

**L'ORÉAL EMPLOYEE SHARE OFFERING 2022  
LOCAL SUPPLEMENT FOR BULGARIA**

*You have been invited to invest in shares of L'Oréal ("**Shares**") in the L'Oréal group employee share plan 2022 ("**2022 Employee Offering**"). You will find below a brief summary of the local offering information and principal tax consequences relating to the offering.*

**Local Offering Information**

***Subscription Period***

The subscription period starts on June 8, 2022 and lasts until June 22, 2022 (inclusive).

During the subscription period, you may subscribe online at <https://invest.loreal.com>. Username and password will be provided to you by email or mail. You may also subscribe with a paper subscription form should you not have access to internet. Please contact your Human Resources department to receive a subscription form.

Unless you subscribe through Internet, please return your duly completed subscription form before June 22, 2022 in a closed envelope in the HR office in Sofia.

***Subscription Price***

The subscription price will be set on June 3, 2022 as the average opening price of the Shares over the 20 preceding trading days minus a 20% discount.

It is to be noted that your subscription is in euro. Consequently, for purposes of your subscription, the amount of your payment in Bulgarian leva will be converted by your employer using the exchange rate, applicable by or around the beginning of June 2022, that will be communicated to you on demand. During the life of your investment, the value of the Shares subscribed through the FCPE may be affected by fluctuations in the currency exchange rate between the euro and Bulgarian leva. As a result, if the value of the euro strengthens relative to the Bulgarian leva, the value of the Shares expressed in local currency will increase. On the other hand, if the value of the euro weakens relative to the Bulgarian leva, the value of the Shares expressed in Bulgarian leva will decrease.

***Method of Payment – What is the payment method available for my subscription?***

The following payment method is available:

- Wire transfer to the employer bank account:

Bank details: L'Oreal Bulgaria EOOD

Bank: RBBG

IBAN: BG62 RZBB 9155 1068 717020

***Custody of your shares, voting rights, dividends***

Your shares will be subscribed and held on your behalf by a collective shareholding vehicle, known as a *Fonds Commun de Placement d'Entreprise*, or an FCPE, which is commonly used in France for the conservation of shares held by employee-investors. You will be issued units in the FCPE corresponding to the shares you will have subscribed

and those representing the employer matching contribution once delivered to you at the end of the lock-up period subject to the conditions described below.

As long as your L'Oréal shares are held by the FCPE « L'OREAL EMPLOYEE SHARE PLAN», the voting rights pertaining to such shares will be exercised by the supervisory board of the FCPE on behalf of the employees.

Any dividends paid by L'Oréal will be automatically reinvested by the FCPE in additional shares of L'Oréal and will increase the value of the FCPE units held.

### ***Currency Exchange Control***

Please note that you may be required to file an annual statistical report with the Bulgarian National Bank (“BNB”) as of 31 March in case that:

- you have receivables under loans to foreign persons or bank accounts abroad, or you have foreign securities acquired without the intervention of a local securities broker (such as the L'Oréal shares under the plan) and the total value of such receivables/securities exceeds BGN 50,000; or
- you have obligations under loans from foreign persons exceeding the amount of BGN 50,000.

### ***Lock-up period and Early Exit Events - In which cases may I ask for an early redemption ?***

**Under the L'Oréal employee share plan 2022**, your investment must be held with the FCPE for a period of five-year, ending on July 26, 2027.

Nevertheless, you may be able to request early release and exit from the plan before the end of the lock-up period in the case of early exit events as described below:

- 1) marriage or civil union agreement,
- 2) birth or adoption of a third child or higher,
- 3) divorce or other judicial recognition of separation or termination of a civil union agreement, if custody of at least one child is retained,
- 4) disability of the employee, his or her children, spouse, or civil union partner,
- 5) domestic violence committed against the employee by his/her spouse, partner, civil partner, or his/her former spouse, partner or civil partner
- 6) death of the employee, his or her spouse, or civil union partner,
- 7) termination of the employment contract,
- 8) creation by the employee, his or her children, spouse, or civil union partner of certain businesses, and
- 9) acquisition or enlargement of principal residence.
- 10) Over indebtedness

These early exit events are defined by French law and must be interpreted and applied in a manner consistent with French law. You should not conclude that an early exit event is available unless you have described your specific case to your employer and your employer has confirmed that it applies to your situation, upon your providing the requisite supporting documentation.

