

was proposed that the Board make a provisional appointment through cooptation, in accordance with paragraph 1 of Article L.225-24 of the French Commercial Code.

Mr Charles-Henri Filippi, 55 years of age, a graduate of the IEP (Institute of Political Studies) in Paris and of ENA (the French national school of administration), first worked for the French government for 10 years. In 1987, he joined CCF (which became HSBC France in 2000). He was appointed Chief Executive Officer for HSBC France in 1995, Head of Corporate Banking in London and member of the Executive Committee of the HSBC group in 2001, then Chairman and Chief Executive Officer of HSBC France in 2004.

He has been Chairman of the Board of Directors of HSBC France since September 1st, 2007.

On November 30th, 2007, the Board decided to appoint Mr Charles-Henri Filippi as a director on a provisional basis, subject to ratification of his appointment by the next Annual General Meeting, for the remainder of his predecessor's tenure, that is until the General Meeting to be held in 2010 and called to review the financial statements for the 2009 financial year.

6. REMUNERATION OF CORPORATE OFFICERS

The Management and Remuneration Committee, a review committee of the Board of Directors to which the Chairman refers in his Report on the way in which the Board's work is prepared and organised, held four meetings in 2007, on February 8th, March 29th, June 26th and November 29th, in a completely independent manner.

The Management and Remuneration Committee is primarily instructed by the Board of Directors to examine the conditions in which the remuneration of the corporate officers is established, and to report to the Board in this respect.

The remit of the Management and Remuneration Committee also includes preparing for the Board of Directors, in respect of each corporate officer appointed by the Board, proposals of remuneration that include a fixed part and a variable part, and proposals to grant stock options.

These proposals are reviewed in a completely independent manner by the whole of the Board of Directors which deliberates and votes on each of these proposals on a collegial basis.

The Board always wishes to incite the General Management both to maximise performance for each financial year and to ensure that the performance is repeated and remains steady year after year.

To ensure that the corporate officers appointed by the Board are offered remuneration and stock options that will attract

them, motivate them, and foster their loyalty, the Board is guided in its reflections by two clear principles:

- cash remuneration must be modulated in accordance with responsibilities actually exercised, and must be competitive with the remuneration offered for similar levels of responsibility by large international companies operating in similar markets. It must also depend, for the determination of the variable part, partly on the company's performance, and on the role played in this performance by each of the corporate officers, and partly on qualitative management criteria,
- stock options must be allocated to the corporate officers, in order to involve them in the long-term development of the value of the company and its share price, in a way that reflects their contribution to this increase in value.

Based on this approach, the Management and Remuneration Committee makes its proposals to the Board on completion of two independent analyses:

- one based on the performance of the company and the performance of each of the corporate officers, which forms the basis of its remuneration proposals,
- the second one based on the prospects for an increase in the share price, which guides it in preparing its stock option grant proposals.

The Committee is attentive to formulating:

- its remuneration proposals to the Board without taking the share price into account,
- its stock option grant proposals without referring to the short-term performance of the company.

At the end of each year, the Committee proposes to the Board the amount of the fixed part of the remuneration of the corporate officers for the next financial year and decides on the allocation of the variable part of remuneration for the current financial year based on previously defined criteria.

For the Chief Executive Officer, the variable remuneration is determined as follows:

- half is based on an analysis of the company's performance by reference to significant economic indicators, reflecting in particular the trend in sales, market share and earnings and,
- half is based on an assessment of the qualitative aspects of management, such as the appropriateness of strategic choices, prospects for products and markets, research projects, renewal of structures, the ability to generate team spirit, the image of the company projected, or the quality of communication.

The variable remuneration of the Chairman of the Board is based on achievement of specific objectives linked to his responsibilities as described in the Internal Rules of the Board of Directors (see notes to the Management Report) and particularly:

- his ability to put into play, in the most constructive possible manner, the separation of the roles between the Chairman and the Chief Executive Officer,
- his contribution to the performance of the company.

At the same time, the Management and Remuneration Committee formulates proposals for the grant of stock options to the corporate officers appointed by the Board.

In 2007, the Management and Remuneration Committee made the following proposals to the Board, which reviewed and accepted them.

6.1. Remuneration of the Chairman

The Board of Directors' meeting of April 25th, 2006 set the fixed part of the Chairman's remuneration at €2,000,000 on an annual basis for 2007. To this was added a variable remuneration of €1,500,000 decided by the Board of Directors at its meeting of November 30th, 2007, in accordance with the objective that was initially set.

For 2008, the Board kept the fixed remuneration unchanged at €2,000,000 on an annual basis.

The Chairman has a secretary, a company car and a chauffeur at his disposal.

