key distribution channels**



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4 Brand power

A unique portfolio of diverse and complementary brands



Climate Change and L'Oreal

- We view climate change as presenting both risks and opportunities
- We are below European standards for mandatory carbon trading and have an aggressive carbon emission reduction program worldwide
- We see some product opportunities

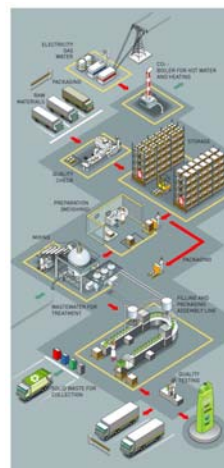
Global Climate Change It is an issue of concern for our stakeholders



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Major Sources of GHG

- Sites
 - Fuels for heating and wash water
 - Electricity for our highly automated factories and warehouses, offices, etc.
- Other
 - Raw Materials
 - Packaging
 - Transportation
 - Employees



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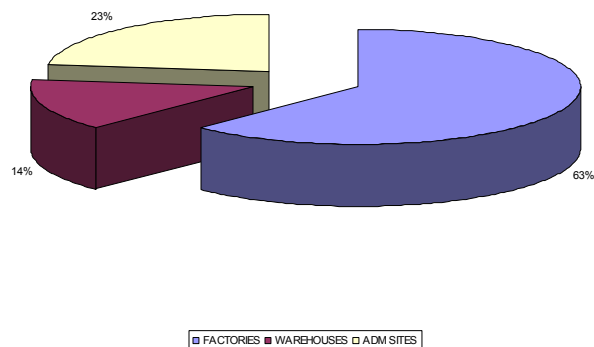
What Is Our Situation?

- GHG reduction is a challenge with our growth ambitions
- We had direct (fuel) and indirect (electricity) CO₂ emissions for factories and warehouses of 223 Ktons for 2006
- 83 Ktons (38%) from fuels and 140 Ktons (62%) from purchased electricity (81.6 in fuels for 2007)
- We can estimate emissions of +23% (~67 Ktons) from administrative sites for a total ~290 Ktons

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What Is Our Situation?

ESTIMATED CONTRIBUTION BY CATEGORY FOR TOTAL CO₂ EMISSIONS
(limited to electricity use for administrative sites)



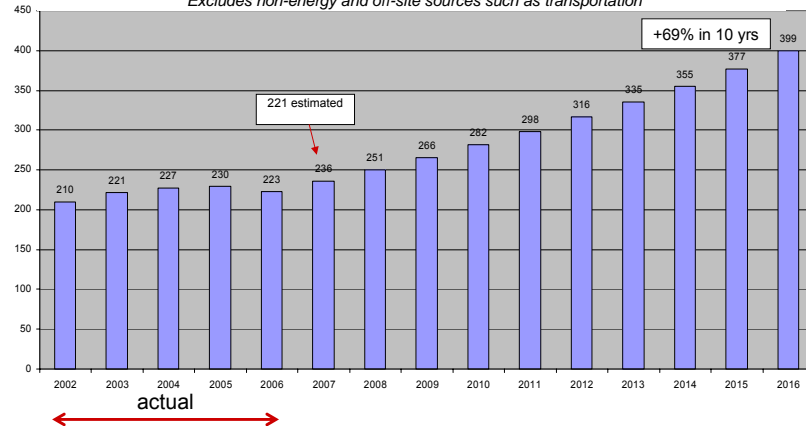
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What Is Our Situation?

