



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MONICA SORINAS JIMENO,
derivatively on behalf of THE ESTÉE
LAUDER COMPANIES INC.,

Plaintiff,

v.

CHARLENE BARSHEFKSY, ROSE
MARIE BRAVO, WEI SUN
CHRISTIANSON, ANGELA WEI
DONG, FABRIZIO FREDA, PAUL J.
FRIBOURG, CARL HANEY, JANE
HERTZMARK HUDIS, JENNIFER
HYMAN, JANE LAUDER, RONALD
LAUDER, WILLIAM P. LAUDER,
ARTURO NUÑEZ, MICHAEL
O'HARE, LYNN FORESTER DE
ROTHSCHILD, BARRY S.
STERNLICHT, JENNIFER TEJADA,
TRACEY T. TRAVIS, and RICHARD
F. ZANNINO

Defendants,

and

ESTÉE LAUDER INC.,

Nominal Defendant.

C.A. No. 2025-1039-BWD

CONFIDENTIAL VERSION
FILED SEPTEMBER 15, 2025

PUBLIC VERSION
FILED SEPTEMBER 19, 2025

VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT

Plaintiff Monica Sorinas Jimeno (“Plaintiff”), by her undersigned attorneys, derivatively on behalf of Nominal Defendant The Estée Lauder Companies Inc. (“Estée Lauder” or the “Company”), files this Shareholder Derivative Complaint against Charlene Barshefsky (“Barshefsky”), Rose Marie Bravo (“Bravo”), Wei Sun Christianson (“Christianson”), Angela Wei Dong (“Dong”), Fabrizio Freda (“Freda”), Paul J. Fribourg (“Fribourg”), Carl Haney (“Haney”), Jane Hertzmark Hudis (“Hudis”), Jennifer Hyman (“Hyman”), Jane Lauder (“J. Lauder”), Ronald Lauder (“R. Lauder”), William P. Lauder (“W. Lauder”), Arturo Nuñez (“Nuñez”), Michael O’Hare (“O’Hare”), Lynn Forester de Rothschild (“Rothschild”), Barry S. Sternlicht (“Sternlicht”), Jennifer Tejada (“Tejada”), Tracey T. Travis (“Travis”), and Richard F. Zannino (“Zannino”) (collectively, the “Individual Defendants”) for breaches of their fiduciary duties as directors and/or officers of Estée Lauder.

Plaintiff alleges the following against the Individual Defendants based upon personal knowledge as to herself and her acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through her attorneys, which included, among other things, a review of: (a) documents produced to Plaintiff by Estée Lauder (the “Company Production”) in response to a books and records inspection demand made pursuant to 8 Del. C. § 220 (“Section 220” or “Section 220 Demand”); (b) Defendants’ public documents, conference calls and

announcements made by Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Estée Lauder, news reports, securities analysts’ reports and advisories about the Company, information readily obtainable on the Internet, and (c) public filings in the related federal securities class action lawsuit filed in the U.S. District Court for the Southern District of New York captioned *In Re The Estée Lauder Co., Inc. Securities Litigation*, 1:23-cv-10669-AS (S.D.N.Y.) (the “Securities Action”). Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought in the right, and for the benefit, of Estée Lauder against certain of its officers and directors seeking to remedy Defendants’ violations of law that have occurred from February 3, 2022 through at least October 31, 2023 (the “Relevant Period”), and have caused, and continue to cause, substantial harm to Estée Lauder and its shareholders, including monetary losses and damages to Estée Lauder’s reputation and goodwill, as well as potential liability for state and federal law violations.

2. Estée Lauder is an international skincare, makeup, and fragrance company which sells its products in over 135 countries and territories under many

popular luxury brand names through high-end online sites, luxury spas, and in upscale brick and mortar stores. Based in New York City, as of January 2024, the Company was the second largest beauty company in the world, holding 13.6% of the global beauty market.

3. The Company was co-founded in 1946 by Mrs. Estée Lauder and her husband, Joseph Lauder. Nearly eighty years later, the Lauder family continues to exercise control over the Company. Specifically, the Lauder family holds approximately 84% of the Company's stockholder voting power. Defendant William Lauder, the grandson of Estée Lauder, serves as the Executive Chairman and a director of the Company. Additionally, two other members of the Lauder family serve on the Company's Board of Directors (the "Board").

4. Travel retail (sales made through duty-free shops including those at airports and on cruise ships, etc.) represents a newer important and profitable sales channel for the Company. In fact, in 2021, travel sales accounted for 28% of Estée Lauder's total revenue, up from 6% in 2009.

5. This channel is especially strong in Asia, particularly China and South Korea, due to high demand, luxury price gaps, and tax exemptions. China's travel retail market is especially critical to the Company, with China Duty Free Group ("CDFG") identified as Estée Lauder's largest customer, accounting for 14% of net

sales in 2021.

6. The Company's operations are significantly reliant on the Chinese market, with a particular concentration in Hainan Province. Hainan is China's second-largest cosmetics-importing province and hosts the world's largest duty-free mall, rendering it a strategically vital region for the Company. In February 2022, Estée Lauder publicly announced plans to expand its footprint throughout China, including in Hainan.

7. The expansion of the travel retail market has fueled the growth of the daigou gray market in Asia, in which buyers purchase duty-free luxury goods that they then resell for a profit. Though regulations like China's 2019 E-Commerce Law have aimed to curb this gray market, daigou operations have remained strong, especially in Hainan and South Korea due to their proximity to mainland China and their favorable duty-free policies. While it can boost short-term sales, the daigou market is seen as damaging to luxury brands' reputations, as well as financially and legally unstable.

8. Although Estée Lauder repeatedly publicly claimed it did not participate in or benefit from the daigou gray market while simultaneously representing that it enforced strict anti-gray market policies, internal practices before and during the COVID-19 pandemic told a different story.

9. Beginning no later than 2022, the Company encountered considerable headwinds as a result of China's COVID-19 restrictions and global inflationary pressures affecting the cost of goods. Despite these macroeconomic challenges, the Company continued to report strong performance in China. The Individual Defendants (as defined below) misrepresented the underlying causes of sales growth within the Company's Asia travel retail segment, attributing it to sustainable consumer demand and brand strength. In reality, the Company had become increasingly dependent on daigou, the widespread and illicit gray market resale practice. This resale channel, which had been publicly disavowed by the Company in 2019, was used to artificially sustain the Company's reported sales figures.

10. In an effort to maintain the appearance of continued growth during the COVID-19 downturn, the Company intensified its reliance on daigou channels to distribute excess inventory through its travel retail segment. This practice temporarily inflated the Company's financial results, prompting the Individual Defendants to raise guidance for fiscal years 2022 and 2023.

11. Former employees confirmed Estée Lauder's reliance on daigou sales to maintain growth, with executives actively pushing product into gray market channels and incentivizing retailers like CDFG to move inventory. Internal tracking tools like sales reports, pricing databases, and product "pincodes" allowed Estée

Lauder's leadership to monitor and understand the scale of daigou activity.

12. Senior leaders, including Defendant Freda and Global President of Travel Retail Israel Assa, were directly aware and involved in these practices. Ultimately, the Company's short-term sales growth came at the cost of market oversaturation and reputational risk.

13. After the COVID-19 pandemic, Chinese authorities began cracking down on daigou reselling, which had been crucial to the Company's inflated travel retail sales. Moreover, in July 2021, CDFG announced efforts to eliminate daigou resale in Hainan. This was followed by the Chinese government's formal implementation of regulations targeting daigou on January 1, 2022.

14. Despite knowing that these regulatory changes would significantly impact its sales, Estée Lauder continued to mislead investors by attributing its continued growth to brand strength rather than disclosing its heavy reliance on daigou, masking the true cause of its travel retail sales numbers and market share. Moreover, rather than disclose the Company's overreliance on the daigou market, insiders began selling their personally held Company stock over the course of nearly two years.

15. As the regulatory crackdown took hold, the Company's travel retail sales declined. Instead of being forthwith about the reasons behind the decline to

investors, Estée Lauder continued to obscure the cause by citing pandemic-related disruptions instead of admitting its prior dependence on daigou.

16. On February 3, 2022 – the commencement of the relevant period – the Individual Defendants issued revised upward guidance for key fiscal year 2022 metrics. The following day, on February 4, 2022, defendant Michael O’Hare, Executive Vice President of Global Human Resources, sold 16,389 shares of his personally held Company stock, generating proceeds exceeding \$5 million. Subsequently, on February 10, 2022, defendant Ronald S. Lauder, Estée’s son and a Board member, sold 700,000 shares for nearly \$215 million. In total, defendants O’Hare, Ronald Lauder, Carl Haney (Executive Vice President, Global Research Product and Innovation Officer), and Fabrizio Freda (then-President, CEO, and a director), sold more than \$250 million in personally held stock within weeks of the Company’s February 3, 2022 disclosure.

17. On August 18, 2022, the Company reported its fiscal year 2022 results and issued an optimistic outlook for fiscal year 2023. The Company’s reported performance merely met the lower end of its previously issued guidance. Nonetheless, the Individual Defendants lacked any reasonable basis for the positive 2023 forecast.

18. Following the issuance of the fiscal year 2023 outlook, several

Company insiders capitalized on the inflated stock price. On August 25, 2022, defendants Freda, Jane Hertzmark Hudis (Executive Group President), and Barry S. Sternlicht (a director), sold 19,709 shares, 6,667 shares, and 4,736 shares, respectively, yielding proceeds of approximately \$5.2 million, \$1.8 million, and \$1.3 million.

19. Less than three months later, on November 2, 2022, the Company revised its fiscal year 2023 guidance downward. In response, the Company's share price declined by 8.13%, or \$16.80 per share, to close at \$189.96. This represented a more than \$3.8 billion loss in market capitalization, and the new price was over \$83 per share lower than the prices at which defendants Freda, Hudis, and Sternlicht sold their shares.

20. Despite this revised guidance, the Individual Defendants failed to disclose the true cause of declining sales – namely, the crackdown on daigou activity. Instead, they described the downturn as a “temporary pause” and reaffirmed their confidence in the Hainan market. On February 1, 2023, one day before a second downward revision, defendant Freda sold an additional 6,831 shares for approximately \$1.9 million.

21. On February 2, 2023, the Company again lowered its fiscal 2023 forecast. Following this disclosure, the Company's stock declined by 6.99%, or

\$19.63 per share, closing at \$261.17. This decline erased over \$4.5 billion in market capitalization and occurred while the Company continued to conceal its dependence on daigou activity.

22. On May 3, 2023, the Company issued a third downward revision to its fiscal year 2023 forecast. Originally projecting net sales growth of 3% to 5%, the Company now expected a 10% to 12% decline. Earnings per share forecasts were similarly reduced. In response, the Company's share price declined by 17.34%, or \$42.52 per share, resulting in a loss of more than \$9.8 billion in market capitalization.

23. Once again, the Company attributed its poor performance to short-term challenges and failed to disclose the daigou issue. On May 11 and 16, 2023, defendant Hudis sold an additional 53,180 shares for approximately \$10.7 million.

24. Ultimately, with its daigou sales channel curtailed and scrutiny increasing, the Company disclosed on August 18, 2023, that "retail sales trends deteriorated and turned steeply negative, following the enforcement actions to control daigou activity." The same day, the Company reported dismal fiscal year 2023 results: net sales declined by 10%, earnings per share fell to \$2.79 (from \$6.55 the prior year), and adjusted earnings per share declined 49%.

25. Following this announcement, the Company's share price fell by 7.69%, or \$12.47 per share, to close at \$149.59 on August 22, 2023, erasing nearly

\$2.9 billion in market capitalization. Despite this, certain insiders continued to liquidate holdings. On August 23, 2023, defendants Jane Lauder (Executive Vice President of Enterprise Marketing, Chief Data Officer, and a director) and Charlene Barshefsky (a director), sold 12,661 and 1,796 shares for approximately \$1.9 million and \$272,866, respectively.

26. After insiders sold more than \$295 million of personally held Company stock, the Company finally admitted, on November 1, 2023, that its travel retail sales decline was “primarily” attributable to government and retailer crackdowns on gray market activity. The investment community reacted sharply. Jefferies Research noted that the Company’s results were far below expectations and acknowledged that daigou had comprised a substantial portion of the travel retail business.

27. On this news, the Company’s share price dropped 19%, or \$24.36 per share, closing at \$104.51 on November 1, 2023—nearly \$5.7 billion in market capitalization lost in a single day. Insiders, having sold their shares at an average price of \$249, avoided substantial losses.

28. As a direct result of this misconduct, the Company is now a defendant in a federal securities class action filed in the United States District Court for the Southern District of New York on behalf of shareholders (the “Securities Action”).

The court has denied the Company's motion to dismiss in its entirety, and discovery is ongoing.

29. The Securities Action has subjected the Company to internal investigations, losses from the waste of corporate assets, and losses due to the unjust enrichment of Individual Defendants who were improperly over-compensated by the Company. It will likely cost the Company millions of dollars going forward. The Company's damages continue to accrue as a result of the wrongdoing alleged herein.

PARTIES

Plaintiff

30. Plaintiff is a current shareholder of Estée Lauder common stock. Plaintiff has continuously held common stock at all relevant times.

Nominal Defendant

31. Defendant Estée Lauder is incorporated under the laws of Delaware, with its principal executive offices located at 767 Fifth Avenue, New York, NY, 10153. Estée Lauder common stock trades on the NYSE under the symbol "EL." The Company is a global beauty and cosmetics company engaged in the manufacture and sale of a broad portfolio of skin care, makeup, fragrance, and hair care products. The Company's products are distributed in approximately 150 countries and territories under various brand names, including Estée Lauder, Clinique, Origins, La

Mer, Aveda, TOM FORD, and The Ordinary. Since its founding in 1946, the Company has remained under the control of the Lauder family, who, as of August 12, 2024, beneficially own shares of Class A and Class B common stock representing approximately 84% of the Company’s total voting power. As of June 30, 2024, Estée Lauder employed approximately 62,000 individuals worldwide.

Director Defendants

32. Defendant Charlene Barshefsky (“Barshefsky”) has served as a Company director since November 2001 and as its Presiding Director since November of 2021. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Barshefsky sold 2,954 shares of her personally held Company stock, generating proceeds of approximately \$549,443 through the following sales of stock:

Defendant Barshefsky	Transaction Date	Shares Sold	Price	Proceeds
	5/11/2022	1,158	\$238.84	\$276,676.72
	8/23/2023	1,796	\$151.93	\$272,866.28
Total		2,954		\$549,443.00

33. Estée Lauder compensated Barshefsky \$330,294 and \$382,014 for FY 2022 and FY 2023 respectively.

34. Defendant Rose Marie Bravo (“Bravo”) served as a Company director from 2003 until November, 2022.

35. Estée Lauder compensated Bravo \$276,911 and \$25,000 for FY 2022

and FY 2023 respectively.

36. Defendant Wei Sun Christianson (“Christianson”) served as a Company Director from 2011 until November, 2023.

37. Estée Lauder compensated Christianson \$294,161 and \$297,926 for FY 2022 and FY 2023 respectively.

38. Defendant Angela Wei Dong (“Dong”) has served as a Company director and member of the Audit Committee since November 2022.

39. Estée Lauder compensated Dong \$286,926 for FY 2023.

40. Defendant Fabrizio Freda (“Freda”) served as President, CEO, and a Company director from 2009 until January 2025. He currently serves as Special Advisor to the Company. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Freda sold 166,164 shares of his personally held Company stock, generating proceeds of approximately \$44,489,150.65 through the following transactions:

Defendant Freda	Transaction Date	Shares Sold	Price	Proceeds
	3/11/2022	38,118	\$264.37	\$10077255.66
	3/11/2022	24,046	\$265.30	\$6,379,403.80
	3/11/2022	8,558	\$266.40	\$2,279,851.20
	3/11/2022	14,500	\$267.68	\$3,881,360.00
	3/11/2022	25,714	\$269.20	\$6,922,208.80
	3/11/2022	14,656	\$270.40	\$3,962,982.40
	3/11/2022	2,327	\$271.10	\$630,849.70
	8/25/2022	19,709	\$268.01	\$5,282,209.09
	1/23/2023	11,705	\$270.00	\$3,160,350.00
	2/01/2023	6,831	\$280.00	\$1,912,680.00
Total		166,164		\$44,489,150.65

41. Estée Lauder compensated Freda \$25,480,056 and \$21,811,244 for FY 2022 and FY 2023 respectively.

42. Defendant Paul J. Fribourg (“Fribourg”) has served as a Company director since 2006 and is a member of the Audit Committee.

43. Estée Lauder compensated Fribourg \$306,161 and \$309,926 for FY 2022 and FY 2023 respectively.

44. Defendant Jennifer Hyman (“Hyman”) has served as a Company director since 2018 and is a member of the Audit Committee. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Hyman sold 5,234 shares of her personally held Company stock, generating proceeds of approximately \$1,396,847.25 through the following transactions:

Defendant Hyman	Transaction Date	Shares Sold	Price	Proceeds
	2/03/2023	1,000	\$267.07	\$267,070.00
	2/03/2023	389	\$269.35	\$104,777.15
	2/03/2023	3,845	\$266.58	\$1,025,000.10
Total		5,234		\$1,396,847.25

45. Estée Lauder compensated Hyman \$286,911 and \$286,926 for FY 2022 and FY 2023 respectively.

46. Defendant Jane Lauder (“J. Lauder”), is an Executive Vice President, Enterprise Marketing and Chief Data Officer since 2020, and has served as a

Company director since 2009. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, J. Lauder sold 32,693 shares of her personally held Company stock, generating proceeds of approximately \$6,848,712.42 through the following transactions:

Defendant J. Lauder	Transaction Date	Shares Sold	Price	Proceeds
	5/04/2022	3,600	\$243.68	\$877,248.00
	5/04/2022	5,854	\$244.66	\$1,432,239.64
	5/04/2022	3,429	\$245.76	\$842,711.04
	5/04/2022	6,849	\$246.51	\$1,688,346.99
	5/04/2022	300	\$247.33	\$74,199.00
	8/23/2023	12,661	\$152.75	\$1,933,967.75
Total		32,693		\$6,848,712.42

47. Estée Lauder compensated J. Lauder \$4,002,400 and \$3,597,950 for FY 2022 and FY 2023 respectively.

48. Defendant Ronald Lauder (“R. Lauder”) is Chairman of Clinique Laboratories and served as a Company director from 1968 to 1986, 1988 to 2009, and 2016 to January 2025. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, R. Lauder sold 700,000 shares of his personally held Company stock, generating proceeds of approximately \$214,956,000 through the following transactions:

Defendant R. Lauder	Transaction Date	Shares Sold	Price	Proceeds
	2/10/2022	700,000	\$307.08	\$214,956,000.00
Total		700,000		\$214,956,000.00

49. Estée Lauder compensated R. Lauder \$1,120,850 and \$829,150 for FY 2022 and FY 2023 respectively.

50. Defendant William P. Lauder (“W. Lauder”) is Executive Chairman and has served as a Company director since 1996.

51. Estée Lauder compensated W. Lauder \$9,601,996 and \$7,803,993 for FY 2022 and FY 2023 respectively.

52. Defendant Arturo Nuñez (“Nuñez”) has served as a Company director since 2022 and has been a member of the Audit Committee since April 2022.