The total gross remuneration of the Chairman for 2007 and previous years was as follows:

In euros	2004	2005	2006 ⁽¹⁾	2007 ⁽²⁾
Items of remuneration				
Fixed remuneration paid	3,500,000	3,750,000	1,250,000	2,000,000
Variable remuneration paid	3,000,000	3,500,000	1,250,000	1,500,000
Attendance fees due	75,874	87,937	47,544	87,279
Benefits in kind	20,509	20,406	6,273	10,127
Total gross remuneration	6,596,383	7,358,343	2,553,817	3,597,406
	+ 0.3%	+ 11.6%	NC	NC

(1) The remuneration for 2006 comprises all the amounts received by the Chairman and Chief Executive Officer up until the end of his term of office on April 30th, 2006. He received no remuneration thereafter until the end of 2006.

(2) Since May 1st, 2006, Sir Lindsay Owen-Jones has been entitled to the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of the Members of the "Comité de Conjoncture"); the impact which such scheme would have for him was described on p. 75 of the 2006 Management Report of the Board of Directors.

6.2. Remuneration of the Chief Executive Officer

The remuneration of the Chief Executive Officer was set by the Board of Directors on April 25th, 2006 at €2,000,000 on an annual basis.

This amount remained unchanged in 2007 and, in addition to this fixed remuneration, variable remuneration was set by the Board of Directors on November 30th, 2007 at €2,000,000 in accordance with the method of assessment of performance described above. The Board of Directors' meeting of November 30th, 2007 also increased the fixed part of the remuneration to €2,100,000 on an annual basis as of January 1st, 2008.

The Chief Executive Officer has a company car and a chauffeur at his disposal.

The total gross remuneration of the Chief Executive Officer since his appointment on May 1st, 2006 is as follows:

In euros	2006	2007
Items of remuneration		
Fixed remuneration paid	1,333,336 ⁽¹⁾	2,000,000
Variable remuneration paid	1,900,000	2,000,000
Attendance fees due	35,000	57,279
Benefits in kind	–	–
Total gross remuneration	3,268,336	4,057,279

(1) As of May 1st, 2006.

6.3. Stock options granted to the corporate officers appointed by the Board

The Chairman did not receive any stock options for 2007.

The stock options which were granted by the Board of Directors to Sir Lindsay Owen-Jones in previous years, and which can still be exercised are as follows:

Date of grant	Number of options not yet exercised	1 st possible date of exercise	Date of expiry	Purchase (A) or subscription (S) price (in €)
12.07.1999	200,000	12.08.2004	12.07.2009	61.00 (A)
04.05.2000	–	–	–	–
09.28.2000	150,000	09.29.2005	09.28.2010	83.00 (A)
12.07.2000	–	–	–	–
03.28.2001	200,000	03.29.2006	03.28.2011	79.60 (A)
09.18.2001	300,000	09.19.2006	09.18.2011	77.60 (A)
10.08.2001	–	–	–	–
03.26.2002	–	–	–	–
09.04.2002	–	–	–	–
12.03.2003	500,000	12.04.2008	12.03.2013	63.02 (S)
	500,000			71.90 (A)
03.24.2004	–	–	–	–
12.01.2004	1,000,000	12.02.2009	12.01.2014	55.54 (S)
06.29.2005	–	–	–	–
11.30.2005	700,000	12.01.2010	11.30.2015	61.37 (S)
	300,000			62.94 (A)
04.25.2006	2,000,000	04.26.2011	04.25.2016	72.60 (S)

The Board of Directors granted on November 30th, 2007, to Mr Jean-Paul Agon in his capacity as Chief Executive Officer, 350,000 share subscription options (i.e. 0.057% of the share capital at the attribution date), at a price of €91.66, which may normally be exercised between December 1st, 2012 and November 30th, 2017.

The cost relating to these stock options was recorded in the profit and loss account as at December 31st, 2007 on the basis of €25.88 per option determined using the Black & Scholes method.

The Board of Directors decided, within the scope of the Plan of November 30th, 2007, that Mr Jean-Paul Agon, as a corporate officer, will retain a number of shares corresponding to 50% of the "balance of the shares resulting from the exercise of the stock options", in registered form, until the termination of his duties as Chief Executive Officer of L'Oréal. The "balance of the shares resulting from the exercise of the stock options" should be understood to mean the total number of shares resulting from the exercise of stock options minus the number of shares that has to be sold to finance the exercise of the stock options in question and, where applicable, the payment of any immediate or deferred taxes, social levies and costs relating to the exercise of these stock options as applicable at the date of exercise of the options. If the number of shares thus determined that must be retained until the termination of Mr Jean-Paul Agon's duties as Chief Executive Officer is not a whole number of shares, this number of shares would be rounded down to the nearest lower whole number of shares.