OUR GHG EMISSIONS WILL GROW WITH SALES GROWTH

Projected CO2 emissions from on-site energy use in Ktons (gas, oil, electricity)*

*Excludes non-energy and off-site sources such as transportation

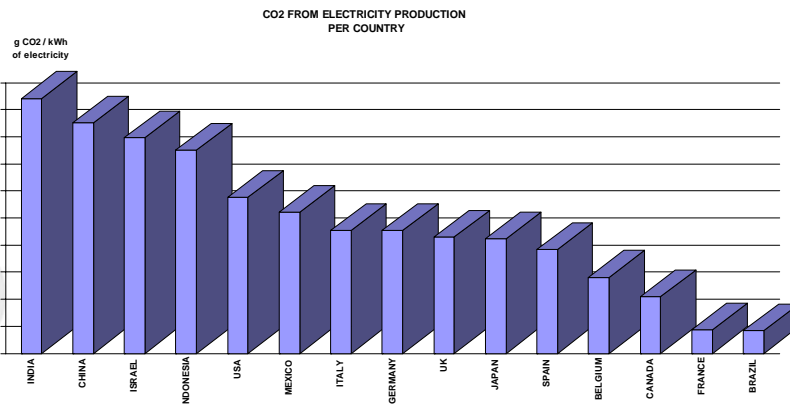


Projections based on 6% growth per year

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What Is Our Situation?

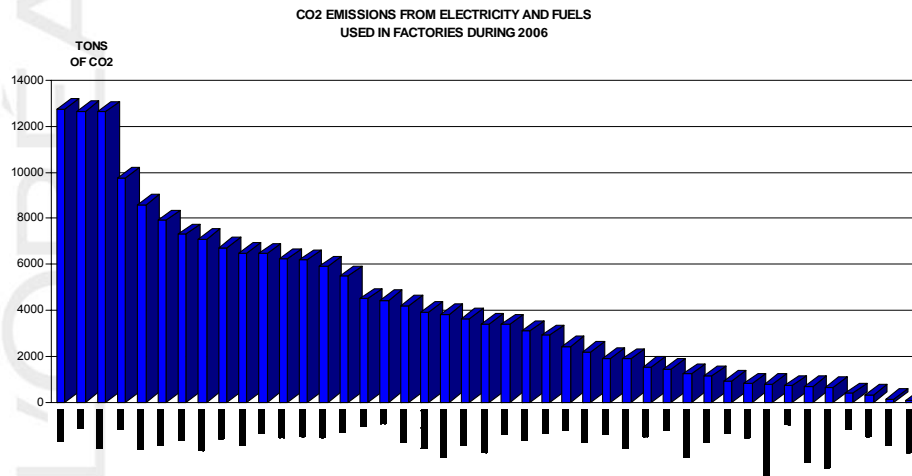
The country where the electricity is generated (means of generation) has a significant impact on emissions (e.g. France=80% Nuclear)



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WHAT IS OUR SITUATION?

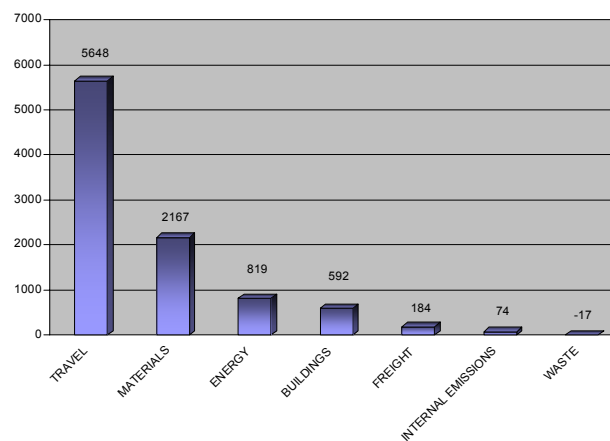
Contributions by site vary greatly



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Carbon Footprint Pilot Studies

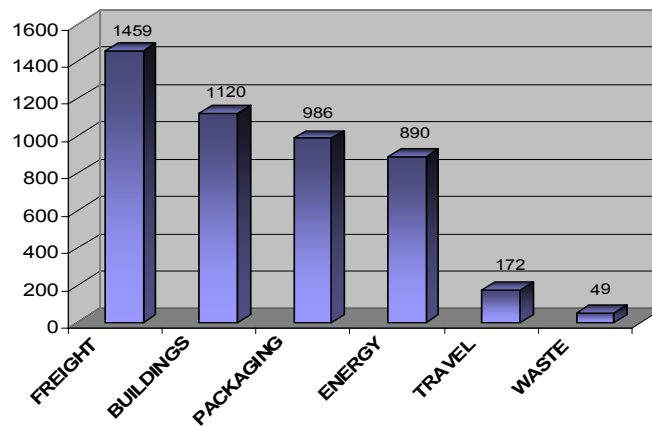
CES CLICHY BILAN CARBONE (Tons CO2 Equivalent)



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Carbon Footprint Pilot Studies

ORMES WAREHOUSE BILAN CARBONE (Tons CO2 Equivalent)



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How Will We Continue To Reduce Our Emissions?

