

The Estée Lauder Companies Inc. Corporate Governance Guidelines

Since Estée Lauder became a public company, the Board has developed corporate governance practices to help it fulfill its responsibilities to stockholders to provide general direction and oversight of the management of the Company's business and affairs. The governance practices are memorialized in these Corporate Governance Guidelines to assure that the Board will have the necessary authority and practices in place to fulfill its responsibilities. These Guidelines also are intended to align the interests of directors with those of Estée Lauder's stockholders.

These Corporate Governance Guidelines are subject to future amendment, if the Board deems changes necessary or advisable in order to achieve these objectives or to meet applicable legal and regulatory requirements.

Role of Board; Expectations of Directors

- 1. Functions of Board.** The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders. The Board advises and counsels the Company's senior management and monitors its performance. In addition to its general oversight of management, the Board also performs a number of specific functions, either directly or through its committees, including:
 - a. selecting, evaluating and compensating the Company's Executive Chairman, Chief Executive Officer (CEO) and overseeing CEO succession planning;
 - b. providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
 - c. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
 - d. assessing major risks facing the Company and reviewing options for their mitigation; and

e. ensuring processes are in place for maintaining the integrity of the Company: the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

2. Expectations of directors. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. In furtherance of the Board's role, the directors are expected to attend all scheduled Board and committee meetings and to inform themselves, as necessary, on all subjects coming before the Board for its deliberation. In addition, Directors are also expected to attend all scheduled meetings of stockholders.

Board Composition and Selection; Independent Directors

3. Board Size. It is the policy of Estée Lauder that the number of directors not exceed a number that can function efficiently as a body. The Board believes that 12-14 directors is the optimal size and that 11 directors is the appropriate minimum based on the Company's present circumstances. The Board periodically evaluates whether a larger or smaller number of directors would be preferable.

4. Selection of Board Members. The Board is divided into three classes of directors, each class serving for a period of three years. Except as noted below with respect to vacancies, the Company's stockholders elect one class of directors annually. Each year at the Company's annual meeting, the Board nominates for election by stockholders a slate of directors for the class whose term is expiring.

The Board's nominations are based on its determination (using advice and information supplied by the Nominating and Board Affairs Committee) as to the suitability of each individual, and the slate as a whole, to serve as directors of the Company, taking into account the criteria for Board membership discussed below.

The Board may fill vacancies in existing or new director positions. Directors elected by the Board to fill vacancies serve only until the next meeting of stockholders at which directors of the class for which such director has been chosen are elected and until his or her successor is elected and qualified.

- 5. Board Membership Criteria.** The Nominating and Board Affairs Committee works with the Board on an annual basis to determine the appropriate characteristics, skills and experience for the Board as a whole and for its individual members. All directors should possess the highest personal and professional ethics as well as an inquisitive and objective perspective, practical wisdom and mature judgment. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance and other disciplines relevant to the success of a large publicly traded company in today's business environment; understanding of the Company's business on a technical level; and educational and professional background. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best support the success of the business and, based on its diversity of experience, represent stockholder interests through the exercise of sound judgment. In determining whether to recommend a director for re-election, the Nominating and Board Affairs Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board. For a more detailed description of the Company's Board Membership Criteria, see the Nominating and Board Affairs

Committee's *"Policy Statement Regarding Director Nominations,"* attached as Annex I hereto.

- 6. Board Composition – Mix of Management and Independent Directors.** The Board believes that, except during periods of temporary vacancies, a majority of its directors must be independent. To assist in determining the independence of a director, the Board has adopted "categorical standards" of independence based on the listing standards of the New York Stock Exchange and applicable laws and regulations and will take into account all relevant commercial, personal, charitable and other relationships between the director and the Company. See "The Estée Lauder Companies Inc. Board of Directors Independence Standards," attached as Annex II.
- 7. Directors with Significant Job Changes.** The Board believes that any director whose principal occupation or business association materially changes during his or her tenure as a director should tender his or her resignation for consideration by the Nominating and Board Affairs Committee. The Nominating and Board Affairs Committee will recommend to the Board the action, if any, to be taken with respect to such resignation based on its assessment of whether or not the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.
- 8. Selection of Chairman and Appointment of Chairman, CEO; Presiding Director.** The Board selects the Company's Chairman and appoints the Company's CEO in accordance with its view of what is in the best interests of the Company's stockholders. The position of Presiding Director will be selected from among the independent Directors. Each Presiding Director will serve for a one-year term beginning with the meeting of the Board immediately following the Annual Meeting of Stockholders.