53. Estée Lauder compensated Nuñez \$28,000 and \$586,926 for FY 2022 and FY 2023 respectively.

54. Defendant Lynn Forester de Rothschild (“de Rothschild”) has served as a Company director since 2000.

55. Estée Lauder compensated de Rothschild \$282,911 and \$282,926 for FY 2022 and FY 2023 respectively.

56. Defendant Barry Sternlicht (“Sternlicht”) has served as a Company director since 2000. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Sternlicht sold 4,736 shares of his personally held Company stock, generating proceeds of approximately \$1,299,136.56 through the following transactions:

Defendant Sternlicht	Transaction Date	Shares Sold	Price	Proceeds
	8/25/2022	2,700	\$274.01	\$739,827.00
	8/25/2022	2,036	\$274.71	\$559,309.56
Total		4,736		\$1,299,136.56

57. Estée Lauder compensated Sternlicht \$282,911 and \$282,926 for FY 2022 and FY 2023 respectively.

58. Defendant Jennifer Tejada (“Tejada”) has served as a Company director since 2018 and served as a member of the Audit Committee from at least September 2021 to November 2022.

59. Estée Lauder compensated Tejada \$286,911 and \$283,926 for FY 2022 and FY 2023 respectively.

60. Defendant Richard F. Zannino (“Zannino”) has served as a Company director since 2010 and is Chair of the Audit Committee, which he has been since at least September 2021.

61. Estée Lauder compensated Zannino \$317,911 and \$313,926 for FY 2022 and FY 2023 respectively.

Non-Director Defendants

62. Defendant Carl Haney (“Haney”) has served as Estée Lauder’s Executive Vice President, Global Research Product and Innovation Officer since 2012. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Haney sold 24,117 shares of his personally held Company stock, generating proceeds of approximately \$6,129,143.65 through the following transactions:

Defendant Haney	Transaction Date	Shares Sold	Price	Proceeds
	2/15/2022	1,152	\$307.94	\$354,746.88
	5/26/2022	1,965	\$237.92	\$467,512.80
	5/27/2022	671	\$253.55	\$170,132.05
	6/03/2022	548	\$263.88	\$144,606.24
	9/07/2022	2,481	\$247.34	\$613,650.54
	9/09/2022	5,109	\$251.86	\$1,286,752.74
	9/09/2022	2,450	\$252.45	\$618,502.50
	2/13/2022	9,741	\$253.90	\$2,473,239.90
Total		24,117		\$6,129,143.65

63. Defendant Jane Hertzmark Hudis (“Hudis”) has served as the Company’s Executive Group President since August 2020. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, Hudis sold 68,103 shares of her personally held Company stock, generating proceeds of approximately \$14,459,469.10 through the following transactions:

Defendant Hudis	Transaction Date	Shares Sold	Price	Proceeds
	5/11/2022	8,256	\$230.69	\$1,904,576.64
	8/25/2022	3,887	\$274.01	\$1,065,076.87
	8/25/2022	2,780	\$274.70	\$763,666.00
	5/11/2023	43,111	\$202.09	\$8,712,301.99
	5/11/2023	100	\$202.75	\$20,275.00
	5/11/2023	100	\$202.76	\$20,276.00
	5/16/2023	2,799	\$198.85	\$556,581.15
	5/16/2023	4,965	\$199.99	\$992,950.35
	5/16/2023	545	\$200.78	\$109,425.10
	5/16/2023	1,560	\$201.50	\$314,340.00
Total		68,103		\$14,459,469.10

64. Estée Lauder compensated Hudis \$11,645,717 and \$7,238,547 for FY 2022 and FY 2023 respectively.

65. Defendant Michael O’Hare (“O’Hare”) served as Estée Lauder’s

Executive Vice President, and Chief Human Resources Officer from 2013 to April of 2025. While in possession of material, nonpublic information regarding the true state of Estée Lauder’s business operations, O’Hare sold 18,507 shares of his personally held Company stock, generating proceeds of approximately \$5,601,938.76 through the following transactions:

Defendant O’Hare	Transaction Date	Shares Sold	Price	Proceeds
	2/04/2022	16,389	\$309.88	\$5,078,623.32
	9/07/2022	2,118	\$247.08	\$523,315.44
Total		18,507		\$5,601,938.76

66. Defendant Tracy T. Travis (“Travis”) has served as Estée Lauder’s Executive Vice President, Senior Adviser since November 2024. Previously, she served as Executive Vice President and CFO of the Company from 2012 until November 2024. She is currently a named defendant in the Securities Action, which alleges she violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934.

67. Estée Lauder compensated Travis \$14,094,936 and \$8,331,309 for FY 2022 and FY 2023 respectively.

Relevant Non-Party

68. Gary M. Lauder (“G. Lauder”) was elected to serve as a Company director in November of 2023.

69. Stéphane de La Faverie (“de La Faverie”) has served as Estée Lauder’s President, Chief Executive Officer, and a member of the Board of Directors since

January 2025. Prior to assuming his current role, de La Faverie held various senior leadership positions at the Company, including Executive Group President from September 2022 to January 2025; Group President of The Estée Lauder Companies and Global Brand President of Estée Lauder and AERIN Beauty from July 2020 to August 2022; Global President of Estée Lauder from July 2016 to June 2020; Global President of Origins and Darphin from January 2016 to June 2016; Senior Vice President and General Manager of Origins, Ojon, and Darphin from April 2014 to December 2015; and Senior Vice President and General Manager of ADF Global from January 2011 to March 2014.

70. Eric Zinterhofer (“Zinterhofer”) was elected to serve as a Company director in January 2025.

FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS

71. By reason of their positions as officers, directors, and/or fiduciaries of Estée Lauder and because of their ability to control the business and corporate affairs of Estée Lauder, the Individual Defendants owed Estée Lauder and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care.

72. The Individual Defendants were and are required to use their utmost ability to control and manage Estée Lauder in a fair, just, honest, and equitable manner.

73. The Individual Defendants were and are required to act in furtherance of the best interests of Estée Lauder and its shareholders to benefit all shareholders equitably.

74. Each director and officer of the Company owes Estée Lauder and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the Company.

75. As fiduciaries of Estée Lauder, the Individual Defendants were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein because of their position and authority.

76. The officers and directors of Estée Lauder were and are required to exercise reasonable and prudent supervision over the management, policies, controls, and operations of the Company to discharge their duties.

77. Each Individual Defendant under his or her position as an officer of Estée Lauder, owed to the Company and its shareholders the highest fiduciary duties of loyalty, good faith, care, and diligence in the management and administration of the affairs of the Company.

78. As Estée Lauder's directors and officers, the Individual Defendants knowingly acted with reckless disregard for their obligations as fiduciaries because their conduct posed a significant risk of harm to the Company.

79. The Individual Defendants had a duty to prevent and correct the dissemination of erroneous, misleading, and deceitful information concerning, *inter alia*, the Company's financial condition, business operations, management, performance, growth, earnings, and business prospects. Moreover, as senior officers of a publicly traded company whose common stock was registered with the SEC, pursuant to the Exchange Act, the Individual Defendants had a duty to act in the best interest of the Company.

80. As fiduciaries, the Individual Defendants had a duty to disclose in the Company's regulatory filings with the SEC all events described in this Complaint that it failed to disclose so that the Company's valuation and the common stock price would be based on accurate information and to preclude deceptive practices in the market.

81. The Individual Defendants were required to exercise reasonable and prudent supervision over the management, policies, practices, and internal controls of the Company to discharge their duties. Among other things, the Individual Defendants were required to:

a) Ensure that the Company was operated in a diligent, honest, and prudent manner in accordance with the laws and regulations of Delaware, New York, the United States, and pursuant to Estée Lauder's Code of Conduct and

internal guidelines;

b) Conduct the affairs of the Company in an efficient, businesslike manner to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

c) Remain informed as to how Estée Lauder conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, to make a reasonable inquiry in connection and in addition to that and to take steps to correct such conditions or practices;

d) Establish and maintain systematic, accurate records and reports of the business and internal affairs of Estée Lauder and procedures for the reporting of the business and internal affairs to the Board and to periodically investigate, or cause an independent investigation to be made of, said reports and records;

e) Maintain and implement an adequate and functioning system of internal legal, financial, and management controls, such that Estée Lauder's operations would comply with all laws and Estée Lauder's financial statements and regulatory filings filed with the SEC and disseminated to the public and the Company's shareholders would be accurate.

f) Exercise reasonable control and supervision over the Company's officers and employee's public statements and any other reports or

information that the Company was required by law to disseminate.

g) Refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

h) Examine and evaluate any reports of examinations, audits, or additional financial information concerning the financial affairs of the Company and to make full and accurate disclosure of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

82. Each of the Individual Defendants also bore a duty of loyalty to Estée Lauder and its shareholders, mandating the prioritization of the Company's and its shareholders' interests above their own in the management of the Company's affairs and prohibiting the use of their position, influence, or insight into the Company's operations for personal gain.

83. During the pertinent times, the Individual Defendants served as agents for each other and for Estée Lauder, always operating within the parameters of their agency.

84. The Individual Defendants, through their advisory, executive, managerial, and directorial roles within Estée Lauder, were privy to detrimental, confidential information concerning the Company.

85. Due to their positions of influence and authority, the Individual

Defendants had the capability to, and indeed did, directly or indirectly control the improper actions detailed in this complaint, as well as the content of the various public declarations made by Estée Lauder.

ESTÉE LAUDER’S CODE OF CONDUCT

86. The Individual Defendants, like all employees, directors, and officers of the Company, are required to comply with Estée Lauder’s Code of Conduct (the “Code of Conduct”). The Code of Conduct and Ethics states, in pertinent part, the following:

1.0 CODE BASICS

1.4 Everyone’s Responsibilities

We expect everyone to whom our Code applies to conduct our business with uncompromising ethics and integrity, in compliance with the laws and regulations of the countries where we operate. This obligation includes:

- Being mindful that even when you are away from work, your actions can have consequences for our Company, our reputation, and our brands. We hold our employees to high standards and expect you to conduct yourself in a way that does not impair your ability to perform your job or the Company’s ability to conduct business.
- Being aware of applicable laws, policies, and procedures.
- Cooperating fully in Company investigations, which includes maintaining the confidentiality of those investigations.

If you are ever in a situation where you are unsure of what to do, ask yourself:

- Is the conduct legal?
- Is the conduct ethical?
- Is the conduct consistent with our Code?
- Am I confident that the conduct would not impair my reputation or that of our Company if made public?

If you are unsure or answer no to any of the questions above, seek additional guidance before proceeding.

1.5 Supervisors and Managers Must Lead by Example

If you manage or supervise employees, temporary workers, or consultants, you have a heightened responsibility to lead by example, consistent with our Company's mission, values, Code, and policies. This responsibility includes ensuring that your teams have information, guidance, and support to comply with our Code.

We expect you to:

- Make fair and objective business decisions.
- Ensure your team understands our Code and Company policies.
- Act as a role model, demonstrating behavior that is consistent with our Code.
- Create an environment where employees feel comfortable speaking up without fear of retaliation.
- Recognize and reward ethical behavior.
- Take questions and concerns seriously and escalate matters promptly through the proper channels.
- Ensure that Code and policy violations are addressed in a consistent manner and are timely disclosed to appropriate functions, including Global Ethics.
- Never conduct your own investigation absent express written pre-approval from Global Ethics.

3.0 WE ENGAGE IN ETHICAL BUSINESS PRACTICES

3.1 Avoid Conflicts of Interest

We expect you to make business decisions that serve our Company's best interests. A conflict of interest can arise when your personal relationships or financial interests overlap with your responsibilities to our Company. It's not always clear whether an activity creates a conflict of interest. However, it is your responsibility to disclose a potential conflict, either personal or organizational, to your supervisor, and in some instances, they must also be disclosed to Human Resources and Global Ethics. Conflicts are fact-specific, and even the appearance of a conflict of interest can undermine trust in you and our Company.

- Conflicts of interest can arise when your personal interests or activities:
- Improperly influence your judgment when acting on behalf of our Company;
- Result in your competing with our Company or diverting business or assets from our Company;
- Diminish the efficiency, effectiveness, or objectivity with which you perform your duties;
- Result in your receiving improper personal benefits due to your position with our Company; or
- Harm or impair our Company's reputation, including the goodwill arising from the Lauder name.

3.6 Carefully Communicate About Our Company's or Competitors' Products

You must not engage in false or misleading advertising, promotions, or other communications about the products or product-related policies of either our Company or our competitors.

When talking about the brands or products of either our Company or others in our industry, always disclose that you are employed by or acting on behalf of our Company or a particular brand. With the exception of Company-approved statements and activities, you must

not make specific product performance claims or discuss product-related policies. While such communications might be made with good intentions, they could be considered false or misleading, whether or not the person making the statement is identified as a Company employee.

3.7 One Voice Speaks for Our Company

You are prohibited from speaking on behalf of our Company without prior consultation with a member of the Global Communications Department.

You should not speak to outside parties, including financial or investment professionals, analysts, or stockholders about confidential or sensitive information or intellectual property that relates to our Company, or any financial matters, earnings estimates, or market rumors relating to our Company without specific authorization from the Senior Vice President – Investor Relations and the Executive Vice President – Global Communications.

Only specifically designated spokespersons are permitted to speak publicly on behalf of our Company. These include the Executive Chairman, President and CEO, CFO, Senior Vice President – Investor Relations, and the Executive Vice President – Global Communications.

Before taking any action, contact the Executive Vice President – Global Communications or the appropriate Communications executive for the relevant brand or brands about any requests for interviews, external speaking engagements (e.g., conferences and seminars), photographs, films, videotapes, gifts, or information about our Company or products from media representatives, journalists, authors, public relations agencies, and other companies (e.g., our suppliers and retailers). It is prohibited to have “off the record” conversations related to our Company with media representatives.

Government agencies and other regulatory bodies may attempt to contact you from time to time seeking information about our Company. We cooperate with government or regulatory inquiries or investigations, and we expect you to notify the Legal Department

before responding, so our Company can ensure we are responsive to the request and do so in full compliance with applicable laws. While you are required to notify the Legal Department of any regulatory inquiry or investigation, this should not be construed to limit your right to communicate with a government agency, to participate in any investigation by a government agency, or to submit a charge or complaint to a government agency, in each case without authorization from or notification to our Company.

3.10 Behave in a Socially Responsible and Fair Manner

We are committed to dealing with our Company’s customers, suppliers, competitors, employees, and independent contractors with uncompromising ethics and integrity. We avoid taking unfair advantage of anyone and unfair dealing practices, which include among other things, manipulation, concealment, misuse of privileged information, misrepresentation of material facts, or an intentional act or omission designed to deceive another or to obtain a gain for our Company. Additionally, we expect the same level of fair dealing and ethical conduct from our business partners, service providers, and suppliers.

We require our employees, business partners, service providers, and suppliers to operate in compliance with all applicable laws, including, but not limited to, employment laws pertaining to child labor, minimum wages, overtime compensation, hiring, and occupational safety.

4.0 WE SAFEGUARD OUR FINANCIAL INTEGRITY

4.1 Comply with Securities and Insider Trading Laws

As part of your job, you may become aware of, or have access to, “material, non-public information” about our Company, customers, suppliers, or other third parties with which the Company has contacts. You must keep this information confidential. Employees, officers, and members of the Board of Directors, and their related accounts, are prohibited from engaging in insider trading, which includes:

- Trading in securities while in possession of material, non-public information; and
- Disclosing material, non-public information to others, who may either trade on the information or share with another person who may trade on the information.

During Blackout Periods throughout the year, certain individuals listed in the Insider Trading Policy, are prohibited from trading in the Company's securities and must receive preclearance from our Legal Department before trading in Company securities.

4.2 Ensure the Integrity of Our Books, Records and Financial Reports

As a publicly traded company, by law, we are required to publicly disclose certain important information about our Company. When we publicly disclose this information, it is our responsibility to do so in a fair, complete, accurate, timely, and understandable way. We are legally required to be honest and accurate in our financial records, and regulators, investors, and others rely on us to report financial information truthfully, completely, and timely.

We must keep accurate books and records, including legal documents, that maintain the integrity of our financial reporting. Employees are prohibited from:

- Making false, misleading, or incomplete statements in connection with an audit of our Company or a filing with the U.S. Securities and Exchange Commission or other government body; and
- Influencing, coercing, or misleading an independent public or certified accountant engaged in the performance of an audit or review of our Company's financial statements.

Employees, officers, or members of the Board of Directors are prohibited from engaging our Company's independent auditors to perform personal services.

4.3 Avoid and Report Fraudulent Activities

You play an important role in the prevention and detection of fraudulent activities. Fraud or fraudulent activities can take many forms. Some examples include, but are not limited to, intentionally or unintentionally:

- Maintaining inaccurate books and records;
- Misrepresenting or omitting of material events, transactions, or information;
- Misreporting finances;
- Falsifying or manipulating accounting records or documents; and
- Misappropriating Company assets or employee time

Should you encounter potential fraud in the course of your work, you must report it immediately to Internal Audit or email GlobalCompliance@estee.com

5.2 Protect Our Brands and Products From Diversion

The equity of our brands is essential to our long-term success. We each bear responsibility for protecting our brands and products from diversion. Diversion occurs when our products are either sold in a manner that is inconsistent with our Company policies or are stolen and sold by unauthorized persons, stores, e-commerce sites, or other sales channels without our Company's permission. Each of you is responsible for protecting our brands from diversion, which erodes the value and goodwill of our brands, undermines our relationships with our authorized retail partners and licensors and has a negative impact on brand equity.