Broad Scope

- Focus on
 - Energy Efficiency
 - Process Change
 - Product Change
- Find green energy partners where feasible (e.g., Libramont)
- Purchase green energy where available
- Make capital investments to improve efficiency or recapture energy with an allocation for energy related projects in the existing Operations capital budget

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How Are We Going To Continue To Reduce Our Emissions?

- Initiate studies for capital investment in alternative energy sources on-site and energy efficiencies through new or novel equipment and insulation
- Require all new major projects/launches to include energy/carbon footprint, water and waste impacts
- Apply our new Sustainable Buildings policy on new building and renovation standards for water, waste and energy efficiency/carbon footprint

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Participation In Initiatives

- L'Oreal actively participates in various peer groups on the climate change issue
- We participate in the Carbon Disclosure Project and received a "60" rating
- Merrill Lynch rated us as a leader (Aug 2007)
- We are participating in the Supply Chain Leadership Coalition and will follow other initiatives concerning our supply chain

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SOME ENERGY PROJECT EXAMPLES

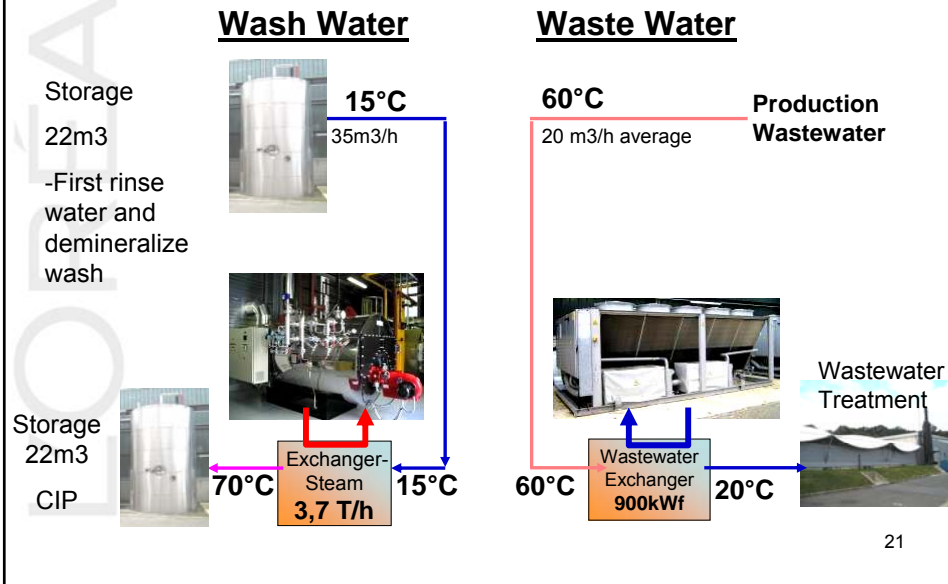
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FAPROGI
Pre-heating of Wash Water Using
Recovered Heat