- 9. No Specific Limitation on Other Board Service.** The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the board has not adopted any guidelines limiting such activities. However, the Nominating and Board Affairs Committee will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Board. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies.

Board Meetings; Involvement of Senior Management

- 10. Board Meetings – Agenda.** The Chairman of the Board, taking into account suggestions from other members of the Board, will set the agenda for each Board meeting and distribute the agenda in advance to each director.
- 11. Advance Distribution of Materials.** All information relevant to the Board's understanding of matters to be discussed at upcoming Board meetings should be distributed in writing or electronically to all directors in advance, whenever feasible and appropriate. This will help facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.
- 12. Access to Employees and Advisors.** The Board has access to Company management and other employees in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board to

have a full understanding of matters being considered. In fulfilling its responsibilities, the Board also has access to such legal, financial and other advisors as it deems necessary or advisable, at Company expense.

13. Executive Sessions of the Board. The Board will meet in executive session, i.e. with no management directors or management present, at each Board meeting, both with the CEO and without the CEO present. Executive sessions of the Board will be called and chaired by the Presiding Director, who also shall set the agenda for each executive session. There will be at least one executive session annually at which only independent directors are present.

Committees

14. Number and Type of Committees. The Board has three standing committees - an Audit Committee, a Compensation Committee and a Nominating and Board Affairs Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its responsibilities, subject only to the requirements of any applicable law, regulation or listing rule. Each committee's duties are specified in its charter. Each committee will perform its duties as directed by the Board and in compliance with the Company's bylaws and the committee's charter. Committee duties may be described briefly as follows:

- **Audit Committee.** The Audit Committee reviews the Company's internal and external accounting and audit processes. The committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent auditors.
- **Compensation Committee.** The Compensation Committee monitors developments and market conditions relating to executive compensation and, based on evaluations, recommends compensation levels and systems

to the Board. The Compensation Committee determines the compensation of the Executive Chairman and the CEO.

- Nominating and Board Affairs Committee. The Nominating and Board Affairs Committee is responsible for recommending to the Board individuals to be nominated as directors and for developing corporate governance principles for recommendation to the Board. The Committee evaluates new candidates for the Board and has oversight of the evaluation of the Board and management. The Committee also develops and reports to the Board standards and principles for the Board's evaluation of the performance of the Executive Chairman and the CEO.

15. Composition of Committees; Committee Chairpersons. The Audit Committee consists solely of independent directors. Because the Company is a "controlled company," it is exempt from the New York Stock Exchange listing standards that govern the composition of the Nominating and Board Affairs Committee and the Compensation Committee. The Board is responsible for the appointment of committee members and committee chairpersons according to criteria that it determines to be in the best interests of the Company and its stockholders.

16. Committee Meetings and Agenda. The chairperson of each committee is responsible for developing, together with relevant Company managers, the committee's general agenda and objectives and for setting the specific agendas for committee meetings. The chairperson and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

Executive Chairman and CEO Compensation and Performance Evaluation; Succession Planning; Board Evaluation

17. Executive Chairman and CEO Compensation and Annual Evaluation.

The Compensation Committee determines the compensation of the Executive Chairman and the CEO. The Compensation Committee develops and reports to the Board corporate goals and objectives on which the bonus opportunities for the Executive Chairman and the CEO will be based under the Company's compensation plans. The Compensation Committee communicates the performance objectives to the Executive Chairman and the CEO, respectively. At the end of the fiscal year, the Compensation Committee evaluates the performance of the Executive Chairman and the CEO against the objectives and reports its evaluation to the Board. The Compensation Committee reviews the performance evaluation with the Executive Chairman and the CEO, respectively.

- 18.** The Board of Directors shall conduct an annual evaluation of the performance of the Executive Chairman and the CEO. At the beginning of the fiscal year, the Nominating and Board Affairs Committee develops and reports to the Board standards and principles, in addition to those goals and objectives set by the Compensation Committee, against which the performance of the Executive Chairman and the CEO will be evaluated for the fiscal year. With the Board's concurrence, the Nominating and Board Affairs Committee communicates the performance objectives to the Executive Chairman and the CEO, respectively. At the end of the fiscal year, the Nominating and Board Affairs Committee evaluates the performance of the Executive Chairman and the CEO against the objectives and reports its evaluation to the Compensation Committee and to the Board. With the Board's concurrence, the Nominating and Board Affairs Committee reviews the performance evaluation with the Executive Chairman and the CEO, respectively.