We rely on you to remain vigilant in protecting our Company, brands, and products from diversion. Do so by complying with sales limits, properly responding to excess quantity requests, ensuring that products are coded properly, verifying justifications for abnormal business growth, reviewing suspect accounts, and timely raising questions or concerns to your general manager, brand manager, commercial lead,

online lead, or finance manager.

ESTÉE LAUDER’S CODE OF GOVERNANCE GUIDELINES

87. In addition to those duties enumerated above, under the Company’s Code of Governance Guidelines (the “Guidelines”), the Director Defendants owed specific additional duties to Estée Lauder. According to the Guidelines, the Board developed the included practices in order 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 the Company’s stockholders.

88. The Guidelines also include the following in relevant part:

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. appointing the Board Chair and the Lead Independent Director, as applicable;
- b. selecting, evaluating and compensating the Company’s Chief Executive Officer (“CEO”) and overseeing CEO succession planning;
- c. providing counsel and oversight on the selection, evaluation,

- development and compensation of senior management;
- d. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- e. assessing major risks facing the Company and reviewing options for their mitigation; and
- f. ensuring processes are in place for maintaining the integrity of the Company, including (i) the financial statements, (ii) compliance with law and ethics, (iii) relationships with customers and suppliers, and (iv) relationships with other stakeholders.

Board Meetings; Involvement of Senior Management

14. 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 obtain 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.

AUDIT COMMITTEE CHARTER

89. In addition to the above duties, under the Audit Committee Charter in effect during relevant times, as members of the Audit Committee, Defendants Dong, Hyman, Fribourg, Nuñez, Tejada, and Zannino (Chair) (collectively the “Audit Committee Defendants”) owed specific additional duties to Estée Lauder. The Audit Committee’s role, pursuant to its Charter, is “one of oversight.” It includes assisting

the Board “in fulfilling its responsibilities to oversee the:

1. integrity of the Company’s financial statements;
2. Company’s compliance with legal and regulatory requirements;
3. independent auditor’s qualifications and independence;
4. performance of the Company’s internal audit function and independent auditor; and
5. Company’s policies for risk assessment and risk management.

Management is responsible for preparing the Company’s financial statements, and the independent auditor is responsible for auditing the annual financial statements. The independent auditor is ultimately accountable to and reports to the Committee. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the independent auditor’s work.

The scope of the Committee’s oversight responsibilities include information technology, cybersecurity, taxes, treasury, and legal matters.

The Committee has full authority and unrestricted access to the resources, information, and personnel necessary to fulfill its responsibilities. It has the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities.

The Committee also has authority to declare quarterly dividends on the Company’s Class A Common Stock and Class B Common Stock up to an amount per share determined from time to time by the Board.

90. Also, in relevant part, the Charter states that “[i]n connection with its oversight responsibilities, the Charter Committee will:

A. Audit and Audit-Related Matters

1. Maintain an open avenue of communication between the internal auditor, the independent auditor, and the Board.

2. Have sole authority to appoint, retain, or terminate the Company's independent auditor.
3. Have sole authority to approve all auditing work and any permitted non-audit work by the independent auditor and the compensation for such work.
4. Review the qualifications, scope of services (including audit and tax services), performance, and fees of the independent auditor.
5. Set clear hiring policies for employees or former employees of the independent auditor.
6. At least annually, obtain and review a report from the independent auditor describing all relationships between the independent auditor and the Company and discuss with the independent auditor any such disclosed relationships and their impact on the independent auditor's independence.
7. At least annually, obtain and review a report from the independent auditor describing: the auditing firm's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, peer review, or PCAOB review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
8. Review with management the annual audit report and recommendations of the independent auditor, including any audit problems or difficulties and management's response.
9. Review and discuss with management and the independent auditor the annual audited financial statements and the quarterly financial statements to be included in the Company's periodic reports, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and

review with the independent auditor the matters required to be discussed by applicable auditing standards.

B. Internal Audit

1. Approve and oversee the charter, policies, and scope of audit plans of the Company's internal audit department.
2. Review and concur in the appointment, annual performance evaluation, and replacement of the head of internal audit.

C. Risk Oversight

Review and discuss with management, the independent auditor, and the Board the Company's policies with respect to risk assessment and risk management, as well as any significant risks or exposures and the steps management has taken to monitor and control such exposures.

D. Earnings Review

Discuss with management earnings press releases (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally, such as a discussion of the types of information to be disclosed and the type of presentation to be made. The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.

E. Other Matters

1. In connection with the quarterly certifications by the Chief Executive Officer and Chief Financial Officer ("CFO"), receive reports from such officers regarding (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud, whether or not material, that involves

management or other employees who have a significant role in the Company's internal controls.

2. Prepare the audit committee report required by the rules of the SEC to be included in the Company's proxy statement for its annual meeting of stockholders.
3. Review transactions under the Company's Related Person Transactions Policy, including any successor policy.
4. Conduct a periodic review of the Corporate Code of Conduct and the effectiveness of the Company's related compliance procedures.
5. Establish procedures for receiving, retaining, and treating complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company, including its subsidiaries, of concerns regarding questionable accounting or auditing matters.
6. Conduct a periodic review of information about executive officers' expense accounts, perquisites, and the use of corporate assets.
7. Meet periodically with the CFO, the head of internal audit, and the independent auditor, in separate executive sessions, to discuss any matters that they or the Committee believe should be considered privately.
8. Perform such other functions as assigned by law, regulation or the Company's charter, bylaws, or Board.

91. The Individual Defendants, because of their positions of control and authority as officers and/or directors of Estée Lauder, were able to and did directly or indirectly, exercise control over the wrongful acts complained of herein. The Individual Defendants also failed to prevent the other Individual Defendants from

taking such illegal action. As a result, and in addition to the damages the Company already incurred, Estée Lauder has needlessly expended and will continue to needlessly expend, significant sums of money.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

92. Through the perpetration of the alleged misdeeds, the Individual Defendants either initiated or participated in a collective endeavor and collaborated or conspired with each other to perpetuate their misconduct. They compelled the Company to hide the actual realities as claimed in this document. Additionally, the Individual Defendants supported and/or facilitated each other in failing to fulfill their individual responsibilities.

93. The conspiracy, joint venture, and/or collective actions aimed primarily to facilitate and obscure the Individual Defendants' legal violations, encompassing breaches of fiduciary duty, unlawful gains, squandering of corporate assets, severe mismanagement, and misuse of authority. Additionally, these actions sought to hide negative details about the Company's operations, financial health, future business outlook, and internal governance, and to artificially elevate the stock price of the Company.

94. The Individual Defendants executed their scheme, joint venture, and/or unified course of action by compelling the Company to intentionally, recklessly, or

through gross negligence, hide significant facts, neglect to rectify those misstatements, and breach relevant laws. To advance this strategy, conspiracy, and course of conduct, the Individual Defendants, both together and separately, undertook the measures detailed in this document.

95. The actions of the Individual Defendants outlined here were direct, essential, and significant contributions to the collective enterprise and/or series of actions complained of here, given that the described conduct was carried out with the Board's sanction and oversight.

96. Each of the Individual Defendants contributed support and played a significant role in the grievances detailed herein. By undertaking actions that markedly aided the perpetration of the alleged misconduct, each Individual Defendant proceeded with either explicit or implicit understanding of the fundamental misdeed, directly engaged in or significantly facilitated the realization of such misdeed, and was, or reasonably should have been, cognizant of their comprehensive involvement in and promotion of the wrongdoing.

97. Throughout the period in question, each Individual Defendant acted as the representative of all the other Individual Defendants and Estée Lauder, consistently operating within the boundaries and scope of this representation.

FACTUAL BACKGROUND

98. Founded in 1946, Estée Lauder is a leading global manufacturer, marketer, and seller of prestige beauty products, including skin care, makeup, fragrance, and hair care. As of January 2024, the Company held a 13.6% share of the global beauty market, ranking as the second-largest beauty company worldwide.

The Lauder Family

99. Estée Lauder, a native of New York City, founded The Estée Lauder Companies in 1946 with her husband, Joseph Lauder. The business began with just four skincare products. In the 1950s, Estée introduced Youth-Dew, a bath oil that doubled as a fragrance, revolutionizing the cosmetics industry and transforming the Company into a multimillion-dollar enterprise.

100. Under Estée’s leadership, the Company expanded to include five additional brands: Aramis, Clinique, Prescriptives, LAB Series, and Origins. Estée was honored with the French Legion of Honour and was a patron of numerous civic and cultural initiatives, including the restoration of the Palace of Versailles and the development of playgrounds in Central Park.

101. The Company’s website highlights that “[t]he only thing more important to Estée than the Company was her family, and she was thrilled that her children and grandchildren joined the family business.” Estée officially retired in 1995 and passed away in 2004.

102. Estée and Joseph Lauder had two sons – Leonard Lauder and defendant Ronald Lauder. According to the Company, business was often a topic of family conversation at the dinner table. Seventy years after its founding, the second and third generations of the Lauder family remain central to the publicly traded, family-controlled company. The business is now largely run by defendant Ronald Lauder, along with his and Leonard Lauder’s children, Defendants William Lauder, Jane Lauder, and non-party Gary Lauder.

103. Since Estée’s children and grandchildren assumed control, the family’s influence within the Company has continued to expand. Today, The Estée Lauder Companies owns more than 25 brands across over 150 countries, including MAC, Clinique, Origins, Bobbi Brown, and Smashbox. In addition to their business roles, the Lauder family supports numerous philanthropic causes, including the Breast Cancer Research Foundation, founded by Evelyn H. Lauder (the late wife of Leonard Lauder).

104. Business Insider has described the Lauder family as “society fixtures” with ties to the Kennedys, British Royalty, and world leaders. Prior to his death in June of 2025, Leonard Lauder served as Chairman Emeritus of the Whitney Museum, an Emeritus Trustee of the University of Pennsylvania, and a member of the President’s Council at Memorial Sloan Kettering Cancer Center, among others.

Defendant Ronald Lauder is the founder of the Neue Galerie New York, Chairman of the Jewish National Fund, and President of the World Jewish Congress. Both brothers are major contributors to the Lauder Foundation at The Wharton School. Aerin Lauder, sister of defendant Jane Lauder, is active in high-profile social, fashion, and cultural events. Due to the Company's success and the family's societal influence, the Lauders wield substantial power—capable of advancing or undermining the careers and reputations of allies and critics alike.

The Lauder Family's Control of the Company

105. The Lauder family maintains its dominance over the Company through a dual-class stock structure. Class A shareholders hold one vote per share, while Class B shares—reserved for family members and related entities—carry ten votes per share. As of August 12, 2024, the Lauder family collectively controlled approximately 84% of the Company's total voting power. Accordingly, Estée Lauder qualifies as a “controlled company” under New York Stock Exchange rules.

106. Defendants Ronald Lauder, William Lauder, and Relevant Non-Party Gary Lauder, individually and as trustees of various family trusts, along with Aerin Lauder, Defendant Jane Lauder, Joel S. Ehrenkranz, and LAL Family Partners L.P. (“LALFP”), are parties to a Stockholders' Agreement. This agreement obligates them to vote for up to four directors nominated by family members. So long as one

of Leonard Lauder’s sons or Ronald Lauder (or one of his daughters) continues to beneficially own at least 5% of the Company’s voting power, they retain the right to designate nominees. The agreement includes a sunset clause that terminates its provisions if the signatories’ collective voting power drops below 10% following a transfer of shares.

107. Under the Stockholders’ Agreement, any party wishing to sell Class A common stock to an outside party must first offer those shares to the other signatories (the “Offerees”) under a right-of-first-offer provision. Offerees may purchase their proportional share of the offered stock, as well as any additional shares not taken by others. This arrangement makes it virtually impossible to remove Lauder family members from the Board without their consent. Estée Lauder’s most recent Proxy Statement (Form DEF 14A), filed with the SEC on September 19, 2024, acknowledges that the Company is a controlled company under NYSE standards.

108. According to the Company’s September 29, 2022 Proxy Statement, in his current role, William Lauder “works with the CEO to set overall vision, strategy, financial objective, and investment priorities for the business” and “provides high-level leadership in areas that are important to the Company[.]” In addition to William Lauder, three other members of the Lauder family presently hold executive positions, and two additional family members remain affiliated with the Company.

The Business

109. Estée Lauder distributes its products in approximately 150 countries and territories under a portfolio of widely recognized brand names, including Estée Lauder, Aramis, Clinique, Lab Series, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone, Bumble and Bumble, Tom Ford Beauty, Kilian Paris, Dr.Jart+, and Le Labo. These brands are differentiated by a range of factors, including quality, performance, brand lifestyle association, distribution channel (e.g., prestige versus mass market), and price point.

110. Several of Estée Lauder’s products, particularly those referred to as “hero” products, are in high demand and sold at premium prices. For example, under the La Mer brand, the Company markets Crème de la Mer, a moisturizer that retails for \$380 per 2-ounce jar and \$2,675 per 16.5-ounce jar, according to the brand’s United States website. Likewise, under its flagship Estée Lauder brand, the Company sells a 3.9-ounce bottle of Advanced Night Repair Serum Synchronized Multi-Recovery Complex for \$245.

111. The Company’s prestige reputation is a fundamental component of its brand identity and commercial strategy. Estée Lauder positions itself as a market leader based on global brand recognition, consistent product quality, geographic reach, and innovation. The Company emphasizes this in its public filings, including

with the U.S. Securities and Exchange Commission, stating: “We sell our prestige products through distribution channels that complement the luxury image and prestige status of our brands, and we provide ‘High-Touch’ consumer experiences across our distribution channels. . . . We believe that our strategy of pursuing selective distribution heightens the aspirational quality of our brands.”

112. Accordingly, Estée Lauder distributes its products through carefully selected channels designed to reinforce its luxury image. These include department stores, specialty-multi retailers, high-end perfumeries, salons, spas, freestanding brand stores, authorized retailer websites, third-party e-commerce platforms, airport retail locations, and duty-free stores.

Lauder’s Travel Retail Business Segment

113. Estée Lauder’s Travel Retail segment encompasses duty-free sales across various international locations, including airports, airlines, cruise ships, downtown duty-free stores, and border shops. Because products sold through these channels are intended for international use, such purchases are typically exempt from import and sales taxes. These channels are strategically designed to reinforce the Company’s prestige brand image, leveraging the association with luxury international travel.

114. In recent years, travel retail has emerged as one of Estée Lauder’s most

profitable and rapidly expanding business segments. The segment’s contribution to overall revenue has grown significantly over time—rising from 6% in 2009, to 18% in 2018, and to 28% by 2021. During the Relevant Period, travel retail accounted for approximately one-third of Estée Lauder’s total annual revenue.

115. Financial analysts have consistently recognized the strategic importance of this segment to the Company’s overall performance. For instance, on December 16, 2019, Morgan Stanley analysts cited Estée Lauder’s “favorable channel mix shift...towards high growth (and much higher margin) channels and geographies, including e-commerce, travel retail, emerging markets, and specialty channel” as a foundation for their positive long-term outlook on the Company. Similarly, on February 23, 2023, Credit Suisse analysts noted that “EL’s travel retail revenues are poised to step-change higher very quickly and will continue to be a significant driver for several quarters.”

116. Despite the financial significance of travel retail, the Company’s disclosures related to this segment lack transparency. Although the segment is managed from Switzerland and is nominally divided into three geographical regions, including Asia Pacific (“APAC”), Europe, Middle East and Africa (“EMEA”), and the Americas, since 2019, Lauder has reported *all* global travel retail revenue under the EMEA region, irrespective of the actual location of the underlying sales. This

critical detail has been relegated to a footnote in its 10-K filings for fiscal years 2021 through 2023. By consolidating global travel retail reporting into a single regional classification, Estée Lauder effectively obscured which markets or subregions were driving the growth or performance of this segment.

The Targeting of Chinese Consumers Through Travel Retail

117. Consumer demand for luxury beauty products is particularly robust in China, where retail prices for such products are substantially higher than in other countries. As a result, Chinese consumers are highly incentivized to purchase these goods in duty-free environments, where they are exempt from significant import and sales taxes. Recognizing this dynamic, Estée Lauder focused its travel retail strategy on reaching Chinese end-consumers in order to maximize profit. Despite the Company's opaque travel retail reporting, China represented the most critical end-market within this segment.

118. This reality was widely understood by investors. For example, on August 10, 2021, an analyst at Wells Fargo remarked that "China is increasingly a driver of EL's global travel retail growth."

119. Moreover, Chinese travel retail included the operations of Estée Lauder's largest customer (which played an essential role in the Company's financial performance) identified by analysts as CDFG, a subsidiary of China Tourism Group

Duty Free Corporation Limited, a state-owned enterprise authorized by the Chinese State Council to operate duty-free businesses nationwide. CDFG is the world's largest travel retailer by sales.

120. This key customer played an essential role in the Company's financial performance, accounting for 14% of the Company's net sales in FY 2021, 7% in FY 2020, and 5% in FY 2019.

Hainan: China's Domestic Duty-Free Hub

121. In addition to traditional international duty-free locations, China has developed its southernmost province, Hainan Island, into a major domestic duty-free shopping destination. Situated just twelve miles off the mainland coast, Hainan is readily accessible by air, rail, road, and ferry. Since an estimated 90% of China's population does not hold a passport, domestic travel destinations like Hainan are particularly attractive for luxury shopping.

122. To stimulate economic growth in Hainan and more broadly, the Chinese government implemented the Hainan Duty-Free Policy in 2011. This policy permits travelers to purchase duty-free goods within China, without the need to travel internationally. At its inception, the policy allowed for purchases up to RMB 30,000 per person (approximately \$4,170 USD).