The stock options granted to Mr Jean-Paul Agon, since his appointment as a corporate officer, and which can still be exercised are as follows:

Date of grant	Number of options not yet exercised	1 st possible date of exercise	Date of expiry	Subscription price (in €)
12.01.2006	500,000	12.02.2011	12.01.2016	78.06
11.30.2007	350,000	12.01.2012	11.30.2017	91.66

6.4. Undertakings made in relation to the corporate officers appointed by the Board

The Board of Directors of L'Oréal has an ongoing policy of treating the corporate officers it appoints, who have an employment contract with the company, as equivalent to senior managers for all matters which are linked to their remuneration⁽¹⁾.

These corporate officers are therefore covered by the same benefit systems as senior managers of L'Oréal, particularly relating to pension and provident schemes. The Board keeps itself regularly informed of these schemes.

The undertakings with regard to pension and provident schemes from which Mr Jean-Paul Agon benefits due to the fact that he is treated in the same way as a senior manager for the duration of his term of office and which were submitted to the Annual General Meeting on April 24th, 2007 remain in full force and do not need to be subject to performance conditions or reiterated pursuant to the last paragraph of Article L.225-42-1 of the French Commercial Code. These undertakings are set out in detail in the statutory auditors' special report.

Furthermore, the Board of Directors' meeting of February 13th, 2008 authorised the signature of an agreement with Mr Jean-Paul Agon providing that:

- In the event of non-renewal or removal from his corporate office, except for gross misconduct or gross negligence, Mr Jean-Paul Agon will be entitled to an indemnity for termination of his corporate office limited to a maximum of 12 months of the last fixed remuneration received in respect of his corporate office, subject to fulfilment of performance conditions defined in accordance with the legal provisions.

This indemnity will be combined, where applicable, with the severance payment to which he would be entitled pursuant to his reinstated employment contract.

- In the event of retirement at the company's request or voluntary retirement which takes place at the time of termination of his corporate office or thereafter, Mr Jean-Paul Agon will be entitled to a departure or retirement indemnity determined in accordance with the same terms and conditions as those applicable to a senior manager of L'Oréal⁽²⁾.

This indemnity will be calculated on the basis of the fixed and variable remuneration received as a corporate officer and the total length of service accrued pursuant to his employment contract and his corporate office, subject to fulfilment of performance conditions defined in accordance with the legal provisions.

This indemnity may not be lower than the departure or retirement indemnity to which he would be entitled pursuant to his resumed employment contract, and will not be received cumulatively with such indemnity.

The performance conditions adopted by the Board of Directors on February 13th, 2008 will be based as follows: one-half will be based on the rate of growth in L'Oréal's sales as compared to

(1) Cf. § 3.5.2 of the Internal Rules of the Board of Directors.

(2) For further information, please refer to the "additional information" section on pages 156-158.

the market growth rate while the other half will be based on the increase in earnings per share (diluted net profit per share excluding non-recurrent items attributable to the group).

These undertakings, that are submitted for the approval of the Annual General Meeting of April 22nd, 2008, are described in detail in the statutory auditors' special report.

Authorisation of this commitment by the Board of Directors and its approval by the Annual General Meeting will be required at the time of each renewal of Mr Jean-Paul Agon's term of office as Chief Executive Officer.

It is stressed that as the Chairman, Sir Lindsay Owen-Jones, is not entitled to any departure indemnity in connection with the termination of his corporate office, he is not concerned by these provisions.

The Board of Directors has not made any specific undertaking with regard to the corporate officers appointed by it other than those specified above.

6.5. Attendance fees and other benefits

Each of the directors of L'Oréal received attendance fees on the following basis in respect of 2007:

- a fixed annual sum of €30,000 as attendance fees,
- an amount of €5,000 for each Board meeting which the director attended,
- an amount of €15,000 for each of the members of the Strategy and Implementation Committee and the Management and Remuneration Committee and an additional amount of €15,000 for the Chairmen of these Committees,
- an amount of €20,000 for each of the members of the Audit Committee and an additional amount of €20,000 for the Chairman of this Committee.

