L'ORÉAL

STATUTORY AUDITORS’ SPECIAL REPORT ON REGULATED AGREEMENTS

(Annual General Meeting held to approve the financial statements for the year ended 31 December 2021)

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L'ORÉAL
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This is a translation into English of the statutory auditors' report on regulated agreements issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

To the L'Oréal Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Annual General Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements authorized and entered into during the year

Pursuant to Article L.225-40 of the French Commercial Code, the following agreement entered into during the year and previously authorized by the Board of Directors, has been brought to our attention.

Agreement relating to the buyback by L'Oréal of its own shares from Nestlé

Persons concerned:

- Nestlé S.A., a shareholder of your company with over 10% voting rights;
- Paul Bulcke, director of your Company and Chairman of the Nestlé S.A. Board of Directors

Furthermore, Béatrice Guillaume-Grabisch, director of your Company and employee of Nestlé, did not take part in the deliberations and the vote due to a potential conflict of interest within the meaning of the AFEP/MEDEF code and the Board of Directors' internal regulations.

Nature and purpose

On 5 November 2021, your Board of Directors decided, at the recommendation of a special committee mostly comprising independent directors, to voluntarily appoint Cabinet Ledouble as independent expert in connection with the planned buyback of its own shares held by Nestlé.

The independent expert concluded that, from a financial perspective, the buyback price was fair for your Company and its shareholders, the transaction would not affect L'Oréal's financial balances and investment capacity and the transaction conducted in your Company's interest would be accretive for its shareholders and accounted for as a regulated agreement. The special committee reported on the expert's work and submitted its recommendations to the Board.

On 7 December 2021, your Board of Directors, having familiarized itself with the conclusions of the independent expert's report and the special committee's recommendations, unanimously authorized the conclusion, between your Company and Nestlé, of a L'Oréal share buyback agreement. The directors concerned did not take part in either the deliberations or the vote[1].

Terms and conditions

This agreement, concluded at the close of the Board of Directors' meeting of 7 December 2021, involved the buyback from Nestlé of 22,260,000 L'Oréal shares representing 4% of its share capital and voting rights as of 30 November 2021. The

[1] Furthermore, Françoise Bettencourt Meyers, Jean-Victor Meyers and Nicolas Meyers did not attend the Board of Directors' meetings and therefore did not take part in the discussions and voting of any deliberations on this buyback of shares and their subsequent cancellation.

unit price of each repurchased L'Oréal share was €400, representing a total price paid of €8,904,000,000.

The share buyback transaction was performed under the 16th resolution voted by the Combined Annual General Meeting of 20 April 2021, via an off-market block purchase, financed by L'Oréal's available cash in the amount of €4.5 billion and bank loans for the remainder.

On 15 December 2021, the repurchased shares were earmarked for cancellation. On 9 February 2022, your Board of Directors canceled, with effect as of 10 February 2022, the 22,260,000 L'Oréal shares pursuant to the Board of Directors' decisions of 7 December 2021.

Reasons justifying the agreement is in the Company's interest:

Your Board of Directors considered that this transaction with Nestlé represented a new strategic phase in boosting the stability of L'Oréal's shareholding structure, in the interest of your Company and all its shareholders, since it will help optimize your Company's balance sheet by benefiting from excellent financing conditions and maintaining substantial financial leeway to secure the Group's future development. Furthermore, your Board of Directors deemed that the transaction will also have a full-year accretive impact of over 4% on L'Oréal net earnings per share.

AGREEMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

Previously approved agreements that remained in force during the year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreement, previously approved by Annual General Meetings of prior years, has remained in force during the year.

Agreement concerning Jean-Paul Agon, Chairman and Chief Executive Officer until 30 April 2021 and Chairman of the Board of Directors as of 1 May 2021

Nature and purpose

- Suspension of Jean-Paul Agon's employment contract during the term of his corporate office (i.e. until 30 April 2021)

  In the event of termination of his employment contract during the term of office, and depending on the reasons for such termination, Jean-Paul Agon will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under 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 French collective bargaining agreement for the chemicals industry (*Convention collective nationale des industries chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Jean-Paul Agon should also continue benefiting from the defined-benefit pension scheme currently applicable to the Group's senior managers, as described in chapter 2 of the management report.

- Jean-Paul Agon will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare scheme applicable to the Company's employees, as set out in chapter 2 of the management report.

Terms and conditions

On 30 April 2021, Jean-Paul Agon informed the Company of the termination of his employment contract as of such date in order to collect his pension as of 1 May 2021 following his 42 year career in the Company.