- 19. Succession Planning.** The Nominating and Board Affairs Committee establishes policies and principles for CEO succession, as well as policies for succession in the event of the death, disability or retirement of the CEO.
- 20. Board Self-Evaluation.** The Nominating and Board Affairs Committee is responsible for establishing procedures for an annual self-evaluation by the Board of the effectiveness of the Board, its standing committees and its individual members. Each director will be asked to complete a self-evaluation form designed and distributed by the Nominating and Board Affairs Committee. The results of the self-evaluation will be summarized and reported to the full Board.

Compensation

- 21. Board Compensation Review.** The Nominating and Board Affairs Committee should report to the Board on an annual basis regarding the appropriateness of the Company's director compensation practices in comparison with those of similar public corporations. The Board should make changes in its director compensation practices only upon the recommendation of the Nominating and Board Affairs Committee and following discussion and unanimous concurrence by the Board.
- 22. Director Stock Ownership.** In order to align the interests of directors and stockholders, directors should have a significant financial stake in the Company. At all times during his or her tenure on the Board, each director should own not less than the number of shares of the Company's common stock granted to the director on his or her initial election to the Board. The Board will evaluate whether exceptions should be made for any director on whom this requirement would impose a financial hardship. For purposes of this Section 22, a director will be deemed to own the shares granted to the director on his or her initial election or appointment to the Board as of the date of such election or appointment, even if such shares are issued subsequently.

Miscellaneous

- 23. Director Orientation and Continuing Education.** All new directors receive an orientation with respect to the Company's business and operations. Directors also receive, on an ongoing basis, additional training and education regarding the Company's business and their duties and responsibilities as directors.
- 24. Reporting of Concerns to the Audit Committee or the Presiding Director.** The Company's Code of Conduct sets forth procedures to enable anyone who has a concern about the Company's accounting, internal accounting controls or auditing matters to communicate such concern on a confidential or anonymous basis to the Audit Committee. The Code of Conduct contains similar procedures by which interested parties may directly and confidentially communicate their concerns to the Presiding Director.
- 25. Review of Governance Guidelines.** The practices memorialized in these guidelines have developed over a period of years. The Board expects periodically to review recommendations regarding the guidelines from the Nominating and Board Affairs Committee.

Policy Statement Regarding Director Nominations

The Nominating and Board Affairs Committee (the “N&BA Committee”) is responsible for identifying, reviewing, and recommending to the Board of Directors individuals for election to the Board. This Policy statement describes:

- (i) the criteria used by the N&BA Committee in evaluating candidates for the Board;
- (ii) the process used by the N&BA Committee in identifying, reviewing, and recommending such candidates;
- (iii) the N&BA Committee’s general policy on considering candidates recommended by stockholders; and
- (iv) the process to be used by the Company’s stockholders in submitting candidates to the N&BA Committee for its consideration.

This Policy Statement supplements the Bylaws, Corporate Governance Guidelines, and the N&BA Committee charter. The Policy does not affect the ability of stockholders to nominate candidates directly that is provided for in the Bylaws. See Article II, Section 7(c) of Bylaws.

Criteria for Reviewing Director Candidates

Minimum Qualifications.

- **Age.** In accordance with the Bylaws, all Directors must be at least 30 years of age at the time they are first elected.
- **Commitment.** All Directors must have the time and ability to carry out their duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time.
- **Antitrust Requirements.** All Directors must satisfy the requirements of Section 8 of the Clayton Act.

Other Qualifications.

- **Personal Qualities.** All Directors should possess the highest personal and professional ethics as well as an inquisitive and objective perspective, practical wisdom and mature judgment.

- **Experience.** All Directors should possess one or more of the following:
 - a general understanding of marketing, finance and other disciplines relevant to the success of a large publicly traded company in today's business environment;
 - an understanding of the Company's business on a technical level; and/or
 - significant experience at the policy-making level in business, government, or non-profit sector.

- **Independence.** A majority of the Board must satisfy the criteria to be considered "independent" under the Corporate Governance Guidelines (including, by reference therein, the applicable New York Stock Exchange's listing standards).

- **Performance.** As set forth in the Corporate Governance Guidelines, Directors are expected to attend all scheduled meetings and to inform themselves, as necessary, on all subjects before the Board for its deliberation. In addition, Directors should stay informed about the Company and its businesses, participate in discussions, comply with applicable Company policies, and take an interest in the Company's business and provide advice and counsel to the Executive Chairman and the CEO and other relevant management.