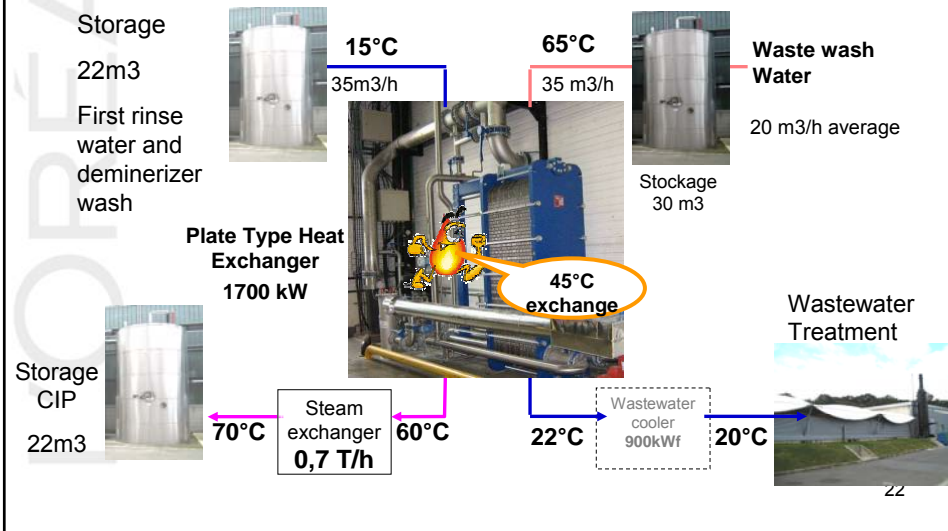


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Wash and Waste Water System



Installation of a waste heat recovery system for wash water



Win/Win Results

ENVIRONMENTAL

- Saving energy:

Gas consumption: - 15% = - 1,8 GWh/yr

Electric consumption: -5% = - 0,6 GWh/yr

- Reduction of stack emissions:

CO₂ reduced by 300 tons/year

PRODUCTIVE

-Increased capacity for wash water

-Allows for installation of a CIP system

-Reduction in maintenance

ECONOMIC

-Investment/Capital: 250k€

-Savings from less fuel/electric consumption: -85k€/an

-Pay Back: 35 mois

-Savings due to not investing in extra heating/cooling capacity: - 375k€



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Use of Green Energy

- Renewable “green” energy use
 - Solar cells at our factory in Burgos, Spain
 - Solar water heating at our factory in India
 - Geothermal at our new research center in Chevilly-Larue
 - Wind power in New Jersey



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LIBRAMONT CASE STUDY

- Outside consortium of constructors, contractors and financiers have proposed a bio-methane “co-generation” facility
- Using corn as the feed stock to produce methane for on-site production of steam, hot water and electricity
- Process is considered “carbon neutral”
- Sited on our property
- Turnkey operation with pricing at 80% of market rates
- Will have a residual ~10% emissions from fuel use
- Contracts signed and operations to begin in 2008

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Solar Water Heating in Monaco

- Sofamo solar water heating for sanitary water



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High Efficiency Proximity Lighting

Old 250Watt Metal Halide Fixture w/lamp



Sensor

Aisle area lighting 2X2 T8's w/sensor
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Administrative Sites

- Motion sensors for the office lighting in our USA Headquarters in NYC and a number of other offices