Pursuant to the agreement approved by the Annual General Meeting of 27 April 2010, the provisions relating to the retirement of Jean-Paul Agon were applied:

- Payment of a retirement benefit as provided by the French collective bargaining agreement for the chemicals industry

  A retirement benefit, attached solely to termination of the employment contract, was paid to Jean-Paul Agon in May 2021 in strict accordance with the public policy rules of French labor law, the French collective bargaining agreement for the chemicals industry and the company-level agreements applicable to all L'Oréal managers. This benefit was determined based on the remuneration at the contract suspension date in 2006 after applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse nationale d'assurance vieillesse*).

  As of 1 January 2021, this revalued remuneration comprised a fixed portion of €1,731,000 and a variable portion of €1,442,500. The gross retirement benefit totaled €2.12 million, i.e. 8 months of the aforementioned revalued remuneration.

  No non-compete compensation was paid to Jean-Paul Agon as the non-compete clause was not applicable in the event of retirement.

- Liquidation without payment of pension under the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover for Members of the Comité de Conjoncture) scheme

  The gross amount of the pension paid to Jean-Paul Agon, under L'Oréal's "Garantie de Retraite des Membres du Comité de Conjoncture" scheme, represents €1.59 million, i.e. around 36% of the target fixed and variable remuneration he received as executive corporate officer.

  The Board of Directors agreed to Jean-Paul Agon's wish to waive this supplementary pension so as not to combine it with the remuneration of €1,600,000 proposed by the Board of Directors on 11 February 2021 and approved by the Combined Annual General Meeting of 20 April 2021.

Agreements approved during the year

We have been informed that the following agreement, previously approved by the Combined Annual General Meeting of 20 April 2021, based on the Statutory Auditors' special report of 17 February 2021, remained in force during the year.

Agreement concerning the position of Nicolas Hieronimus whose employment contract was suspended upon his appointment as Chief Executive Officer on 1 May 2021

Nature and purpose

On 11 February 2021, your Board of Directors authorized an agreement to suspend the employment contract between your company and Nicolas Hieronimus, former Deputy Chief Executive Officer and employee of your company, who became the Company's Chief Executive Officer as of 1 May 2021, following the decision of the Board of Directors' meeting held at the close of the Annual General Meeting of 20 April 2021.

This agreement was entered into following the Board of Directors' meeting and became effective as of 1 May 2021.

Terms and conditions

- Suspension of Nicolas Hieronimus' employment contract during the term of his corporate office.

  In the event of termination of his suspended employment contract during the term of office, and depending on the reasons for such termination, Nicolas Hieronimus will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under 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 French collective bargaining agreement for the chemicals industry (Convention collective nationale des industries chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

  Nicolas Hieronimus will continue to benefit, under his employment contract suspended for the term of his corporate office, from the "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for former senior managers) scheme, closed to new entrants as from 31 December 2015. Indemnities are calculated according to the number of years of professional activity within the company as of 31 December 2019, up to a maximum of 25 years. In general, subsequent to 31 December 2019, no new entitlement is granted under this scheme pursuant to Order 2019-697 of 3 July 2019 on supplementary pension schemes, which provides for the closure of all defined-benefit schemes governed by Article L.137-11 of the French Social Security Code (*Code la sécurité sociale*). The main features of this scheme are described in Note 4.3.2.5 to the 2020 L'Oréal Universal Registration Document. In this specific case, Nicolas Hieronimus reached the limit of 25 years' professional activity in the Group provided under the scheme in 2012 and therefore has not benefited from any new entitlement to supplementary annuities since such date.

Under his employment contract and in accordance with the French collective bargaining agreement for the chemicals industry, in the event of termination of the employment contract, the compensation under the non-compete clause would be payable monthly over two years based on two-thirds of the monthly fixed remuneration provided for in the suspended employment contract, unless Nicolas Hieronimus was released from the application of this clause. This clause is not applicable in the event of voluntary retirement or retirement at the Company's request and no non-compete compensation would be paid in this situation.

Under no circumstances shall the remuneration received for the corporate office be taken into consideration in calculating benefits likely to be payable under the above-mentioned employment contract.

- Terms and conditions relating to the suspension of Nicolas Hieronimus' employment contract

  - The reference remuneration to be taken into account for all entitlements attached to the employment contract will be based on the amount of remuneration at the date of suspension of the employment contract, namely, fixed remuneration of €1,750,000 and variable remuneration of €1,850,000. This reference remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse nationale d'assurance vieillesse*). As of 1 January 2022 it comprised a fixed portion of €1,769,250 and a variable portion of €1,870,350.

  - The length of service applied will cover his entire career within the Group, including his years as executive officer.

- Nicolas Hieronimus will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare schemes applicable to the Company's employees. This information is contained in the remuneration policy submitted for approval to the Annual General Meeting of 21 April 2022.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIE	David DUPONT-NOEL