Qualifications in the Context of the Full Board. In evaluating Director candidates, the N&BA Committee assesses the Board's overall composition in light of the Corporation's current and expected future needs, in order to assure that the Board has the appropriate balance of experience, knowledge, skills and other qualifications to carry out effectively the Board's responsibilities.

In light of those assessments, the N&BA Committee may seek candidates with certain skills, professional experience, background, and other qualities. While the specific qualifications sought by the N&BA Committee change from time to time, the N&BA Committee has recently identified the following additional qualifications for new members of the Board:

- **Professional Skills Background.** New candidates for the Board should have significant experience in one or more of the following areas: (i) CEO or COO of a business (or a comparable position in government or the non-profit sector); (ii) Chief Financial Officer of a business (or a comparable position in government or non-profit sector); or (iii) a high-level position and expertise in one of the following areas -- consumer goods or services, retailing, or international business and relations.

- **Committee Membership Requirements.** In addition to satisfying the independence requirements that apply to Directors generally, the N&BA Committee believes that it would be desirable for new candidates for the Board to satisfy the requirements for serving on the Board's committees,

as set forth in the charters for those committees and applicable regulations.

These qualifications may change from time to time, depending on changes in the Board and the Corporation's business needs and environment.

N&BA Committee's Process for Identifying, Reviewing, and Recommending Candidates

The following is the general process that the N&BA Committee uses in identifying, reviewing, and recommending candidates for election to the Board of Directors.

Assessment of Needs. As noted above, the N&BA Committee conducts periodic assessments of the overall composition of the Board in light of the Corporation's current and expected business needs and, as a result of such assessments, the N&BA Committee may establish specific qualifications that it will seek in candidates for the Board. The N&BA Committee reports on the results of these assessments to the full Board of Directors.

Identifying and Reviewing New Candidates. In light of such assessments, the N&BA Committee may seek to identify new candidates for the Board who

- (i) possess the specific qualifications established by the N&BA Committee and
- (ii) satisfy the other requirements for Board and committee membership as set forth in the Bylaws and Corporate Governance Guidelines.

In identifying new Director candidates, the N&BA Committee seeks advice and names of candidates from N&BA Committee members, other members of the Board, members of management, and other public and private sources. The N&BA Committee may also, but need not, retain a search firm in order to assist it in these efforts. As described below, the N&BA Committee may also receive nominations from stockholders that are not otherwise on the Board or members of management.

The N&BA Committee reviews the potential new Director candidates identified through this process. This involves reviewing the candidates' qualifications as compared to the specific criteria established by the N&BA Committee and the more general criteria established by the Bylaws and Corporate Governance Guidelines (including a legal analysis of the individuals' ability to serve on the Board and its committees). The N&BA Committee may also select certain candidates to be interviewed by one or more N&BA Committee members.

Reviewing Incumbent Candidates. On an annual basis, the N&BA Committee reviews incumbent candidates for re-nomination to the Board. This review involves an analysis of whether the Directors qualify as independent, evaluating the past performance of Directors in light of the criteria set forth in the Corporate Governance Policy, and considering the overall composition of the Board in light of current and future business needs.

Recommending Candidates. On an annual basis, the N&BA Committee recommends a slate of candidates for the Board of Directors to submit for approval to the stockholders at the Corporation's annual meeting of stockholders. This slate of candidates may include both incumbent and new Directors. In addition, apart from this annual process, the N&BA Committee may, in accordance with the Bylaws, recommend that the Board elect new members of the Board to fill vacancies on the Board.

General Policy on Stockholder Recommendations

It is the N&BA Committee's policy to consider Director candidates recommended by the Corporation's stockholders. It is further the N&BA Committee's policy to apply the same criteria in reviewing candidates proposed by stockholders as it does in reviewing candidates proposed by any other source. The process for reviewing Director candidates proposed by stockholders, which is set forth below, is designed to enable the N&BA Committee to review such candidates on an equal basis with the candidates that the N&BA Committee identifies from other sources.

N&BA Committee's Process for Stockholder-Submitted Nominations

The Bylaws set forth the process by which stockholders may directly nominate Director candidates to be elected at the annual meeting of stockholders.

