

## REMUNERATION OF THE CORPORATE OFFICERS OF L'ORÉAL

The Board of Directors meeting on Monday, February 15, 2010, chaired by Sir Lindsay Owen-Jones, adopted the following decisions:

### **Continued separation of the duties of Chairman from those of Chief Executive Officer:**

In 2006, the Board of Directors decided to separate the roles of Chairman and Chief Executive Officer, with a clear definition of the responsibilities of each of them, described in the internal rules of the Board of Directors.

The Board has decided to continue with this separation of roles and to renew the duties of Sir Lindsay Owen-Jones as Chairman and Mr Jean-Paul Agon as Chief Executive Officer at its meeting to be held at the close of the Annual General Meeting of April 27, 2010, subject to renewal of their terms of office as directors.

The Board has chosen to continue with this practice after observing from the annual evaluation of the Board's *modus operandi* that the separation of their duties has given complete satisfaction.

### **Remuneration for the 2009 financial year:**

#### **Mr Jean-Paul Agon, Chief Executive Officer:**

The variable part of the Chief Executive Officer's 2009 remuneration, after review by the Remuneration Committee of the allocation criteria described in the 2008 Annual Report (Volume 2, page 74) and as compared to a target objective of €2,100,000, was set by the Board at €1,260,000, amounting to 60% of the target amount.

N.B.: The Chief Executive Officer's fixed remuneration was previously set at €2,100,000 for the 2009 financial year.

#### **Sir Lindsay Owen-Jones, Chairman of the Board of Directors:**

The target objective for the variable remuneration of the Chairman of the Board of Directors for 2009 was set at €1,500,000 according to the allocation criteria described in the 2008 Annual Report (Volume 2, page 74). The Remuneration Committee proposed that the same percentage of achievement of the target objective, i.e. 60%, should be adopted as that applied for the variable remuneration of the Chief Executive Officer. In light of the economic environment and the significant efforts made by all the company's employees, the Chairman has decided to give up all right to any variable remuneration in respect of 2009. The Board has duly noted this.

N.B.: The Chairman's fixed remuneration was previously set at €2,000,000 for the 2009 financial year.

### **Remuneration for 2010:**

#### **Mr Jean-Paul Agon, Chief Executive Officer:**

The Board decided to maintain the Chief Executive Officer's fixed remuneration for 2010 at the current amount of €2,100,000. Subject to renewal of his term of office as director at the next Annual General Meeting on April 27, 2010, this amount of fixed remuneration will apply for the whole of the 2010 financial year.

The Board also maintained the target objective for the variable remuneration at 100% of the fixed part of the remuneration, i.e. €2,100,000. This variable remuneration will be assessed on the basis of achievement of the performance criteria described in the Annual Report.

**Sir Lindsay Owen-Jones, Chairman of the Board of Directors:**

The Board decided to maintain the Chairman's fixed remuneration for 2010 at the current amount of €2,000,000, until the end of his term of office as director at the next Annual General Meeting on April 27, 2010.

The Board has also set in advance the amount of the Chairman's fixed remuneration for the remainder of the 2010 financial year. Subject to renewal of his term of office, the Board has decided, in accordance with the Chairman's wishes, that his fixed remuneration would be reduced to €1,000,000 on an annual basis and that the variable remuneration would no longer be payable.

**Maintenance in effect of the suspension of the employment contract:**

The Code of Corporate Governance for listed companies, prepared jointly by the AFEP and the MEDEF, to which L'Oréal refers, recommends that companies should put an end to the practice of combining an employment contract with a corporate office (point 19) although it does not impose this as a mandatory requirement. L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing corporate officers *ad nutum*. The Board of Directors therefore intends to formally lay down the methods of application of the objectives of the recommendation, as adapted to the professional context in the L'Oréal group.

The Board's intention is to use the treatment set out below for Mr Jean-Paul Agon and, in future, for any new corporate officer appointed who has over 15 years' length of service in the group at the time of appointment.

L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their careers in the Group as corporate officers. This is how Mr Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer of L'Oréal in April 2006, following a brilliant career spanning 27 years within the Group.

The Board of Directors notes that if, in accordance with the AFEP/MEDEF recommendation, Mr Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee.

The Board does not want Mr Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years working with L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee.

The Board of Directors considers that the objective pursued by the AFEP/MEDEF recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to his corporate office on the other.

The Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the company's request due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal executives, are due in any event pursuant to public policy rules. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr Jean-Paul Agon will continue to benefit from the defined benefit pension scheme described in the Annual Report and currently applicable to the Group's senior managers.

The reference remuneration to be used to calculate all the rights attached to the employment contract and in particular to compute the pension under the defined benefit scheme will be based on the amount of remuneration under the employment contract when it was suspended in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1, 2010, the fixed remuneration amounts to €1,570,500 and variable remuneration to €1,308,750.

The length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer.

Mr Jean-Paul Agon will continue to be entitled to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the company's employees due to the fact that he will be treated as a senior manager throughout the entire period of his corporate office.

The above provisions will be subject to the procedure applicable to regulated agreements and regulated commitments. The Statutory Auditors will be informed of the provisions and the commitment will be submitted for approval to the Annual General Meeting on April 27, 2010 when it makes a decision with regard to the special report prepared by the Statutory Auditors.

Inasmuch as the new provisions are tied in with renewal of the Chief Executive Officer's term of office at the close of the Annual General Meeting on April 27, 2010, the resolution put to the vote of the shareholders will be subject to the condition precedent of renewal of this term of office.

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*This news release may contain some forward-looking statements. Although the Company considers that these statements are based on reasonable hypotheses at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual results to differ materially from those indicated or projected in these statements."*

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