The total amount of attendance fees for 2007 was €975,000 and was broken down as follows for each of the directors, as compared with 2006:

In euros	2007	2006
Mr Jean-Paul Agon	55,000	35,000
Mr Werner Bauer	55,000	60,000
Mrs Liliane Bettencourt	90,000	100,000
Mrs Françoise Bettencourt Meyers	55,000	55,000
Mr Peter Brabeck-Letmathe	75,000	85,000
Mr Francisco Castañer Basco	90,000	95,000
Mr Xavier Fontanet	95,000	95,000
Mr Bernard Kasriel	85,000	82,500
Mr Marc Ladreit de Lacharrière	55,000	50,000
Mr Jean-Pierre Meyers	90,000	95,000
Sir Lindsay Owen-Jones	85,000	45,000
Mr Franck Riboud	45,000	50,000
Mrs Annette Roux	50,000	–
Mr Louis Schweitzer	50,000	60,000

6.6. Stock options exercised by the corporate officers appointed by the Board

On December 20th, 2007, Sir Lindsay Owen-Jones exercised 200,000 stock options out of the total number of stock options granted by the Board of Directors on October 14th, 1999, which consisted of 200,000 share purchase options, at a price of €57.60 per share, as well as 100,000 stock options out of the total number of stock options granted by the Board of Directors on December 7th, 1999, which consisted of 300,000 share purchase options, at a price of €61.00 per share.

On February 19th, 2007, Mr Jean-Paul Agon exercised 30,000 stock options out of the total number of stock options granted by the Board of Directors on October 17th, 1997, which consisted of 30,000 share purchase options, at a price of €34.01 per share.

6.7. Summary of trading by the corporate officers in L'Oréal shares in 2007

(Article 223-26 of the General Regulation of the *Autorité des Marchés Financiers*.)

Date of the transaction	Person concerned	Nature of transaction ⁽¹⁾	Price per share	Total amount
December 20 th , 2007	Sir Lindsay Owen-Jones, Chairman of the Board	Purchase of shares	57.60	11,520,000
December 20 th , 2007		Purchase of shares	61	6,100,000
February 19 th , 2007	Jean-Paul Agon, Chief Executive Officer	Purchase of shares	34.01	1,020,300
February 19 th , 2007		Sale of shares	81.76	1,635,200

(1) Purchase or sale of shares following the exercise of stock options.

The table set out below summarises the transactions carried out within this framework, and the use made of the shares bought back:

Date of authorisation of the Annual General Meeting	April 25 th , 2006 (12 th resolution)	April 24 th , 2007 (7 th resolution)
Expiry date of the authorisation	October 24 th , 2007	October 23 rd , 2008
Maximum amount of authorised buybacks	10% of the capital at the date of the Annual General Meeting, i.e. 65,876,966 shares, for a maximum amount of €6,258 million	10% of the capital at the date of the Annual General Meeting, i.e. 62,612,691 shares, for a maximum amount of €7,500 million
Maximum purchase price per share	€95	€120
Authorised purposes	Cancellation; Share purchase options Free grants of shares; Liquidity and market stabilisation; External growth	Cancellation; Share purchase options Free grants of shares; Liquidity and market stabilisation; External growth
Board of Directors' meeting that decided on the buybacks	June 28 th , 2006	June 27 th , 2007
Purpose of buybacks	Cancellation	Cancellation
Period of buybacks made	January 1 st -June 22 nd , 2007	July 2 nd , 2007-February 13 th , 2008
Number of shares purchased	7,114,100	9,165,000
Average purchase price per share	€83.15	€90.39
Use of shares purchased	Cancellation: 7,114,100 ⁽¹⁾ Other: none	Cancellation: 9,165,000 ⁽²⁾ Other: none

(1) 867,000 shares cancelled by the Board of Directors at its meeting of February 14th, 2007, and 6,247,100 shares cancelled by the Board of Directors at its meeting on August 30th, 2007.

(2) 1,978,000 shares cancelled by the Board of Directors at its meeting of August 30th, 2007, and 7,187,000 shares by the Board of Directors at its meeting on February 13th, 2008.

Date of the transaction	Person concerned	Nature of transaction	Price per share	Total amount
July 13 th , 2007	Marc Ladreit de Lacharrière, Director	Purchase of shares	85.36	597,520
June 7 th , 2007			86.42	432,100
December 21 st , 2007	Charles-Henri Filippi, Director	Purchase of shares	97.92	99,050

7. BUYBACK BY THE COMPANY OF ITS OWN SHARES

7.1. Information concerning share buybacks made since January 1st, 2007

In 2007, the company bought back 15,373,100 of its own shares for an amount of €1,336 million, representing an average purchase price of €86.91 per share. Furthermore, between January 1st and February 13th, 2008, 906,000 shares were purchased, for a total amount of €83.9 million, representing an average purchase price of €92.64 per share. In all, between January 1st, 2007 and February 13th, 2008, the company purchased 16,279,100 of its own shares, for an amount of €1,420 million, and an average purchase price of €87.23 per share.

These share buybacks were all made directly by the company, without being entrusted to an investment services provider, and without the use of derivatives. They gave rise, in 2007, to €2,456,138.96 in trading fees and, from January 1st to February 13th, 2008, to trading fees of €152,250.70, namely, for the entire period from January 1st, 2007-February 14th, 2008, an amount of trading fees of €2,608,389.66.