123. Estée Lauder expressly emphasized the strategic importance of Hainan

within its travel retail operations. Following expansions of the duty-free purchasing limits, the Company aggressively pursued growth in this market. On February 5, 2021, Defendant Freda stated: “[w]ithin China domestic, Hainan is the star. And it’s driven by the new traffic and by the increased conversion and by the quantities purchased because of the regulations... and by the development of retail.”

124. Company Production

[REDACTED]

[REDACTED]

[REDACTED]

Asia Travel Retail’s “Basement Exchange”: China’s Daigou Gray Market

125. Duty-free channels facilitated widespread access to discounted luxury products, contributing to the proliferation of a controversial resale practice known as “daigou,” a Chinese term meaning “to buy on behalf of.” Daigou, often referred to as surrogate shopping, involves the bulk purchase of luxury goods, typically from duty-free outlets, and their resale to consumers in mainland China, generating profit by exploiting the price difference. Widely recognized as a distinctly Chinese phenomenon, daigou has drawn significant criticism from multiple sectors. Chinese regulators view it as a vehicle for tax evasion, while luxury brands, including Estée Lauder and its competitors, denounce the practice as undermining brand integrity and cannibalizing full-price sales.

126. Initially informal and small-scale in the 2000s, daigou operations have since evolved into large, commercialized enterprises. These modern daigou businesses use encrypted and private digital platforms such as WeChat and Taobao to facilitate gray market sales. Due to narrow profit margins based on the difference between duty-free prices and discounted resale prices, such operations depend on high-volume transactions to remain viable.

127. As daigou operations matured, certain geographic regions became focal points for mass procurement. Internationally, South Korea emerged as a daigou

hotspot due to its proximity to China and favorable luxury pricing. Domestic to China, Hainan, as discussed above, became a central hub owing to its unique status as a Chinese province with expansive duty-free policies that allow residents and tourists to purchase high-end goods at prices significantly lower than those on the mainland. While daigou purchases may originate in any travel retail outlet, Hainan and South Korea became key sourcing locations for gray market activity.

128. Critically, Estée Lauder maintained control over its product distribution and exercised that control to specifically channel inventory to locations such as Hainan and South Korea, despite their well-known daigou activity, in order to meet internal sales targets.

129. The daigou market shifted on January 1, 2019, when China enacted the E-Commerce Law of the People’s Republic of China (“ECL”), which imposed new regulatory burdens on daigou operators. The law required participants to register as legal entities and obtain appropriate business licenses. Non-compliance subjected violators to significant financial penalties for engaging in illegal business practices and tax evasion – up to approximately \$291,620 USD.

130. The ECL sought to erode daigou profitability by imposing taxes and regulatory scrutiny. Despite these heightened regulations, the daigou gray market continued to flourish, operating largely in the shadows of legitimate travel retail

sales, what commentators have metaphorically described as moving “through the basements” of authorized distribution channels.

Estée Lauder Publicly Denied Use of Daigou to Boost Sales

131. Participation in or facilitation of daigou transactions exposed companies to numerous material risks: shifting regulatory regimes, selective enforcement, geographic overconcentration, international trade volatility, inventory surpluses, erosion of consumer pricing expectations, and degradation of brand equity. Consequently, daigou activity was routinely condemned by luxury companies and their investors, including Estée Lauder.

132. For example, in January of 2022, LVMH – one of Estée Lauder’s direct competitors – publicly criticized daigou, commenting that daigou sales “have a terrible negative effect on the image of the brand,” particularly when goods are sold “straight from the store, or rather from the basement[] of that store to retailers in China who sell them at a discount.” One year later, in January 2023, LVMH reiterated its opposition, stating: “[f]or your image, there is nothing worse. It’s dreadful.”

133. Estée Lauder also publicly disavowed any connection to daigou and acknowledged the risks the gray market posed to its travel retail operations. On February 5, 2019, during an earnings call for Q2 FY2019, Defendant Freda

responded to an analyst's inquiry about the potential impact of the ECL on Estée Lauder's travel retail segment. In discussing the "daigou phenomenon," Freda stated:

*First of all, our travel retail business has not seen the impact from the stricter enforcement through January. So we don't see the impact so far. **It is also important, however, to remember that we at Estée Lauder companies have a longstanding policy that limits the numbers of products that a single consumer can buy at any counter in our travel retail globally – since ever. So we were never benefiting from a lot of the daigou business because of our strict policies to avoid any phenomenon like this and, obviously, to limit any risk of gray market around the world.***

Emphasis added

134. Freda's remarks confirmed Estée Lauder's awareness of the potential regulatory impact of Chinese laws targeting daigou and suggested that the Company had internal safeguards in place to monitor and restrict product flows into unauthorized resale channels in order to limit any associated risk.

Despite Recognized Risks, Estée Lauder Saturated the Daigou Market to Drive Sales and Subsequently Grew Reliant on It

135. Although Estée Lauder publicly committed in 2019 to "limit any risk of gray market around the world," the Company knowingly channeled significant volumes of inventory into the daigou gray market to mask sluggish sales, becoming increasingly reliant on the resulting revenue. In particular, in 2020, Estée Lauder turned to the high-volume, informal daigou resale market to offset declining global sales caused by the COVID-19 pandemic.

136. On July 1, 2020, China substantially raised the personal duty-free purchase threshold to 100,000 RMB (approximately \$13,900 USD) to boost its domestic economy. In response to weakened travel retail performance and the opportunity presented by expanded duty-free privileges in Hainan, Estée Lauder leveraged the daigou channel to bolster revenue, quickly becoming dependent on this gray market for maintaining its sales targets.

137. Multiple former Estée Lauder employees confirmed the Company's excessive reliance on daigou-driven sales in its travel retail segment. One former employee noted that travel retail had long been one of Lauder's main strategic growth areas, even before the pandemic. She described traditional retail markets, like North America, as experiencing sales stagnation or decline during her tenure.

138. Other former employees stated that China, and especially Hainan, represented major markets and recalled a 2020 shift from South Korea to China in travel retail, correlating with increased duty-free purchasing limits in Hainan. As a result, daigou operations grew in scale and sophistication, evolving from individuals to corporate-style enterprises that worked directly with retailers.

139. A former employee described immense internal pressure from the Company each quarter to deliver sales results, sometimes to an unreasonable degree. She emphasized that management frequently pushed for aggressive actions to

improve top-line performance, such as expediting product launches, altering promotional schedules, or accelerating distribution efforts.

140. According to another former employee, companies could curb daigou activity by restricting inventory flow to duty-free locations but could also, instead and preferably, prioritize sales volume, which helped drive inventory movement and immediate profit, but came at the very real risk of oversaturating the market.

141. Another former employee further explained that Estée Lauder used “incentives” to steer product through daigou-linked retailers such as CDFG who would then facilitate the movement of that product into the gray market through both in-store sales and also via the internet. A former employee noted that these practices led to market oversupply during the pandemic, when most large purchases were "almost definitely" made by daigou. She also noted that high inventory levels in Hainan created significant business challenges during that time.

142. The same former employee also described Estée Lauder as being notably more liberal with retailer inventory "loading" compared to competitors like L'Oréal. She remarked that although Estée Lauder gained market share during the pandemic, it was largely attributable to daigou sales, as daigou was the only market purchasing at volume during that time. She observed that the Company was now experiencing the consequences of this dependence on the daigou market, calling the

data around Estée Lauder’s market share growth “very jarring.”

143. Reiterating the employee’s experience above, another former employee of the Company expressed skepticism over travel retail growth in China during the COVID-19 related lockdowns, stating it seemed illogical and “counterintuitive.” She mentioned being unable to reconcile what she observed with expected sales behavior.

144. The same former employee added that the pressure for sales growth was overwhelming and questioned how certain underperforming employees, particularly those in supply chain roles, managed to keep their positions. She speculated that they may have facilitated gray market activity to maintain results.

145. Another former employee echoed the same sentiments, revealing that the Company would ship excess stock in bulk to daigou-friendly markets like South Korea to offset overstock issues. She explained that the daigou market could be “activated” during critical times by pushing high-demand products into these channels. She also recalled how inventory was often redirected to APAC, even when other regions faced shortages, and highlighted the use of promotions to move product into daigou-heavy areas.

146. A former employee further confirmed that products nearing expiration were rushed out of warehouses into daigou distribution channels, as Estée Lauder

prioritized clearing aging inventory.

147. Accounts of former employees indicate that Estée Lauder's executives were well aware of declining net sales in Asia travel retail due to increased regulatory scrutiny and retailer crackdowns on daigou activity. A former employee confirmed that the Company's leadership monitored sales spikes tied to daigou, supported by granular sell-through and performance data from retail partners. This information, including sales data by retailer, brand, and product line, was reviewed regularly in weekly and monthly meetings with senior financial officers.

148. The same former employee explained that abnormal sales spikes in specific stores or regions, especially for certain products, were clear indicators of daigou-related activity. She noted the correlation between these spikes and promotions or events in China.

149. She further explained that the Company's prestige brands like Estée Lauder and La Mer were the most prominent in China. She mentioned that monthly and even weekly demand planning meetings involved intense pressure and that plenty of data was available to "triangulate" sales information, including daigou-related sales. Furthermore, Estée Lauder maintained a global pricing database to monitor regional price differentials, with Chinese prices often much higher than in North America.

150. She further added that dedicated pricing teams tracked variables in pricing, incorporating multiple variables including markets, demand, currency fluctuations, and competition. The resulting pricing database was updated regularly used by “everyone” to be up to date on price differentials. This pricing data was used to create executive reports and presentations, which were shared with senior leadership, including Defendant Freda.

151. A different former employee echoed that leadership was fully aware of daigou activity, even if not formally acknowledged in meetings. She described an organized team, overseen by Israel Assa, then President of Commercial Travel Retail, responsible for analyzing the daigou market. This team operated from APAC’s Singapore office and included representatives from Korea.

152. She further stated that product movement into daigou channels was “overseen,” “approved,” and “activated” by Assa, who approved “everything, absolutely everything.” He controlled regional product allocation, factoring in daigou considerations, even during pandemic lockdowns when shipments were prioritized for China.

153. Moreover, former employees mentioned that the Company used internal tracking codes, or “pincodes” for high-end products to monitor their final destination. These codes allowed the Company to identify unauthorized product

flows. Another confirmed that all products had traceable codes to help Estée Lauder exercise control over where goods ended up in the market.

154. The [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CDFG's Pledge and Government Crackdowns in Hainan Cut Off Estée Lauder's Access to Daigou Sales

155. Estée Lauder's dependence on the daigou gray market as a revenue driver would come to a sudden halt, however. In mid-2021, CDFG announced it would no longer allow its sales to support the daigou market. Given CDFG's critical

role in the Company’s travel retail performance, this decision posed an immediate threat to its ability to continue growing sales through this increasingly unsustainable channel.

156. CDFG’s move came amid growing concerns that daigou activity posed a long-term risk to Hainan’s economic stability. Controlling an estimated 90–99% of Hainan’s duty-free market, CDFG publicly aligned itself with government enforcement efforts, stating:

In order to unleash the full potential of this growth engine and provide tourists with a better shopping experience, it is essential to preserve the health of the offshore duty-free ecosystem by severely cracking down on purchasing agents and minimizing market risks. This is a responsibility that market participants must bear.

CDFG cited several enforcement actions taken by Hainan customs, including dismantling 80 daigou smuggling rings between July 2020 and July 2021, reflecting the extent of disruption caused by gray market resellers since the expansion of Hainan’s duty-free policy.

157. On August 5, 2021, Jefferies analysts noted that Hainan authorities had “decided to take a stricter approach” toward daigou. They highlighted CDFG parent company CTGDF’s use of marketing and traceable QR codes to enforce anti-daigou policies, stating that these efforts aimed to foster a legal and compliant business environment.

158. Later that year, on December 7, 2021, Hainan’s Free Trade Port Working Committee announced new regulations designed to “resolutely crack down on illegal daigou and smuggling.” These measures targeted both individuals transferring their duty-free quotas to daigou operators and large-scale daigou companies engaged in unlawful reselling. The regulations formally took effect on January 1, 2022.

159. By this date, Estée Lauder understood that the daigou-driven fuel behind its inflated travel retail revenue was rapidly being cut off. Over the next 22 months, however, the Company misrepresented the nature and causes of its declining travel retail sales, failing to disclose investors that its past growth had been heavily dependent on the now-constrained daigou market.

Estée Lauder Misrepresented the Health of Its Asia Travel Retail Business to Investors While Knowing the Gray Market Sales Pipeline Had Collapsed.

160. By the time the Hainan regulations took effect on January 1, 2022, the Company was already deeply reliant on daigou-driven sales. As the impacts of these regulatory changes took hold, the Company sought to downplay the effects of the crackdowns and the resulting withdrawal of its biggest customer from the daigou market. Instead of candid disclosures to investors about the situation, however, Estée Lauder issued a series of misleading statements downplaying or obscuring the true drivers of its declining travel retail revenues.

161. The misleading narrative, and Relevant Period, began on February 3, 2022, when Estée Lauder released its Q2 FY22 results, reflecting the quarter ending December 31, 2021, the day before the new Hainan regulations took hold. The Company highlighted continued sales growth in its Asia travel retail segment during the period *ending* at the end of the previous calendar year, falsely attributing positive performance to brand strength and consumer demand without disclosing that these results were inflated by daigou activity that had *already become* unsustainable.

162. On the earnings call, Defendant Freda stated: “[N]et sales increased in our travel retail business... reflecting continued strength of our brands with the Chinese consumer,” and “we continue to prosper in the east with Chinese consumers as well as in global travel retail.” These statements concealed the fact that the reported sales growth was largely fueled by daigou resellers, not by enduring brand strength or organic consumer demand.

163. As the fiscal year continued, Estée Lauder maintained this misleading narrative. On May 3, 2022, during the Q3 FY22 earnings call, Company leaders insisted their “confidence into Hainan’s future is unchanged, actually increased,” despite knowing the loss of daigou-driven sales severely hindered Estee Lauder’s ability to sustain travel retail growth via traditional channels.

164. On June 2, 2022, at the Bernstein Strategic Decisions Conference,

Freda once again mischaracterized the source of past sales growth. He attributed Lauder's strong performance during Western COVID lockdowns in 2020 to Hainan's ability to "substitute" for the lack of international airport traffic. In reality, it was the daigou gray market, driven by large-scale resellers, not actual travelers, that had fueled those results.

165. Even as the full impact of regulatory crackdowns became evident, Estée Lauder continued to present an overly optimistic picture. On the Company's August 18, 2022, Q4 FY22 earnings call, Freda claimed that "the power of Hainan in the future remain[s] intact," again misleading the public about the reality of the Chinese market and fundamental changes undermining the Company's success therein.

166. Analysts took these assurances at face value. That same day, Bernstein analysts reiterated their view that China would remain the key growth engine for the premium beauty sector, failing to factor in the long-term implications of a daigou market effectively shut down due to the false and misleading statements made by the Company.

167. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

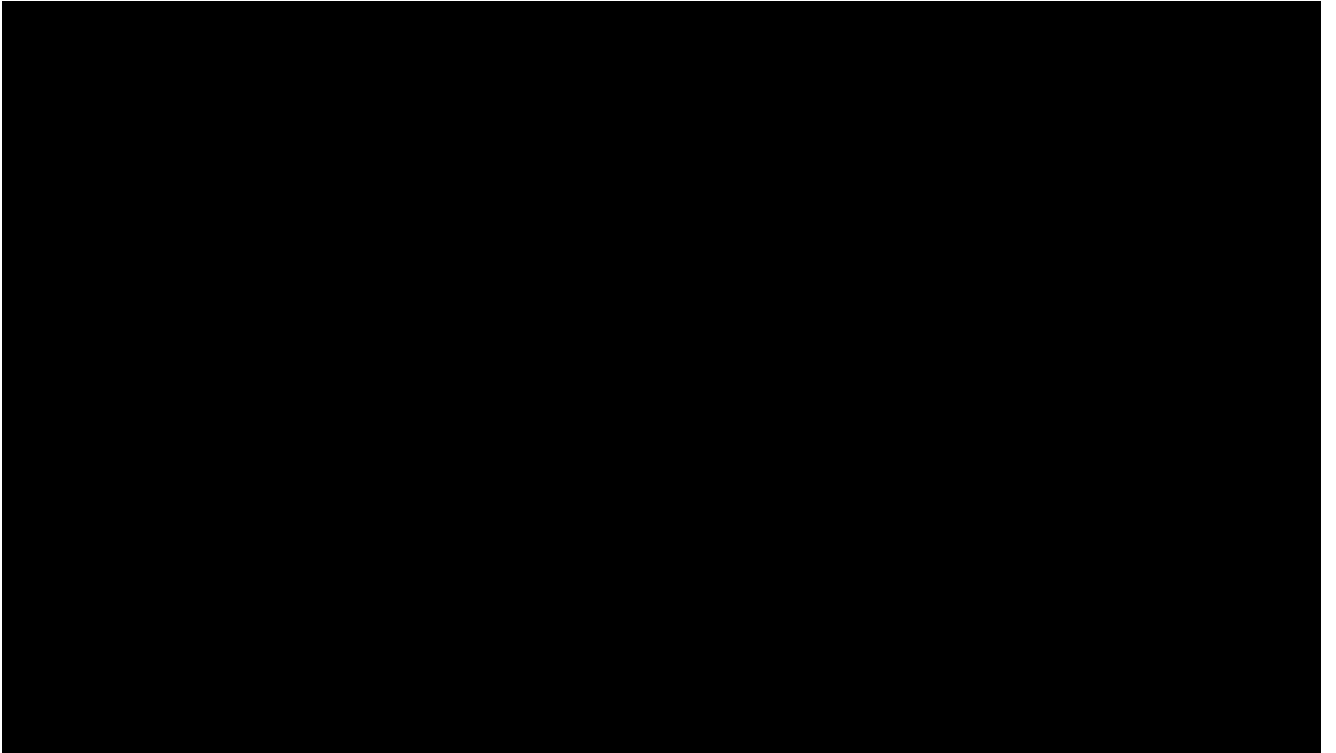
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168. Again, the

[REDACTED]

The Truth Begins to Emerge

169. The truth about Estée Lauder’s deteriorating financial condition began to emerge incrementally in late 2022 and into 2023 through a series of partial disclosures by the Company. As the Company’s access to daigou gray market resellers – a previously concealed but significant source of revenue – was effectively severed, inventory accumulated at unsustainable levels, compelling the Company to

repeatedly revise its revenue guidance downward. Yet throughout the Relevant Period, Estée Lauder continued to wrongly attribute its sales decline to a range of macroeconomic and operational factors, including intermittent COVID-19 lockdowns, global supply chain disruptions, tightened inventory policies among retail partners, and inflationary pressures. These explanations were materially misleading because they obscured the actual cause of the decline in the Company's travel retail segment: the collapse of the daigou gray market as a viable sales channel on which the Company had come to rely.