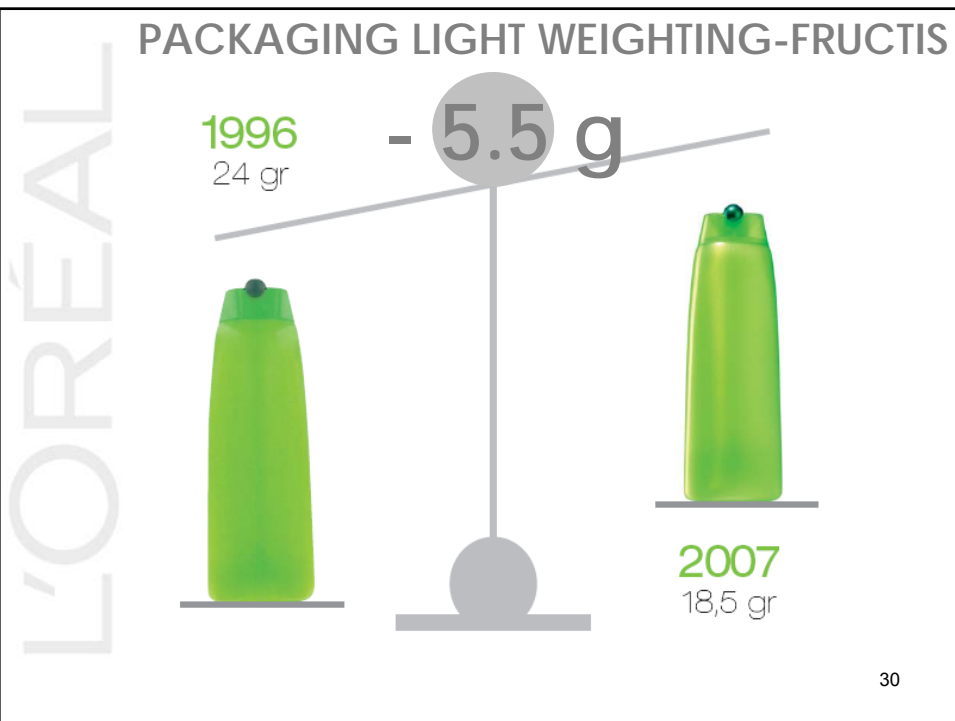


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Other Areas of Concern

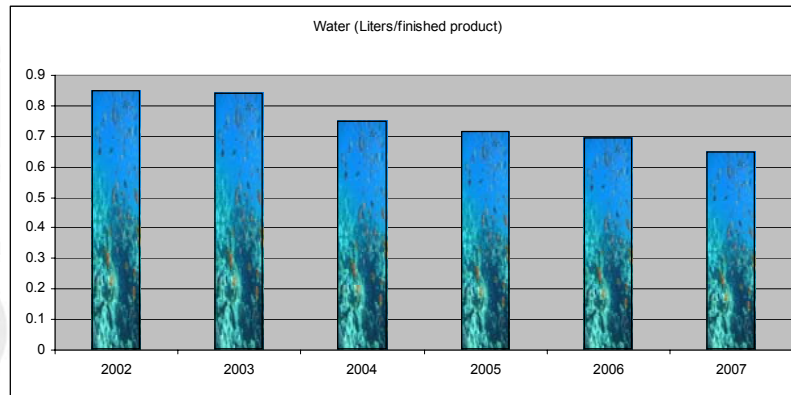
- Supply Chain Aspects
- Water
- Waste

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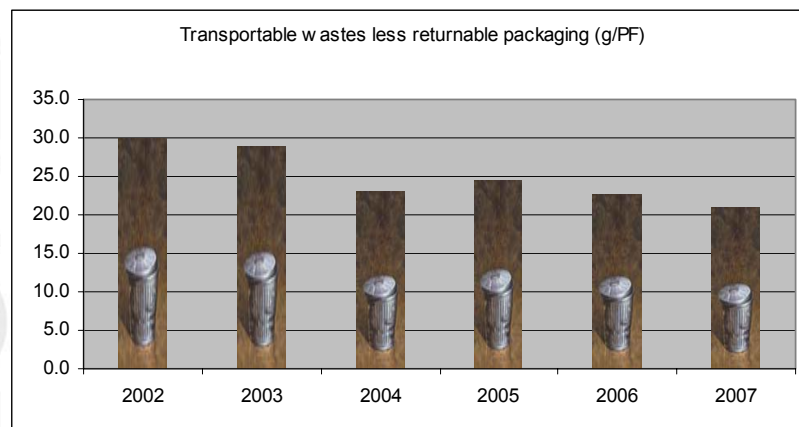
OUR RECORD IN CONSERVING WATER



Water 2002-2007= -24%

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OUR RECORD IN REDUCING WASTE



Waste 2002-2007= -30%

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ISSUES

- What reporting method should be used?
- What should be included in your carbon foot print?
- Double counting (supplier and you)
- How does one control what is done outside your company (raw materials, transportation, packaging, etc.)?
- Monitoring and recordkeeping is an immense problem



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CONCLUSIONS

- We are committed to reducing our environmental footprint with an emphasis on reducing, in absolute terms, our GHG emissions. Water and waste are also issues
- We believe there will be significant brand benefits to these initiatives
- This effort fits within our goal to be recognized as a “Great Citizen of the World”

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