In addition, stockholders may submit recommendations to the N&BA Committee for its consideration in accordance with the following process:

Timing. If a stockholder wishes the N&BA Committee to consider an individual as a candidate for election to the Board of Directors, the stockholder should notify the N&BA Committee by no later than 120 days prior to the anniversary date of the prior year's proxy statement.

Information. In notifying the N&BA Committee, the stockholder should provide the following information to the N&BA Committee:

- The name and the address of the stockholder making the submission and the name, address, telephone number and social security number of the candidate to be considered.
- The class or series and number of shares of the Corporation that are beneficially owned by the stockholder making the submission, a description of all arrangements or understandings between the stockholder and the

candidate, and an executed written consent of the candidate to serve as a Director of the Corporation if so elected.

- A copy of the candidate's resume and references.
- An analysis of the candidate's qualifications to serve on the Board of Directors and on each of the Board's committees in light of the criteria set forth in the Bylaws, Corporate Governance Guidelines and this Policy Statement (including all regulatory requirements incorporated by references therein).

Address. The information should be submitted to N&BA Committee in care of the Secretary of the Corporation, at the address of the Corporation's headquarters.

Further Contact. The Secretary shall also inform the stockholder and candidate: if the N&BA Committee wishes to receive further information, if the N&BA Committee wishes to meet with the candidate, and of the outcome of the N&BA Committee's decision.

Review and Recommendation. As noted above, the N&BA Committee shall review candidates submitted by the stockholders using the same criteria that the N&BA Committee applies in evaluating candidates submitted from other sources.

Adopted by the Nominating and Board Affairs Committee -- July 1, 2004

Adopted by the Board of Directors --July 14, 2004

Adopted by the Nominating and Board Affairs Committee – June 29, 2005

Adopted by the Board of Directors – July 20, 2005

Adopted by the Nominating and Board Affairs Committee – August 5, 2008

Adopted by the Board of Directors – August 21, 2008

Adopted by the Nominating and Board Affairs Committee – April 30, 2009

Adopted by the Board of Directors – May 8, 2009

ELC Board of Directors Independence Standards

To be considered “independent” for purposes of membership on the Board of Directors of The Estée Lauder Companies Inc., the Board must determine that a director has no material relationship with the Company other than as a director. In this context, “Company” shall mean The Estée Lauder Companies Inc. and all subsidiaries thereof. For each director, the Board will broadly consider all relevant facts and circumstances.

- A. In making its determination, the Board will consider the following categories of relationships to be material, thus precluding a determination that a director is “independent”:
- (i) the director is an employee of the Company, or an immediate family member of the director is an executive officer of the Company, or was so employed during the last three years.
 - (ii) the director receives, or an immediate family member of the director receives, during any twelve-month period within the last three years, more than \$100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
 - (iii) (A) the director or an immediate family member of the director is a current partner of a firm that is the Company’s internal or external auditor of the Company, or was so affiliated with such auditor (B) the director is a current employee of such a firm, (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice, or (D) the director or an immediate family member of the director was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the listed company’s audit within that time.
 - (iv) the director or an immediate family member of the director is, or has been within the last three years, employed, as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on that company’s compensation committee.
 - (v) the director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal

years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

- B. The following relationships will not be considered to be "material" relationships that would impair a director's independence:
- (i) any of the relationships described in Section A(i)-(v) above, if such relationships occurred more than three years ago, or
 - (ii) if a director is a current employee, or an immediate family member of a director is a current executive officer of another company that does business with the Company and such other company, during the current or last fiscal year, made payments to or received payments from, the Company of less than \$1 million or two percent (2%) of such other company's consolidated gross revenues, whichever is greater.
- C. Contributions to tax exempt organizations shall not be considered payments for purposes of these independence standards. However, if a director serves as an executive officer of a tax exempt organization, and within the preceding three years the Company's contributions to the organization in any single fiscal year, exceeded the greater of \$1 million or two percent of that organization's consolidated gross revenues, such contributions must be disclosed in the Company's proxy statement.
- D. An "immediate family member" includes a director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person's home.
- E. The Board will review annually whether directors meet these Director Independence Standards and the Company will disclose annually in its proxy statement these standards and the names of the directors determined by the Board to be independent.
- F. In addition to the foregoing, in order to be considered "independent" for purposes of serving on the Company's Audit Committee, a director also may not have any direct or indirect financial relationship with the Company, other than as a director, and may not be an "affiliated person" of the Company. Audit Committee members may receive directors' fees and fixed payments for prior service with the Company.

Approved by the Nominating and Board Affairs Committee – July 1, 2004

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