170. The story's façade began to crumble as Estée Lauder was forced to begin acknowledging the decline in its travel retail sales and the resulting broader impact on corporate performance. On November 2, 2022, the Company issued a press release announcing financial results for the first quarter of fiscal year 2023. In that release, the Company lowered its full-year revenue forecast, citing "tighter inventory management in Asia travel retail, given reduced traffic as a result of COVID-19 restrictions." The market reacted negatively, and Lauder's common stock declined over 8%, falling \$16.80 per share to close at \$189.96.

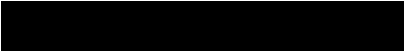
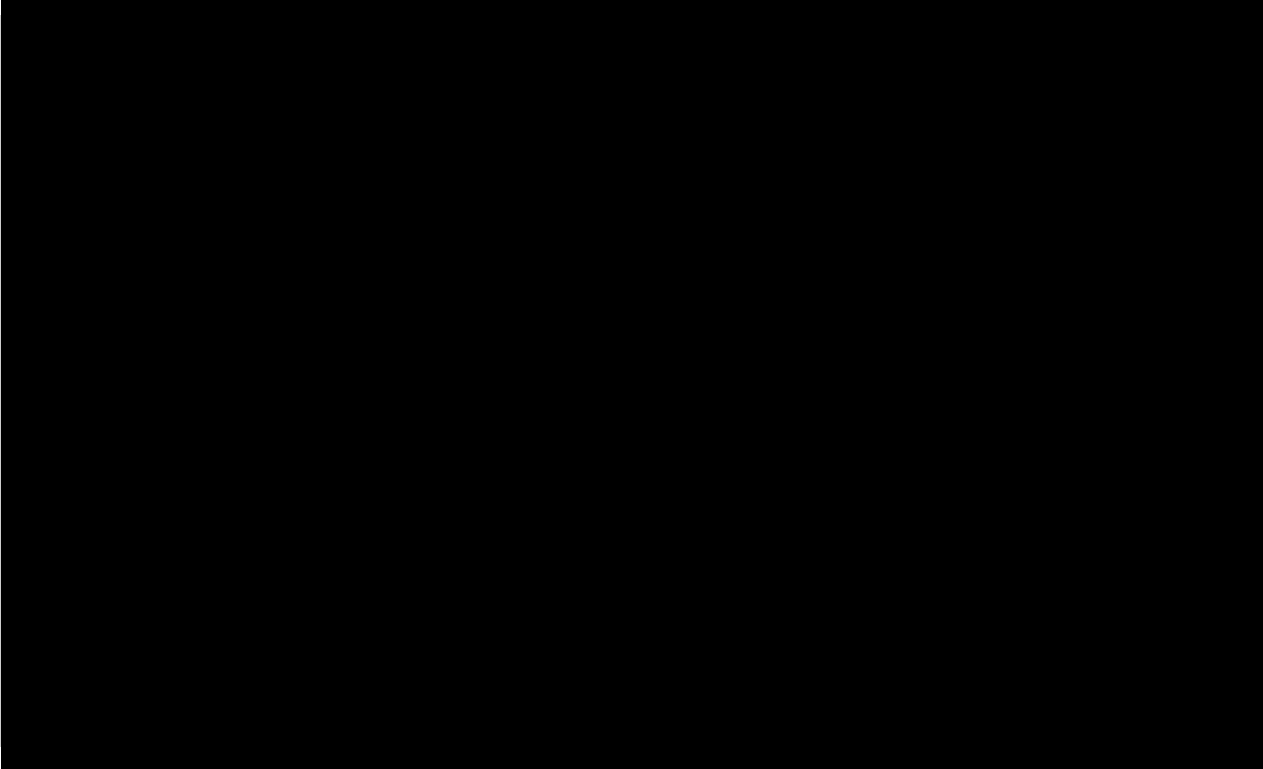
171. Notably, analysts quickly began to question why Lauder appeared disproportionately affected by the very market conditions it cited as compared to its competitors. For instance, on November 2, 2022, Evercore ISI observed that "Covid

restrictions in China have triggered significant retailer destocking — much greater than what L’Oréal indicated,” and posed the critical question: “Why Hainan destocking will carry into 2Q, given that sell-through was up +9% this 1Q, as per L’Oréal?” As established above and hidden from investors, the Company’s overdependence on the daigou gray market had rendered it uniquely vulnerable. With the Chinese government and retailers cracking down on illicit resale, Estée Lauder could no longer offload inventory into gray market channels, resulting in the now disclosed so-called “inventory management” problems.

172. Despite this partial disclosure, the Company continued to attempt to reassure investors. On November 2, 2022, the Company claimed it “anticipate[d] sequential acceleration . . . as these pressures begin to abate,” and described the COVID-related slowdown in Hainan as a “near-term temporary pause” that did “not diminish our deep conviction in Hainan for the long term.” These statements were materially false and misleading: the decline in sales was not a short-term disruption but a permanent loss of a revenue stream on which Estée Lauder had become overly reliant. The regulatory clampdown on daigou resellers by both the Chinese government and Estée Lauder’s primary travel retail partners meant the Company could no longer rely on that channel, regardless of whether other pandemic-related pressures subsided.

173. As discussed above,

[REDACTED]



174. Despite reassurances to the public, Estée Lauder’s stock continued to decline as further disclosures exposed the sustained deterioration in travel retail. On February 2, 2023, the Company again lowered its fiscal 2023 outlook, citing “disruption to travel and staffing levels in Hainan that slowed the expected normalization of inventory and the recently announced potential roll-back of COVID-related supportive measures in Korea duty free.” The market responded accordingly, and the Company’s stock declined by 4.41%, or \$12.39 per share, closing at \$268.41.

175. Yet again, Estée Lauder sought to downplay the severity of the

situation. During its Q2 FY23 earnings call on February 2, 2023, the Company claimed that “inventory levels are still coming down in Hainan,” and further stated that it was “sitting on a decent amount of inventory . . . to supply the sales that we expect to see in the fourth quarter.” These reassurances were once again materially false and misleading. The inventory Lauder touted as ready for sale was, in fact, stock that could no longer be funneled into the now-defunct daigou gray market. The Company’s travel retail business was impaired in a manner far more fundamental than Lauder acknowledged.

176. Analysts, relying on these false and misleading statements, continued to accept Defendants’ narrative. In response to the February 3, 2023 earnings call, Barclays Research stated: “we came away from the quarter feeling more comfortable on the visibility of Estee Lauder’s recovery in China and China Travel Retail (~34% of total company sales) particularly as in mainland China the company is outpacing the market and shipments were in-line with consumption.”

177. Internally, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

178. However, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

179. On May 3, 2023, the truth again became harder to obscure. Estée Lauder issued a press release disclosing financial results for Q3 FY23, and announced yet another reduction in its full-year guidance due to the slow recovery of its Asia travel retail segment. The market response was swift and severe as the Company's stock

declined more than 17%, falling \$42.52 per share and closing at \$202.70.

180. Despite the worsening financial picture, Estée Lauder *continued* to provide unsubstantiated and false reassurances of a rebound. During the Company's May 3, 2023 earnings call, Defendant Freda stated: "[e]ncouragingly, retail sales performance is significantly ahead of organic sales results in Global travel retail, which gives us confidence that the challenges in travel retail are abated with time." This statement was materially false and misleading. The 2022 regulatory crackdown on daigou in China had decimated a core component of Estée Lauder's sales infrastructure. These challenges were not transient, and they could not be expected to "abate with time."

181. The Company's misrepresentations on May 3, 2023 continued to obscure the true cause of its sales decline. Rather than confronting the fact that the daigou gray market had effectively been eliminated as a sales conduit, Estée Lauder continued to attribute declining sales to short-term disruptions. In doing so, the Company again materially misled investors as to the cause and scope of its financial underperformance.

182. By this point, Lauder's narrative was finally beginning to lose credibility with analysts. Deutsche Bank remarked: "[w]hile we appreciate the complexity of current challenges in EL's travel retail (TR) business, the sheer

magnitude of the reduced outlook and associated operating deleverage raises questions related to EL’s capabilities vis-à-vis demand forecasting, visibility, and supply-chain agility in its most profitable geography and channel.”

183. Nonetheless, Estée Lauder’s repeated reassurances continued to influence analyst sentiment. On the same day as the May 3, 2023 earnings call, Piper Sandler Research stated that “[w]e continue to see opportunity for good eventual tailwinds from China and Travel Retail,” and encouraged investors to “be patient here and take advantage of today’s weakness.” Similarly, Jefferies Research commented that “EL has been able to reclaim market share via promotions, and expects share gains to continue in Q4,” and that the “[r]ecovery in these markets is a good indicator of Hainan and Korea future performance.”

184. Company Production

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]




The Company Finally Concedes that Daigou Was the Key Factor Behind Travel Retail Sales Decline

185. On August 18, 2023, shortly before market close, Estée Lauder reported its financial results for the fourth quarter and full fiscal year ending June 30, 2023. The report revealed a significant decline in sales, primarily driven by the travel retail markets in China and South Korea. During the corresponding earnings call, Defendant Freda admitted that sales trends in the travel retail segment “deteriorated and turned steeply negative” due to regulatory enforcement actions targeting daigou activity.

186. Following this announcement, Estée Lauder’s stock fell by more than 3.3%, decreasing \$5.37 per share to close at \$156.69. The decline continued on the next trading day, August 21, 2023, with the stock dropping an additional 3.7%,

culminating in a combined two-day decline of 6.89%.

187. Even despite this admission, the Company continued to mislead investors about the full extent of its reliance on daigou as the primary driver of its sales drop. The Company downplayed the impact, characterizing daigou-related challenges as merely “short term headwinds,” and assured investors it had “no concerns whatsoever about travel retail growing with traveling consumers.”

188. As a result of these assurances, analysts once again accepted the Company’s narrative that daigou disruptions were not a long-term concern. For example, Piper Sandler Research noted on August 18, 2023, that daigou restrictions had negatively impacted traffic, especially in Hainan during May and June, and the Company was taking steps to adjust retailer inventory levels. The report concluded, however, that the issue appeared temporary, and that overall demand in mainland China remained promising: “We foresee this as a more transitory challenge, however, with overall demand in mainland China looking encouraging.”

189. Company Production

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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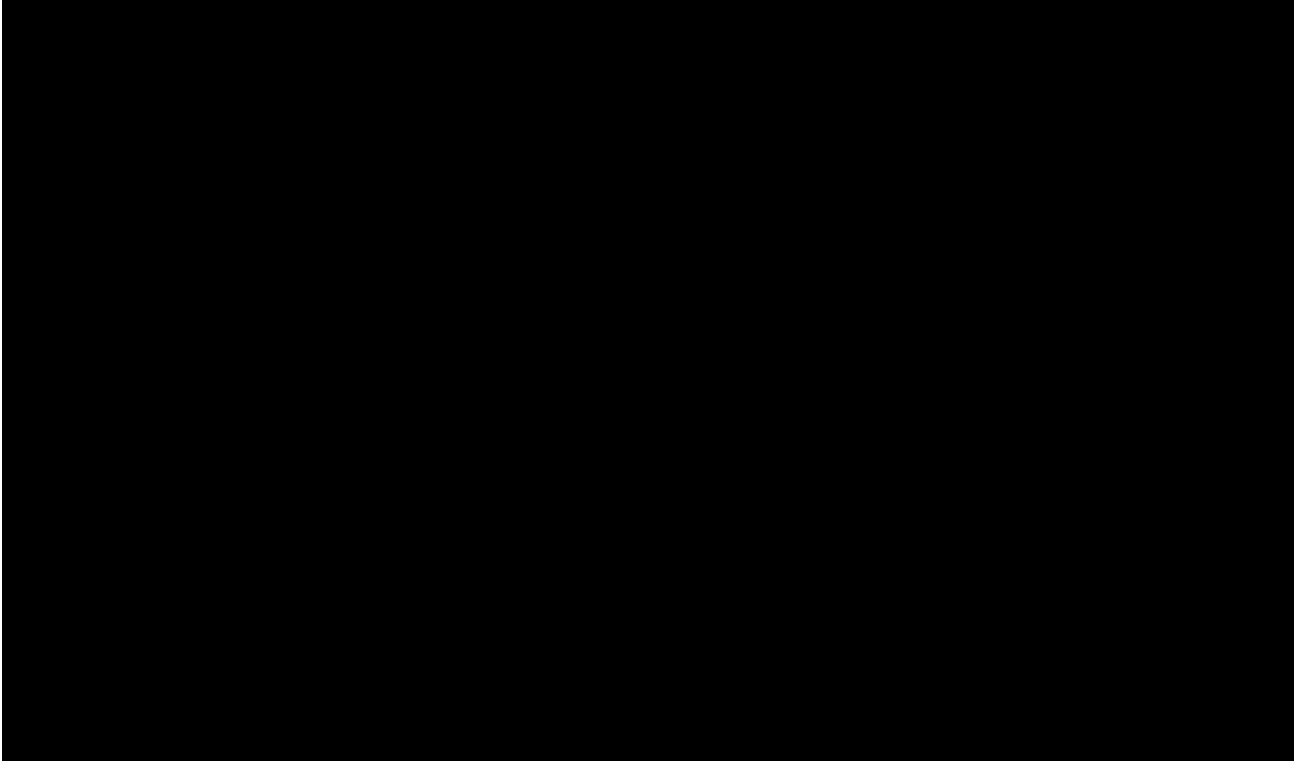

[Redacted]

190. Another

[Redacted]

[Redacted]

[Redacted]

191. The full extent of the problem was not revealed to the public until November 1, 2023, when Estée Lauder finally acknowledged that the ongoing decline in its net sales “primarily reflect[ed] a decline in our Asia travel retail business,” attributing it to inventory adjustments and “changes in government and retailer policies related to unstructured market activity,” a clear reference to the daigou crackdown. This marked the first time the Company explicitly disclosed that the drop in net sales, previously attributed to various other causes, was *primarily* driven by the suppression of gray market reselling. On this news, Estée Lauder’s stock plummeted nearly 19%, falling \$24.36 to close at \$104.51.

192. Following the announcement, *The Daily Telegraph* reported that “Estée Lauder shares have plunged to a six year low,” pointing to the Company’s admission regarding the impact of “changes in government and retailer policies related to unstructured market activity,” understood to mean China’s crackdown on daigou resellers.

193. Analysts also began to acknowledge the damage done to Estée Lauder’s credibility and brand. Barclays Research, for example, expressed concern on November 2, 2023, asking, “we wonder to what degree Estée Lauder's brand equities are already impaired as consumers have become accustomed to buying on discount . . . not to mention the amount of pantry inventory consumers already have at home.”

After the Relevant Period

194. In February 2024, Estée Lauder announced significant layoffs, affecting over 3,000 of its 62,000 employees. According to the Company, these job cuts were part of a broader, multi-year effort to restore profitability in 2025 and 2026. Commenting on the layoffs, Defendant Travis stated, “we are focused on strategically leveraging our strengths to accelerate our return to a more sustainable profitable growth while elevating our consumer activations and increasing our operating agility.” The layoffs represent a 3% to 5% global workforce reduction and were purportedly aimed at “right-sizing and streamlining select areas within” the

organization.

The Court in the Related Securities Action Found that Daigou Activity Was a Significant Driver of Estée Lauder’s Sales

195. On March 22, 2024, plaintiffs in the Securities Action filed an amended complaint. Subsequently, on March 31, 2025, the court issued an order denying the defendants’ motion to dismiss, expressly finding that the Company was reliant on daigou activity. In support of their allegations, plaintiffs in the Securities Action relied on statements from multiple former Estée Lauder employees (“FEs”), who collectively confirmed that the Company was overly dependent on daigou sales to drive growth in its travel retail segment.

196. The court held that the FEs’ accounts corroborated plaintiffs’ allegations that Estée Lauder relied heavily on daigou sales.¹ Specifically, the court found that the FEs’ former positions support the credibility of their statements. For example, FE-1 served as Regional Marketing Director of Travel Retail for the APAC region, overseeing two Estée Lauder brands from July 2022 to January 2023.² FE-2 was employed by Estée Lauder for more than a decade, concluding in mid-2021, and held the title of Senior Vice President for a sales region.³ FE-2 was responsible for

¹ *In re The Estée Lauder Co., Inc. Sec. Litig.*, No. 1:23-cv-10669-AS, Opinion and Order at 8 (S.D.N.Y. Mar. 31, 2025) (ECF No. 58) (the “Order”).

² Order at 9.

³ *Id.*

demand planning, supply chain and financial planning, and attended regional financial review meetings.⁴ According to FE-2, Estée Lauder maintained visibility into sales performance through very detailed sell-through and sales reporting information from its retail partners and the ability to trace the distribution of high-end products.⁵ FE-3 was part of senior leadership within the Company’s travel retail division for the EMEA region and alleged that daigou activity directly influenced supply allocation decisions.⁶ FE-3 further stated that Estée Lauder had a dedicated team within travel retail focused specifically on analyzing daigou sales.⁷

197. The court also pointed to the Company’s own public disclosures as evidence of its reliance on daigou activity. In particular, the court cited a November 1, 2023, disclosure in which the Company attributed declining travel-retail sales “primarily due to our and our retailers’ actions to reset retailer inventory levels, and changes in government and retailer policies related to unstructured market activity.”⁸ The court concluded that “daigou sales were a major driver of Estée Lauder’s travel-retail sales, and the 2022 crackdown had a strong negative effect on those sales.”⁹

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 9-10.

⁸ *Id.* at 10.

⁹ *Id.*

**DEFENDANTS' FALSE AND MISLEADING
STATEMENTS AND OMISSIONS**

198. As detailed above, after experiencing years of strong growth in its travel retail segment, Estée Lauder faced declining net sales during the Relevant Period due to its overdependence on gray market sales driven by daigou resellers. Rather than acknowledge this reality, Defendants made a series of misrepresentations to the public and its investors throughout the Relevant Period, concealing the true source of growth behind the Company's travel retail revenue and the actual reasons behind the sales downturn in its Asia travel retail business.

199. These false and misleading statements, as detailed herein, either inflated or artificially sustained the price of Estée Lauder common stock and amounted to a fraud or deception against all individuals and entities that purchased or otherwise acquired the securities during the Relevant Period. Having chosen to make public statements on these matters, Defendants had a duty to disclose all material facts truthfully and fully. Instead, they presented a misleading picture of Lauder's operations that materially differed from reality. To the extent any of these statements were opinions, they were also misleading because they lacked a reasonable factual basis—Defendants knew that the Company's growth in travel retail was fueled by supplying daigou channels and that regulatory crackdowns on such activity materially affected net sales.

February 3, 2022 – Second Quarter 2022 Financial Results

200. The Relevant Period began on February 3, 2022, when Estée Lauder filed its Form 10-Q with the SEC reporting financial results for the second fiscal quarter ended December 31, 2021, signed by Defendant Travis. In the filing, Defendants claimed:

Net sales increased in our travel retail business in both periods, reflecting continued strength of our brands with the Chinese consumer, the easing of travel restrictions, which drove increased traffic levels compared to the prior-year periods, and continued success of hero product franchises from La Mer, Origins, Clinique, Jo Malone London and Tom Ford Beauty.

Emphasis added.

201. This statement was materially false and misleading because it failed to disclose that the reported growth in travel retail net sales was driven largely by gray market sales through daigou resellers. Instead, the statement attributed the increase to sustainable drivers such as brand strength and eased travel restrictions, when in fact the true driver was Estée Lauder's reliance on daigou activity during the reporting period (October 1 through December 31, 2021).

202. By attributing sales growth to legitimate and sustainable factors such as the strength of the Estée Lauder brand, Defendants misrepresented the true nature of the Company's performance and concealed its dependency on the inherently unstable and undisclosed daigou market. Simply put, the core driver of growth was not

“continued strength of our brands with the Chinese consumer,” but unsustainable (and purposely disguised) gray market sales.

203. The court in the Securities Action found that this statement was an “actionable omission,” explaining that “[w]hat matters is that Estée Lauder touted the reasons for its success while leaving out the parts of the truth it found inconvenient. The telling of half-truths--that’s what the securities laws don’t tolerate.”¹⁰

February 3, 2022 – Second Quarter 2022 Earnings Press Release

204. On February 3, 2022, Estée Lauder filed a current report on Form 8-K with the SEC, covering the second fiscal quarter ended December 31, 2021 (the “2Q22 Earnings Press Release”). This report was signed by Defendant Travis. The press release stated:

Global travel retail sales increased double digits, reflecting continued growth from Asia/Pacific, despite ongoing travel restrictions there during much of the second quarter of fiscal 2022. Net sales also grew from Europe, the Middle East & Africa and The Americas as the partial lifting of travel restrictions, specifically in the United Kingdom and the United States, increased traffic and supported the reopening of doors.

Emphasis added.

205. The above statements made by Defendants on February 3, 2022, were

¹⁰ Order at 6-7.

materially false and misleading for the reasons outlined herein. Specifically, the 2Q22 Earnings Press Release misrepresented the source of travel retail sales growth by attributing it to continued growth from the Company's Asia/Pacific market. In reality, the primary driver of these sales was, instead, daigou gray market resale activity in China – an unsustainable practice that the Company had previously denied engaging in.

May 3, 2022 – Third Quarter 2022 Earnings Call

206. On May 3, 2022, Defendants conducted a conference call to discuss Estée Lauder's financial results for the third fiscal quarter ended March 31, 2022 (the "3Q22 Earnings Call"). During the call, in response to an analyst's question about China, Defendant Freda stated:

But also, we have seen historically, that also the bounce-back can be very strong, because when this restriction finish, people travel domestically very fast and very happily. And *so the confidence into Hainan future is unchanged—actually increased—given the incredible development of the place* and the confidence in online is very strong.

Emphasis added.

207. These statements were materially false and misleading because they projected unchanged or increased "confidence" in the future of Hainan while omitting the significant impact of regulatory crackdowns on daigou activities that began on January 1, 2022 and of which the Company was aware. These measures

substantially reduced Estée Lauder’s ability to rely on daigou resale for travel retail growth. The Company failed to disclose that its net sales were likely to decline as a result of losing access to this gray market sales channel. Moreover, the statements misattributed growing “confidence” to Hainan’s development, ignoring the fact that such growth had been fueled largely by risky, unsustainable daigou market practices.

208. The court in the Securities Action found this statement actionable, explaining that was not “just ‘rah-rah’ sentiment[] about the future,” but instead, “the speaker offers glimmering predictions about future sales or prospects in China based on misrepresentations of the present-day facts on the ground.”¹¹

June 2, 2022 – Bernstein Strategic Decisions Conference

209. On June 2, 2022, Defendant Freda participated in the Bernstein Strategic Decisions Conference, where he stated:

Then I believe that one of the most important opportunities globally in beauty is the development of the Hainan duty-free space, which we believe is just the beginning of the journey.

...

And that’s explained – by the way, *the incredible results in travel retail* during the COVID Western lockdowns [were] *because Hainan was more than substituting the amount of travelers in airports around the world* just because it was domestic travel duty-free in China. *So huge opportunity, this will continue.*

¹¹ Order at 10-11.

Emphasis added.

210. Defendant Freda's statements during this conference were materially false and misleading. During the event, an analyst also asked whether intermittent COVID-related lockdowns in China during 2022 would affect the Company's involvement in upcoming promotional events. In response, Freda reiterated Lauder's "incredible results in travel retail during the COVID Western lockdowns."

211. However, earlier in the same presentation, Freda had clarified that "COVID Western lockdowns" referred specifically to travel restrictions in the U.S. and Europe during 2020. Thus, his remarks about Estée Lauder's exceptional travel retail performance were referencing 2020 results. These statements were misleading because the Company's 2020 travel retail sales were primarily driven by daigou gray market activity, not actual consumer foot traffic in Hainan. Therefore, attributing the strong sales to Hainan substituting for global airport travelers materially misrepresented the true source of that growth. In reality, the sales were not the result of increased legitimate travel retail activity in Hainan, but rather driven by unsustainable daigou market resale practices.

212. The court in the Securities Action found this statement to be a "half-truth" because Freda "points to the volume of travelers but leaves out daigou."¹²

¹² Order at 6-7.

August 18, 2022 – Fourth Quarter 2022 Earnings Call

213. On August 18, 2022, Defendants held a conference call to discuss the Company's financial results for the fourth quarter of fiscal year 2022, ending June 30, 2022 (the "4Q22 Earnings Call"). When asked about the Company's market share performance in China as supply normalized, Defendant Freda responded:

[W]e do expect for the full year, China to go back growing double digit. We expect strong recovery in Hainan in the second part, in the second semester of the fiscal year, for sure, a gradual recovery before. That's our assumption, which obviously is going to give us also results in market share.

...

We believe the Hainan -- despite the current lockdown, which is obviously painful in the short term, but is a super strong opportunity for the long term, *the power of Hainan in the future remain[s] intact, and we have strong presence and market share in this operation.*

Emphasis added.

214. This statement was materially false and misleading. Freda failed to disclose that Estée Lauder had previously relied heavily on daigou gray market sales to drive growth in Hainan, and that this channel had since deteriorated. His remarks about a "strong presence" and "market share" omitted the unsustainable foundation of that success — namely, daigou resale, which the Company *knew* it could no longer depend on due to regulatory crackdowns.

215. The court in the Securities Action called this statement another forward-

looking statement containing “half-truths.”¹³

November 2, 2022 – First Quarter 2023 Earnings Press Release & First Partial Corrective Disclosure

216. On November 2, 2022, Estée Lauder filed its 8-K for the first quarter of fiscal 2023, ending September 30, 2022 (the “1Q23 Earnings Press Release”), signed by Defendant Travis. In it, the Company lowered its full-year financial outlook, explaining:

For fiscal 2023, we are lowering our outlook *primarily to reflect tighter inventory management in Asia travel retail*, given reduced traffic as a result of COVID-19 restrictions, tightening of inventory by some retailers in the United States, and a greater negative impact from the far-stronger U.S. dollar. *We anticipate sequential acceleration to strong organic sales and adjusted EPS growth in the second half of our fiscal year as these pressures begin to abate*, momentum continues to build in other areas of our business, and our ongoing investments in innovation and advertising drive growth. Our optimism in the long-term growth opportunities for our brands and for prestige beauty remains intact. Reflecting our confidence, today we raised our quarterly dividend.

Emphasis added.

217. These statements constituted the Company’s first partial corrective disclosure, as it finally publicly acknowledged weakness in its Asia travel retail segment. However, the Company continued to mislead investors by framing these issues as temporary. Defendant Freda’s assurances were materially false and

¹³ Order at 10

misleading; he failed to disclose that Lauder’s past travel retail performance had been artificially inflated by daigou sales, by then an illegal and unsustainable practice. References to “strong organic sales” ignored the fact that such growth had long been propped up by daigou channels, which were no longer viable under Chinese law.

218. The court in the Securities Action classified this statement as another “half-truth.”¹⁴

February 2, 2023 – Second Quarter 2023 Earnings Call & Second Partial Corrective Disclosure

219. On February 2, 2023, the Company held an earnings call to discuss its second quarter results for fiscal year 2023, ending December 31, 2022 (the “2Q23 Earnings Call”). During the call, Defendant Travis addressed questions about supply chain management in China:

We do expect that – we will – two things, one is *inventory levels are still coming down in Hainan*. They are almost at the level that we would expect sales to accelerate. *So yes, we should start to see an inventory build related to the shipments that we expect to see in Q4*.

In Korea, again, the pace is a little bit more uncertain given the transitory nature of what’s going on right now. So we do anticipate, as I mentioned in the prepared remarks, that we will start to see resumption of travel in Korea. And depending on the pace of that resumption, that will depend on the amount of shipments that we have in the quarter. But we have taken obviously an assumption there. *We are sitting on a*

¹⁴ Order at 10.

decent amount of inventory even in our own warehouses to supply the sales that we expect to see in the fourth quarter.

Emphasis added.

220. This statement accompanied the Company’s second partial corrective disclosure, in which it again lowered its full-year forecast due to inventory and travel retail issues. Nonetheless, Defendants once again sought to reassure investors with continued false and misleading commentary. Travis’s remarks were materially false and misleading, as they ignored the role that daigou crackdowns played in driving inventory and sales disruptions: a structural issue, not a temporary one.

221. The court in the Securities Class Action noted that this was another example of a forward-looking statement that also included a misleading “present-day half-truth.”¹⁵

May 3, 2023 – Third Quarter 2023 Earnings Call & Third Partial Corrective Disclosure

222. On May 3, 2023, during a call discussing Lauder’s third quarter financials for the period ending March 31, 2023 (the “3Q23 Earnings Call”), the Company announced another downward revision to its fiscal year 2023 guidance due to the sluggish recovery of Asia’s travel retail markets.

223. Despite this admission, Defendants continued to offer misleading

¹⁵ Order at 10.

reassurances. Defendant Freda stated:

Our retail sales growth was even stronger than organic sales growth in many markets around the world, including China and the US. ***Encouragingly, retail sales performance is significantly ahead of organic sales results in Global travel retail, which gives us confidence that the challenges in travel retail are abated with time.***

Emphasis added.

224. On the same call, Defendant Travis added:

I think the thing that gives us more comfort now on a more continuous steady progression of recovery is the fact that the COVID restrictions have been lifted. And so ***what we were experiencing before with our travel retail business is the volatility related to just some of the COVID restrictions and the flow of traffic in travel and people's comfort with travel, so that gives us more comfort that we're going to see a recovery.***

Emphasis added.

225. These remarks accompanied the Company's third partial corrective disclosure, as Estée Lauder again cut FY23 guidance as a result of the slow recovery of travel retail markets in Asia. However, the statements were materially false and misleading as they wrongly attributed travel retail volatility to COVID-related travel patterns, omitting the central issue: the Chinese government's aggressive enforcement against daigou activity. The suppression of daigou was the main cause of declining travel retail performance, not temporary pandemic-related dips in the market.

226. The court in the Securities Action determined that while this statement

included an opinion, it is “nevertheless actionable.”¹⁶ The court went on to explain that Travis’s statement “misleadingly omits one of the decline’s other causes, namely ‘daigou gray market crackdowns.’”¹⁷

August 18, 2023 – Fourth Quarter 2023 Earnings Call & Fourth Partial Corrective Disclosure

227. On August 18, 2023, Estée Lauder held an earnings call for the fourth quarter of fiscal 2023 (the “4Q23 Earnings Call”). Although the Company acknowledged the impact of daigou enforcement on the year’s earnings, Defendant Travis downplayed the severity:

And we have no concerns whatsoever about travel retail growing with traveling consumers. It's a timing issue for us right now. And so I just want to really underscore that. It's a pretty -- it's having a timing issue that's having a big shortterm temporary impact for us. But we are not concerned at all about what we have shared with you in the past in terms of our strategy to continue to grow travel retail globally and certainly in all of our markets in Asia.

Emphasis added.

228. This statement was released by the Company alongside the fourth partial corrective disclosure in its financial results released for the fourth fiscal quarter of 2023 and fiscal year ended June 30, 2023, in which Lauder reported a substantial sales decline, largely driven by weakening travel retail performance in

¹⁶ Order at 11.

¹⁷ *Id.* at 12.

China and South Korea. Travis’s comments were materially false and misleading. By describing the impact of daigou crackdowns as merely a “timing issue” or “short-term,” Defendants misrepresented the reality and severity of the situation for the Company. The drop in sales was not a temporary setback — it was the result of *permanent* regulatory changes that dismantled the gray-market daigou sales model Estée Lauder had long relied on to support its much touted sales in its Asia market.

229. In the Securities Action, the court found that the statement constituted yet another “half-truth.”¹⁸ The court explained that, as with earlier statements made by the Company on May 3, 2022, August 18, 2022, November 2, 2022, and February 2, 2023, the Defendants “attribute current lags in sales to transitory issues like temporary COVID-19 lockdowns, inventory issues, or the strong U.S. dollar while neglecting to mention that the daigou crackdown was a driver of the sales drop.”¹⁹

INSIDER SELLING

230. Rather than disclosing accurate information about the Company to the market, Defendants Barshefsky, Freda, Haney, Hudis, Hyman, R. Lauder, J. Lauder, O’Hare, and Sternlicht (the “Insider Selling Defendants”) exploited their access to material, nonpublic information concerning Estée Lauder’s actual business condition

¹⁸ Order at 10.

¹⁹ *Id.* at 11.

to sell shares of their personally held Company stock at prices that were artificially inflated during the Relevant Period. As officers and directors of Estée Lauder, these individuals were privy to confidential information regarding the Company’s true operational and financial health and they exploited this knowledge for personal gain. Significantly, the insider sales identified below occurred after Chinese authorities began cracking down on daigou activity:

231. While in possession of material, nonpublic information, Defendant Barshefsky sold 2,954 shares of her Estée Lauder stock for proceeds of approximately \$550,000. Her sales were timed to maximize profit from the Company’s artificially inflated stock price during the Relevant Period.

Insider Defendant Barshefsky	Transaction Date	Shares Sold	Price	Proceeds
	5/11/2022	1,158	\$238.84	\$276,676.72
	8/23/2023	1,796	\$151.93	\$272,866.28
Total		2,954		\$549,443.00

232. While in possession of adverse, nonpublic information regarding Estée Lauder’s business condition, Defendant Freda sold 166,164 shares of his personally held Company stock, resulting in proceeds of approximately \$44.4 million. His sales were similarly timed to take advantage of the inflated stock price. These transactions are suspect given that they comprised over 13% of his holdings during the same period.

233. Notably, Freda executed a sale on March 11, 2022, shortly after the Company raised its fiscal year 2022 guidance. He also sold shares on August 25, 2022, immediately following his issuance of a materially false and misleading statement during the 4Q22 Earnings Call concerning the strength of travel retail in Hainan. Moreover, his sale on February 1, 2023, is highly suspicious, occurring just one day before the Company partially disclosed adverse information that caused a decline in its stock price.

Insider Defendant Freda	Transaction Date	Shares Sold	Price	Proceeds
	3/11/2022	38,118	\$264.37	\$10,077,255.66
	3/11/2022	24,046	\$265.30	\$6,379,403.80
	3/11/2022	8,558	\$266.40	\$2,279,851.20
	3/11/2022	14,500	\$267.68	\$3,881,360.00
	3/11/2022	25,714	\$269.20	\$6,922,208.80
	3/11/2022	14,656	\$270.40	\$3,962,982.40
	3/11/2022	2,327	\$271.10	\$630,849.70
	8/25/2022	19,709	\$268.01	\$5,282,209.09
	1/23/2023	11,705	\$270.00	\$3,160,350.00
	2/01/2023	6,831	\$280.00	\$1,912,680.00
Total		166,164		\$44,489,150.65

234. While in possession of material, nonpublic information, Defendant Haney sold 24,117 shares of his personally held Estée Lauder stock, generating proceeds of approximately \$6.1 million. These transactions are suspect as they represented over 71% of his holdings during the Relevant Period. In addition, he sold shares on February 15, 2022, and between September 7 and 9, 2022 – both shortly following the Company’s release of positive fiscal year 2022 and 2023 guidance

respectively.

Insider Defendant Haney	Transaction Date	Shares Sold	Price	Proceeds
	2/15/2022	1,152	\$307.94	\$354,746.88
	5/26/2022	1,965	\$237.92	\$467,512.80
	5/27/2022	671	\$253.55	\$170,132.05
	6/03/2022	548	\$263.88	\$144,606.24
	9/07/2022	2,481	\$247.34	\$613,650.54
	9/09/2022	5,109	\$251.86	\$1,286,752.74
	9/09/2022	2,450	\$252.45	\$618,502.50
	2/13/2022	9,741	\$253.90	\$2,473,239.90
Total		24,117		\$6,129,143.65

235. While in possession of material, nonpublic information, Defendant Hudis sold 68,103 shares of her personally held Estée Lauder stock for proceeds of approximately \$14.4 million. Her sales were strategically timed to profit from the inflated stock price and are suspicious in that they represented 77% of her total holdings during the Relevant Period. Furthermore, she sold shares on August 25, 2022, immediately after the Company released an optimistic fiscal year 2023 outlook.

Insider Defendant Hudis	Transaction Date	Shares Sold	Price	Proceeds
	5/11/2022	8,256	\$230.69	\$1,904,576.64
	8/25/2022	3,887	\$274.01	\$1,065,076.87
	8/25/2022	2,780	\$274.70	\$763,666.00
	5/11/2023	43,111	\$202.09	\$8,712,301.99
	5/11/2023	100	\$202.75	\$20,275.00
	5/11/2023	100	\$202.76	\$20,276.00
	5/16/2023	2,799	\$198.85	\$556,581.15
	5/16/2023	4,965	\$199.99	\$992,950.35
	5/16/2023	545	\$200.78	\$109,425.10
	5/16/2023	1,560	\$201.50	\$314,340.00

Total		68,103		\$14,459,469.10
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236. While in possession of material, nonpublic information, Defendant Hyman sold 5,234 shares of her personally held Estée Lauder stock for proceeds of nearly \$1.4 million. Her sales were timed to capitalize on the artificially inflated stock price and represented over 48% of her holdings during the Relevant Period.

Insider Defendant Hyman	Transaction Date	Shares Sold	Price	Proceeds
	2/03/2023	1,000	\$267.07	\$267,070.00
	2/03/2023	389	\$269.35	\$104,777.15
	2/03/2023	3,845	\$266.58	\$1,025,000.10
Total		5,234		\$1,396,847.25

237. While in possession of adverse, nonpublic information, Defendant J. Lauder sold 32,693 shares of her personally held Company stock for proceeds of approximately \$6.8 million. Her sales were timed to benefit from the Company's inflated stock price.

Insider Defendant J. Lauder	Transaction Date	Shares Sold	Price	Proceeds
	5/04/2022	3,600	\$243.68	\$877,248.00
	5/04/2022	5,854	\$244.66	\$1,432,239.64
	5/04/2022	3,429	\$245.76	\$842,711.04
	5/04/2022	6,849	\$246.51	\$1,688,346.99
	5/04/2022	300	\$247.33	\$74,199.00
	8/23/2023	12,661	\$152.75	\$1,933,967.75
Total		32,693		\$6,848,712.42

238. While in possession of material, nonpublic information, Defendant R.

Lauder sold 700,000 shares of his personally held Estée Lauder stock, generating proceeds of nearly \$215 million. His sales were strategically timed to capitalize on the Company’s artificially inflated stock price. These transactions are particularly suspicious given that they represented more than 12% of his holdings during the Relevant Period.

Insider Defendant R. Lauder	Transaction Date	Shares Sold	Price	Proceeds
	2/10/2022	700,000	\$307.08	\$214,956,000.00
Total		700,000		\$214,956,000.00

239. While in possession of material, nonpublic information, Defendant O’Hare sold 18,507 shares of his personally held Company stock for proceeds of approximately \$5.6 million. His sales, which accounted for nearly 66% of his holdings during the Relevant Period, were made on February 4, 2022, and September 7, 2022 – both shortly following the Company’s release of positive fiscal year 2022 and 2023 guidance respectively.

Insider Defendant O’Hare	Transaction Date	Shares Sold	Price	Proceeds
	2/04/2022	16,389	\$309.88	\$5,078,623.32
	9/07/2022	2,118	\$247.08	\$523,315.44
Total		18,507		\$5,601,938.76

240. While in possession of adverse, nonpublic information, Defendant Sternlicht sold 4,736 shares of his personally held Company stock for proceeds of

nearly \$1.3 million. Notably, he sold shares on August 25, 2022, shortly after the Company disclosed an optimistic guidance for fiscal year 2023.

Insider Defendant Sternlicht	Transaction Date	Shares Sold	Price	Proceeds
	8/25/2022	2,700	\$274.01	\$739,827.00
	8/25/2022	2,036	\$274.71	\$559,309.56
Total		2,954		\$1,299,136.56

241. Importantly, with the exception of defendant Freda’s sales on January 23, 2023, and February 1, 2023, none of the insider sales described above were executed pursuant to a Rule 10b5-1 trading plan.

242. In total, the Insider Selling Defendants collectively sold over \$295 million worth of Estée Lauder stock while in possession of material, nonpublic information and while the stock was trading at artificially inflated prices.

**SUMMARY OF THE INDIVIDUAL DEFENDANTS’
WRONGFUL CONDUCT**

243. The Individual Defendants breached their fiduciary duties because they allowed or permitted the Company to disseminate false and misleading statements. Additionally, the Company’s SEC filings and omissions caused the above-discussed internal failures caused or allowed by the illicit activity described in this Complaint.

244. The Individual Defendants breached their fiduciary duties because they failed to maintain an adequate system of oversight, disclosure controls, and procedures.

245. The Individual Defendants breached their fiduciary duties to Estée Lauder because they willfully or recklessly made and/or caused the Company to make false and/or misleading statements and omissions of material fact regarding, at least, Forms 8-K, Proxy, press releases, and soliciting materials described in this complaint. Defendants signed and authorized the SEC filings that were false and misleading because the Defendants falsely stated/or failed to disclose the following on their watch that: (i) that the Company was relying on the daigou market to bolster sales to its China and South Korea travel retail channels despite its anti-daigou policies and claims to the contrary; (ii) the extent to which the Company relied upon daigou market channels to offload excess product during the Covid-19 pandemic; (iii) the extent to which regulatory changes to daigou-related policies in China affected the Company's sales in its Asian-Pacific travel retail channels; and (vi) the risk to and over-estimate of revenue of the Company's travel retail channels in Asia, (v) the resulting falsely inflated stock prices of the Company, and (vi) therefore, the Company's communications to the public were substantially misleading throughout the Relevant Period.

DAMAGES TO ESTÉE LAUDER

246. As a direct and proximate result of the Individual Defendants' conduct, Estée Lauder has suffered a loss of 57.51% of its market capitalization, or a loss of

almost \$41 billion.

247. Additionally, these expenditures include, but are not limited to, lavish compensation and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company.

248. As a direct and proximate result of the Director Defendants' conduct, Estée Lauder has also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will plague the Company's stock in the future due to the Company's and their misrepresentations and the Director Defendants' breaches of fiduciary duties.

249. Moreover, losses to the Company also include, but are not limited to, legal fees associated with the federal securities lawsuit filed against the Company, its former CEO, and former CFO, any internal investigations, and amounts paid to outside lawyers, accountants, and investigators in connection thereto.

250. On March 31, 2025, the court in the Securities Class Action denied the Defendants' motion to dismiss. The court emphasized the Company's failure to disclose its dependence on daigou sales and the negative impact China's crackdown on daigou activity would have on travel retail revenue. The court found that daigou sales were "omitted sources of revenue" and concluded that Estée Lauder "touted the reasons for its success while leaving out the parts of the truth it found

inconvenient. The telling of half-truths—that’s what the securities laws don’t tolerate.”²⁰

251. In denying the motion to dismiss, the court held that the complaint sufficiently alleged that the defendants misled investors by entirely omitting the Company’s reliance on daigou sales.²¹ The court also credited the former employee accounts included in the complaint, noting they substantiated that Estée Lauder understood the extent of its dependence on daigou sales based on the former employees’ roles within the Company.²² Accordingly, the court found that the complaint “plausibly alleges, based on defendants’ own disclosures, that daigou sales were a major driver of Estée Lauder’s travel-retail sales, and the 2022 crackdown had a strong negative effect on those sales.”²³

252. The court further found that the plaintiffs had adequately alleged scienter.²⁴ It cited the plaintiffs’ detailed allegations, which included extensive information pointing to daigou activity, public statements by defendants Travis and Freda addressing daigou, and their close monitoring of travel-retail sales data.²⁵ The

²⁰ Order at 6-7.

²¹ Order at 7-8.

²² Order at 8-9.

²³ Order at 10.

²⁴ Order at 12-14.

²⁵ Order at 13.

complaint also alleged that Estée Lauder maintained an entire team dedicated to analyzing daigou sales.²⁶ The court imputed Travis and Freda's intent to the Company. As a result, Estée Lauder has suffered, and continues to suffer, harm as a result of the Individual Defendants' misconduct.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

253. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress injuries suffered and to be suffered as a direct and proximate result of the breaches of fiduciary duties and gross mismanagement by the Individual Defendants.

254. Plaintiff will adequately and fairly represent the interests of the Company in enforcing and prosecuting its rights and has retained counsel competent and experienced in derivative litigation.

255. Plaintiff is a current owner of the Company stock and has continuously owned Company stock during all times relevant to the Individual Defendants' wrongful course of conduct alleged herein.

256. Plaintiff understands her obligation to hold stock throughout the duration of this action and is prepared to do so.

257. During the illegal and wrongful course of conduct at the Company and

²⁶ Order at 13.

through the present, the Board consisted of the Individual Defendants.

258. Because of the facts set forth throughout this Complaint, demand on the Company Board to institute this action is not necessary because such a demand would have been a futile and useless act, and Plaintiff has not made (and should be excused from making) a pre-filing demand on the Board to initiate this action.

259. The Company Board is currently comprised of fourteen members: Defendants Barshefsky, Dong, Fribourg, Hyman, J. Lauder, W. Lauder, Nuñez, de Rothschild, Sternlicht, Tejada, and Zannino (collectively, the “Director Defendants”), as well as non-parties de La Faverie, G. Lauder, and Zinterhofer (the “Board”). Thus, Plaintiff is only required to show that a majority of the Board, *i.e.*, seven, cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action.

260. Each of the Director Defendants approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from the Company’s stockholders or recklessly and/or with gross negligence disregarded the wrongs complained of herein and are therefore not disinterested parties.

261. Each of the Director Defendants authorized and/or permitted the false statements to be disseminated directly to the public and made available and

distributed to shareholders, authorized and/or permitted the issuance of various false and misleading statements, and are principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully prosecute such a suit even if they instituted it.

Defendant J. Lauder

262. Director Defendant J. Lauder is not disinterested or independent, and therefore is incapable of considering demand because she is a member of the Lauder family, the Company's controlling stockholders. Moreover, she was at all relevant times, an employee (Executive Vice President, Enterprise Marketing and Chief Data Officer) who derived substantially all of her wealth and livelihood from her relationship with the Company. The lack of independence and financial benefits received by her renders her incapable of impartially considering a demand to commence and vigorously prosecute this action.

263. In addition, J. Lauder, while in possession of material non-public information, sold 32,693 shares of the Company's stock at various prices per share for a windfall of \$6,848,712.42, and these sales demonstrate her motive in facilitating and participating in the misleading statements. As a result of her insider selling, J. Lauder may be personally subject to disgorgement and thus demand upon her is futile and, therefore, excused.

Defendants Barshefsky, Hyman, and Sternlicht

264. Defendants Barshefsky, Hyman, and Sternlicht, while in possession of material non-public information, sold 2,954, 5,234, and 4,736 shares of the Company's stock at various prices per share for a windfall of \$549,443.00, \$1,396,847.35, and \$1,299,136.56 respectively, and these sales demonstrate their motives in facilitating and participating in the misleading statements. As a result of their insider selling, Barshefsky, Hyman, and Sternlicht may be personally subject to disgorgement, and thus demand upon them is futile and, therefore, excused.

Defendants Dong, Fribourg, Hyman, Nuñez, Tejada, and Zannino

265. Defendants Dong, Fribourg, Hyman, Nuñez, Tejada, and Zannino (the "Audit Committee Defendants") are not disinterested or independent and, therefore, are incapable of considering demand because they serve as members of the Audit Committee. Pursuant to the Audit Committee's Charter, the purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities related to, inter alia, accounting, legal, regulatory, and public disclosure requirements. Thus, these Audit Committee Defendants were responsible for knowingly or recklessly allowing the improper statements. Further, these Audit Committee Defendants reviewed and approved the improper press releases made to the public. Despite their knowledge or reckless disregard, these Audit Committee Defendants

caused these improper statements.

266. For these reasons, Dong, Fribourg, Hyman, Nuñez, Tejada, and Zannino breached their fiduciary duties, face a substantial likelihood of liability, are not independent or disinterested, and thus demand upon them is futile and, therefore excused.

Defendant de Rothschild

267. Defendant de Rothschild shares longstanding personal and business ties with the Lauder family, which would make it difficult for her to independently investigate either R. Lauder or J. Lauder for inside trading.

268. Both defendants W. Lauder and de Rothschild are affiliated with the Council for Inclusive Capitalism (the “Council”), a global nonprofit organization that partners with business leaders to implement profitable private sector initiatives. Defendant de Rothschild co-founded the Council and has served as its Co-Chair since 2000.

269. The de Rothschild and Lauder families have maintained connections extending beyond professional affiliations, regularly attending the same high-profile social events and sharing overlapping social circles, as has been documented by articles and photographs for years. For example, in 2002, defendant de Rothschild and Leonard Lauder both attended a prominent New York charity

gala:²⁷



© WireImage
At a New York charity gala with Estée Lauder bosses Leonard and Evelyn Lauder in 2002

270. In her role as Chair of the American Patrons of Tate in 2007, de Rothschild secured the support of then-Prime Minister Tony Blair, who hosted a fundraising gala. Defendant R. Lauder, along with two fellow Museum of Modern Art trustees, purchased a table at the event for \$50,000.

271. In April 2010, de Rothschild and Leonard Lauder attended the CANCER RESEARCH INSTITUTE’S “Through The Kitchen” party at The Four

²⁷ Woods, “The Multimillion-Dollar Question – Can We Really Have It All? Self-Made Magnate Lynn Forester De Rothschild on ever Working Mother’s Dilemma,” Photo, DailyMail.com (Oct. 19, 2013), <https://www.dailymail.co.uk/home/you/article-2464672/The-multimillion-dollar-question--really-Self-magnateLynn-Forester-De-Rothschild-working-mothers-dilemma.html>.

Seasons:²⁸



272. In September 2010, both Defendants again appeared together at the Alzheimer's Drug Discovery Foundation's inaugural luncheon at The Pierre Hotel in New York City:²⁹

²⁸ Photo, Will Ragozzino/Patrick McMullan via Getty Images (Apr. 25, 2010), <https://www.gettyimages.com/detail/news-photo/lady-lynn-de-rothschild-and-leonard-lauder-attend-cancer-newsphoto/818781446?>

²⁹ Photo, Jackie Snow/Patrick McMullan via Getty Images (Sept. 22, 2010), [gettyimages.com/detail/news-photo/lynn-de-rothschild-leonard-lauder-and-paula-root-attend-news-photo/818057974?](https://www.gettyimages.com/detail/news-photo/lynn-de-rothschild-leonard-lauder-and-paula-root-attend-news-photo/818057974?)



273. Non-party G. Lauder is a member of the Alzheimer’s Drug Discovery Foundation’s Board of Governors, while defendant R. Lauder serves as its Co-Founder and Co-Chairman.

274. In 2012, defendant de Rothschild hosted a fundraiser at her Manhattan residence in support of third-party presidential candidate Jon Huntsman. The event’s host committee included high-net-worth individuals, among them defendants W. Lauder and Sternlicht.

275. On October 6, 2014, Sir Evelyn de Rothschild attended the launch of The Estée Lauder Companies’ UK Breast Cancer Awareness Campaign held at

Kensington Palace.

276. In 2015, Nicky Hilton de Rothschild, who has launched multiple fashion and beauty products, collaborated with Smashbox—a cosmetics brand owned by Estée Lauder.

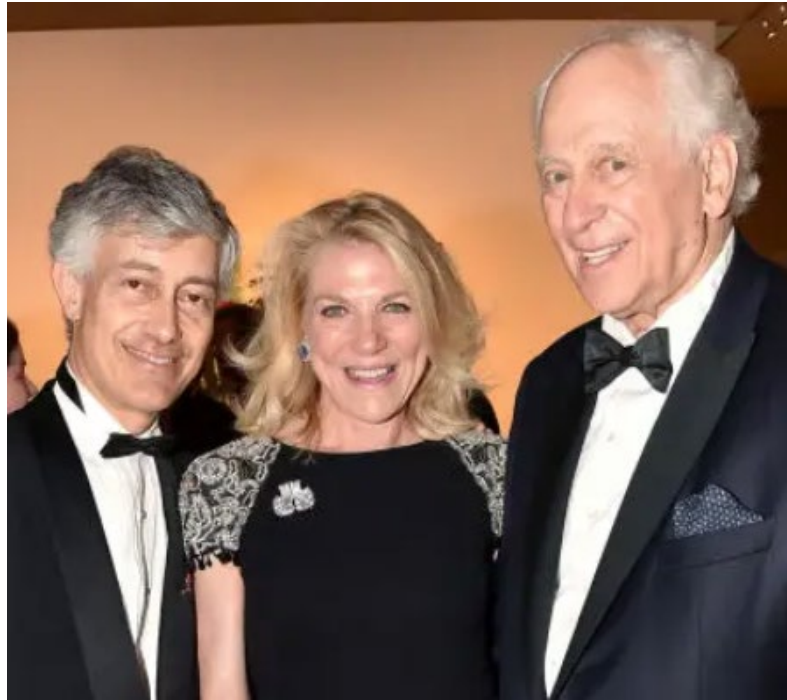
277. In November 2015, a de Rothschild family member and defendant R. Lauder represented the World Jewish Congress in connection with Pope Francis’s planned visit to the Great Synagogue of Rome:³⁰



278. In May 2017, non-Defendant G. Lauder and Defendant de Rothschild both attended the Alzheimer’s Drug Discovery Foundation’s Eleventh Annual

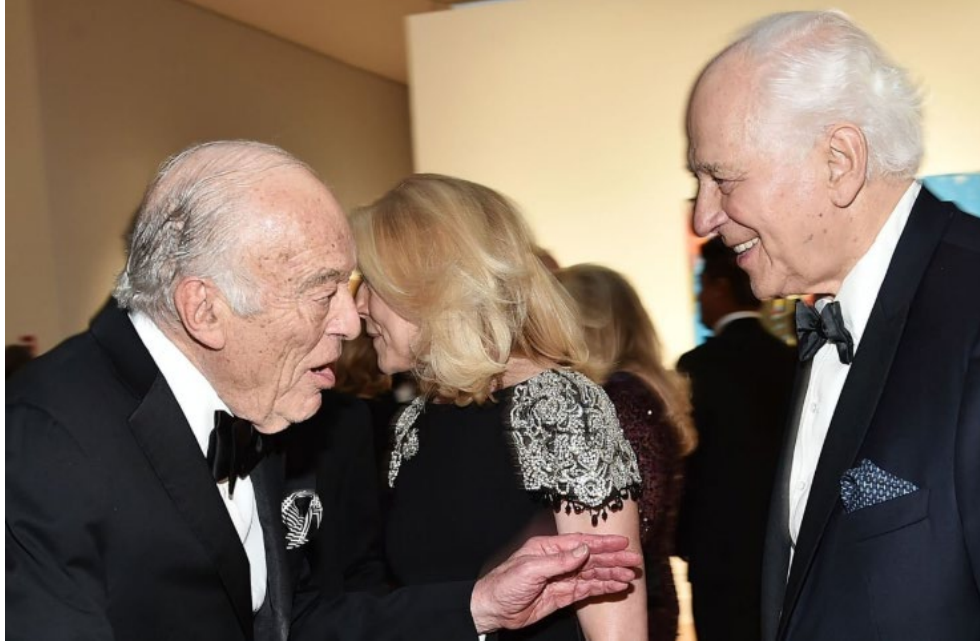
³⁰ News Release, “Pope Francis to Make First Official Visit to Rome’s Great Synagogue,” Photo, World Jewish Congress (Nov. 17, 2015), <https://www.worldjewishcongress.org/en/news/pope-francis-to-make-first-official-visit-to-rome>.

Connoisseur's Dinner at Sotheby's in New York City.³¹ Leonard Lauder was also in attendance at the event.³²



³¹ From left to right: G. Lauder, de Rothschild, and Evelyn de Rothschild, de Rothschild's husband; Photo, Patrick McMullan/Patrick McMullan via Getty Images (May 10, 2017) <https://www.gettyimages.ch/detail/nachrichtenfoto/gary-lauder-lynn-de-rothschild-and-evelyn-denachrichtenfoto/681686180?language=it>.

³² Photo, Mike Coppola/Getty Images (May 10, 2017), <https://www.gettyimages.no/detail/news-photo/chairmanemeritus-of-the-estee-lauder-companies-inc-leonard-news-photo/681707188?>



279. In 2018, as President of the World Jewish Congress, Defendant R. Lauder presented the prestigious WJC Theodor Herzl Award to the de Rothschild family in recognition of their longstanding efforts to promote Herzl’s vision for a more secure and tolerant world for Jewish people. In his remarks, R. Lauder stated: “Instead of honoring a single individual, we are honoring one family, the Rothschilds, who have rarely been recognized publicly for all they have done.... There is, however, one family that stands above all others – the Rothschild family – who laid the very foundation of the Jewish homeland.”

280. Also in 2018, de Rothschild and her husband donated between \$10,000 and \$24,999 to The Fresh Air Fund. This contribution coincided with Defendant W. Lauder’s tenure as Chairman of the Fund.

281. Defendant R. Lauder was listed as a Director's Circle-level donor to the National Gallery, where Hannah de Rothschild served as Chair of the Board of Trustees until 2019. The National Gallery acknowledged his contributions, including several art acquisitions in 2018.

282. On September 22, 2023, Aerin Lauder and Nicky Hilton de Rothschild appeared together at the Golden Swan in New York City to celebrate the launch of the Estée Lauder x Gracie collaboration.

283. Aerin Lauder and Nicky Hilton de Rothschild also served as Co-Chairs of the 2022 Golden Heart Awards, a philanthropic gala featuring cocktails, dinner, awards, and a fundraising auction.

284. In October 2023, the McCain Institute hosted a dinner in New York City attended by defendants de Rothschild and R. Lauder. The Leonard and Judy Lauder Fund and The Lauder Foundation—Leonard and Evelyn Lauder Fund contributed between \$25,000 and \$99,999 annually to the McCain Institute since at least October 2021, with total donations exceeding \$150,000. These contributions overlapped with defendant de Rothschild's service on the Institute's international leadership board.

285. The connections and event above, in sum, demonstrate that Defendant de Rothschild could not independently evaluate insider trading allegations against

defendants R. Lauder and J. Lauder due to the deep and enduring ties between the Lauder and de Rothschild families. Likewise, she would be unable to fairly assess similar allegations against the other Insider Selling Defendants, as doing so would necessarily implicate the conduct of defendants R. Lauder and J. Lauder.

Defendant W. Lauder and Relevant Non-Party Director G. Lauder

286. Both Defendant W. Lauder and Relevant Non-Party Director G. Lauder are not disinterested or independent, and therefore, are incapable of considering demand because both would then be forced to independently investigate and prosecute both their uncle, R. Lauder, and their cousin, J. Lauder for insider trading. The Lauder family connections within and outside of the Company create an inherent lack of independence for both W. Lauder and G. Lauder, rendering them incapable of impartially considering a demand to commence and vigorously prosecute this action. Thus demand upon them is futile and, therefore excused.

Non-Party Director de La Faverie

287. Non-Party Director de La Faverie is not disinterested or independent, and therefore, is incapable of considering demand because de La Faverie is, and was at all relevant times, an employee (President, COO, and/or CEO) who derives substantially all of his wealth and livelihood from his relationship with the Company

making him not disinterested or independent.

288. According to Estée Lauder's Current Report on Form 8-K filed with the SEC on November 1, 2024, de La Faverie receives substantial compensation in connection with his appointment as Chief Executive Officer. Effective January 1, 2025, de La Faverie's base salary was set at an annual rate of \$1.5 million, with a target annual bonus opportunity of \$3 million, prorated for fiscal year 2025 based on the time of his service as President and CEO. He is also entitled to a one-time cash payment of \$25,000.

289. In addition to cash compensation, de La Faverie's target annual equity award opportunity, in his capacity as President and CEO, will have a value of no less than \$10 million, prior to any individual performance adjustments. For fiscal 2025, his equity award opportunity will be prorated based on his time served in the role, for a total prorated award value of \$6,740,500. This amount includes an additional grant valued at \$3,259,500, subject to approval by the Company's Stock Plan Subcommittee.

290. De La Faverie will also be eligible to participate in the Company's Profit Recovery and Growth Plan incentive program for fiscal years 2025 and 2026. Under this program, his target opportunity will be equal to 25% of his annual equity award target value, with a maximum potential opportunity of 50%. Achievement

of the relevant performance criteria could result in the issuance of restricted stock units in August 2025 and August 2026.

291. The lack of independence and financial benefits received by de La Faverie renders him incapable of impartially considering a demand to commence and vigorously prosecute this action.

All Directors

292. Moreover, Estée Lauder's Directors, as members of the Board, were and are subject to the Company's Code of Conduct and its Code of Governance Guidelines (collectively, the "Codes"). The Codes go well beyond the basic fiduciary duties required by applicable laws, rules, and regulations. The Codes also require the Directors to adhere to Estée Lauder's standards of business conduct, requiring the Directors to conduct business "with uncompromising ethics and integrity." The Directors did not comply with the requirements of the Code of Conduct or the Code of Governance Guidelines. The Directors violated the Codes because they knowingly or recklessly engaged in and facilitated the misconduct alleged herein and participated in making and/or causing the Company to make the materially false and misleading statements alleged herein. Because the Directors violated the Codes, they face a substantial likelihood of liability for breaching their fiduciary duties and therefore demand upon them is futile.

293. Furthermore, demand, in this case, is excused because the Directors, who are named as defendants in this action, control the Company and are indebted to each other. The Directors have longstanding business and personal relationships with each other and the Individual Defendants that preclude them from acting independently and in the best interests of the Company and the shareholders. These conflicts of interest precluded the Directors from adequately monitoring the Company's operations and internal controls and calling into question the Individual Defendants' conduct. Thus, any demand upon the Directors would be futile.

294. Estée Lauder has been, and will continue to be, exposed to significant losses due to the wrongdoing complained of herein. Yet, the Directors have not filed any lawsuits against themselves or others who were responsible for that wrongful conduct to attempt to recover for Estée Lauder any part of the damages Estée Lauder suffered and will continue to suffer, thereby. Thus, any demand to the Directors would be futile.

295. The Individual Defendants' conduct described herein and summarized above could not have been the product of legitimate business judgment as it was based on bad faith and intentional, reckless, or disloyal misconduct. Thus, none of the Directors can claim exculpation from their violations of duty pursuant to the Company's charter (to the extent such a provision exists). As a majority of the

Directors face a substantial likelihood of liability, they are self-interested in the transactions challenged herein. They cannot be presumed to be capable of exercising independent and disinterested judgment about whether to pursue this action on behalf of the shareholders of the Company. Accordingly, demand is excused as being futile.

296. The acts complained of herein constitute violations of fiduciary duties owed by Estée Lauder's officers and directors, and these acts are incapable of ratification.

297. The Directors may also be protected against personal liability for their acts of mismanagement and breaches of fiduciary duty alleged herein by directors' and officers' liability insurance if they caused the Company to purchase it for their protection with corporate funds i.e., monies belonging to the stockholders of Estée Lauder. If there is a directors' and officers' liability insurance policy covering the Directors, it may contain provisions that eliminate coverage for any action brought directly by the Company against the Directors, known as, *inter alia*, the "insured-versus-insured exclusion." As a result, if the Directors were to sue themselves or certain of the officers of Estée Lauder, there would be no directors' and officers' insurance protection. Accordingly, the Directors cannot be expected to bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought,

such insurance coverage, if such an insurance policy exists, will provide a basis for the Company to effectuate a recovery. Thus, demand on the Directors is futile and, therefore, excused.

298. If there is no directors' and officers' liability insurance, then the Directors will not cause Estée Lauder to sue the Individual Defendants named herein, since, if they did, they would face a large uninsured individual liability. Accordingly, demand is futile in that event, as well.

299. Thus, for all of the reasons set forth above, all of the Directors, and, if not all of them, certainly at least eight of them, cannot consider a demand with disinterestedness and independence. Consequently, a demand upon the Board is excused as futile.

CLAIMS FOR RELIEF

COUNT I

Breach of Fiduciary Duty Against Defendants J. Lauder, R. Lauder, and W. Lauder in Their Capacity as Estee Lauder's Controlling Stockholders

300. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

301. Defendants J. Lauder, R. Lauder, W. Lauder, and Relevant Non-Party G. Lauder are controlling shareholders of Estée Lauder. As such, those Defendants

owed, and continue to owe, the Company the highest fiduciary duties of due care, good faith, and loyalty.

302. Defendants J. Lauder, R. Lauder, and W. Lauder were aware that the Company's sales would be negatively affected by China's regulatory crackdown on daigou activity. They further understood that this information was material and would adversely affect the Company's stock price if and when disclosed to the market.

303. Nevertheless, while in possession of this material, nonpublic information, defendants J. Lauder and R. Lauder sold a combined total of 732,693 shares of Estée Lauder stock to unsuspecting investors, generating over \$221 million in gross proceeds, in direct violation of their fiduciary duties. Defendant W. Lauder was aware of these breaches by R. Lauder and J. Lauder.

304. As a result, J. Lauder and R. Lauder personally profited from their breaches of fiduciary duty.

305. Plaintiff, on behalf of Estée Lauder, has no adequate remedy at law.

COUNT II

Breach of Fiduciary Duty Against the Individual Defendants

306. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

307. Each Individual Defendant owed to the Company the duty to exercise candor, good faith, and loyalty in the management and administration of Estée Lauder's business and affairs.

308. Each of the Individual Defendants violated and breached his or her fiduciary duties of candor, good faith, loyalty, reasonable inquiry, oversight, and supervision. The Individual Defendants' conduct set forth herein was due to their intentional, reckless, or negligent breach of the fiduciary duties they owed to the Company, as alleged herein. The Individual Defendants intentionally, recklessly, or negligently breached or disregarded their fiduciary duties to protect the rights and interests of Estée Lauder's shareholders.

309. In breach of their fiduciary duties owed to Estée Lauder, the Individual Defendants willfully or recklessly caused the Company to violate federal regulations by falsely stating and/or failing to disclose the Company's true business performance, as alleged herein.

310. The Individual Defendants had actual or constructive knowledge that the Company issued materially false and misleading statements, and they failed to correct those public statements and representations. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein or acted with reckless disregard for the truth, in that they failed to ascertain

and disclose such facts, even though such facts were available to them. Such material misrepresentations and omissions were committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of Estée Lauder's securities.

311. The Individual Defendants had actual or constructive knowledge that they had caused the Company to engage in the fraudulent schemes set forth herein improperly and to fail to maintain adequate internal controls. The Individual Defendants had actual knowledge that the Company was engaging in the fraudulent schemes set forth herein, and that internal controls were not adequately maintained, or acted with reckless disregard for the truth, in that they caused the Company to engage in the fraudulent schemes improperly and to fail to maintain adequate internal controls, even though such facts were available to them. Such improper conduct was committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of Estée Lauder's securities.

312. These actions were not a good-faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

313. As directors of Estée Lauder, the Director Defendants owed the Company the utmost duty of loyalty. These defendants breached that duty by knowingly or recklessly allowing the Company to issue materially false and misleading statements. Specifically, they either knew or were reckless in not

knowing that the Company's statements regarding travel retail were materially false and misleading due to the Company's significant reliance on gray market sales. As a result, the Director Defendants violated their fiduciary obligations to the Company.

314. The Audit Committee Defendants likewise breached their duty of loyalty by approving the false and misleading statements detailed herein during their service on the Audit Committee. These Defendants knew, or were reckless in not knowing, that the statements and omissions they authorized were improper. In doing so, they completely failed in their oversight responsibilities and failed to conduct the necessary review of financial disclosures, as mandated by the then-applicable Audit Committee Charter.

315. The Insider Selling Defendants also violated their duty of loyalty by selling shares of Estée Lauder stock while in possession of material, nonpublic information concerning the Company's actual business outlook. This information, which was proprietary to the Company, was used for their personal gain when they sold their shares prior to public disclosure.

316. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary obligations, Estée Lauder has sustained and continues to sustain significant damages. As a result of the misconduct alleged herein, the

Individual Defendants are liable to the Company. Plaintiff, on behalf of Estée Lauder, has no adequate remedy at law.

COUNT III

Breach of Fiduciary Duty – Misappropriation of Material, Non-Public Information Against the Insider Selling Defendants

317. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

318. At the time that the Insider Selling Defendants sold their Estée Lauder stock, they knew the material, non-public information described above and sold stock motivated, in whole or in part, by the substance of such information.

319. The information described above was proprietary, non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which the Insider Selling Defendants misappropriated to their own benefit when they sold Estée Lauder stock.

320. The Insider Selling Defendants' sale of stock while in possession and control of this material, adverse, non-public information was a breach of their fiduciary duties of loyalty and good faith.

321. Since the use of the Company's proprietary information for their own

gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, any profits made by the Insider Selling Defendants as a result of their stock sales should be disgorged and the Company is entitled to the imposition of constructive trust on any profits the Insider Selling Defendants obtained thereby.

322. Plaintiff on behalf of Estée Lauder has no adequate remedy at law.

COUNT IV

Unjust Enrichment Against the Individual Defendants

323. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

324. By their wrongful acts, violations of law, and false and misleading statements and omissions of material information, the fact that they made and/or caused to be made, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of Estée Lauder.

325. Each of the Defendants received payment from Estée Lauder, in the form of either salary or director fees while actively breaching their fiduciary duties to Estée Lauder.

326. All the payments and benefits provided to Defendants were at the expense of Estée Lauder. The Company received no benefit from these payments.

327. Plaintiff, as a shareholder and a representative of Estée Lauder, seeks

restitution from the Individual Defendants and seeks an order from this Court disgorging all profits—including from benefits, and other compensation, including any performance-based or valuation-based compensation, obtained by the Individual Defendants due to their wrongful conduct and breach of their fiduciary and contractual duties. Plaintiff on behalf of Estée Lauder, has no adequate remedy at law.

COUNT V

Waste of Corporate Assets Against the Individual Defendants

328. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

329. As a result of the foregoing, and by failing to properly consider the interests of the Company and its public shareholders, the Individual Defendants have caused Estée Lauder to waste valuable corporate assets, to incur many millions of dollars of legal liability and/or costs to defend unlawful actions, and to lose assets from investors and customers who no longer trust the Company.

330. As a result of the waste of corporate assets, the Individual Defendants are each liable to the Company. Plaintiff on behalf of Estée Lauder has no adequate remedy at law.

PRAYER FOR RELIEF

FOR THESE REASONS, Plaintiff demands judgment in the Company's favor against all Individual Defendants as follows:

a) Declaring that the Plaintiff may maintain this action on behalf of Estée Lauder, and that Plaintiff is an adequate representative of the Company;

b) Declaring that the Individual Defendants have breached their fiduciary duties to Estée Lauder;

c) Determining and awarding to Estée Lauder the damages sustained, or disgorgement or restitution, as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon;

d) Directing the Individual Defendants to take all necessary actions to reform and improve Estée Lauder's corporate governance and internal procedures to comply with applicable laws and to protect Estée Lauder and its shareholders from a repeat of the damaging events described herein;

e) Awarding Plaintiff, the costs and disbursements of this action, including reasonable attorneys' and experts' fees, costs, and expenses; and

f) Granting such other and further relief as the Court may deem just and proper.

Dated: September 15, 2025

BIELLI & KLAUDER, LLC

/s/ Ryan M. Ernst

Ryan M. Ernst (#4788)

1204 N. King Street

Wilmington, DE 19801

Phone: (302) 803-4600

ernst@bk-legal.com

Attorneys for Plaintiff

OF COUNSEL:

KUEHN LAW, PLLC

Justin A. Kuehn

Molly J. Brown

53 Hill Street, Suite 605

Southampton, NY 11968

Phone: (833) 672-0814

justin@kuehn.law

molly@kuehn.law