## **FREE SHARES**

Your investment will be matched by grant of rights to additional shares of L'Oréal S.A. for free ("Free Shares"). You would be entitled to Free Shares proportionally to your subscription for the ratio described in the Information Brochure. These shares will be delivered to you at the end of the vesting period, in July 2027, subject to the terms and conditions provided for in the Free Share Plan Rules.

You will find below a summary of certain conditions applicable to the grant, vesting and delivery of the Free Shares. For the full description, please refer to the Free Share Plan Rules made available to you at <https://invest.loreal.com> (in French and English) and upon request from your RH correspondent. Subscription to the L'Oréal employee share plan 2022 implies acceptance of the Free Share Plan Rules.

**Eligibility to the grant of Free Shares:** in order to qualify for a grant of Free Shares within the framework of the L'Oréal employee share plan 2022, you must satisfy the following conditions:

- you must have validly subscribed in the context of the L'Oréal employee share plan 2022 and must satisfy all the conditions for participating therein;
- your participation in or your subscription or payment for the L'Oréal employee share plan 2022 must not have been rejected or cancelled on (or prior to) the Grant Date (defined below) ;
- the payment of the subscription must have been fully settled at the Delivery Date (defined below).

**Grant Date:** The date of the grant shall occur on the date on which the shares subscribed for pursuant to the L'Oréal employee share plan 2022 are issued , i.e on July 26, 2022, or shortly thereafter. Within weeks of the Grant Date, each beneficiary shall receive a letter or statement electronically confirming that he or she is a beneficiary of the grant of Free Shares and stipulating the number of Free Shares granted to him or her, subject to the conditions of the Free Share Plan Rules (as summarized hereafter).

**Delivery Date:** Subject to the satisfaction of the conditions stipulated below, the Free Shares will be delivered to you on or around July 26, 2027.

**Conditions to be satisfied to receive the Free Shares at the end of the lock-up period** (you may refer to article 6 of the Free Share Plan Rules for a detailed and full description of that conditions ; stipulations below are only a summary of the applicable conditions and do not supersede provisions of the Free Share Plan Rules) :

In order to receive the Free Shares, you must remain an employee of the L'Oréal Group from the last day of the subscription period pursuant to the L'Oréal employee share plan 2022 until the 20<sup>th</sup> calendar day preceding the Delivery Date (the "**Continued Employment Condition**").

The period between the last day of the subscription period pursuant to the L'Oréal employee share plan 2022 and the 20<sup>th</sup> day calendar day preceding the Delivery Date shall be referred to hereinafter as the "**Acquisition Period**".

Nevertheless, you will be deemed to have satisfied the above Continued Employment Condition if, at any time during the Acquisition Period, you lose the status of employee of the L'Oréal Group for one of the following reasons (the "**Exceptions to the Continued Employment condition**"):

**Death:** In the event of death, your heir(s) may request, the delivery of the Free Shares within six months of the death. In such a case, any Free Share granted shall be delivered to the assigns shortly after the submission of their request and the Acquisition Period shall not apply. In the absence of such a request, the Free Shares granted to the deceased beneficiary shall be delivered to the heirs on the Delivery Date.

**Disability:** In the event of disability, as defined in Article L. 225-197-1 of the French Commercial Code, during the Acquisition Period, the Free Shares granted shall be delivered shortly after the occurrence of the relevant disability event.

**Retirement:** In the event of retirement at the minimum retirement age stipulated by the law of the relevant country or in the event of retirement pursuant to any retirement scheme, the Free Shares shall be delivered to the beneficiary on the Delivery Date.

**Dismissal for a reason other than gross misconduct or serious misconduct (disciplinary dismissal as per Bulgarian employment laws):** In the event of a dismissal for a reason other than gross misconduct or serious misconduct, the Free Shares granted shall be delivered to the Beneficiary on the Delivery Date. For the purposes of the plan, dismissal for gross misconduct or serious misconduct entails the forfeiture of the right to receive the Free Shares.

**Termination of the employment contract pursuant to the mutual agreement of the employee and the employer:** In the event of the termination of the employment contract of the beneficiary pursuant to a mutual agreement, the Free Shares shall be delivered to the beneficiary on the Delivery Date.

**Change of control of your company/employer:** In the event of a change of control over your company/employer, those beneficiaries who are employees or corporate officers of the relevant company shall receive their Free Shares on the Delivery Date.

**Ownership of the Free Shares:** At the Date of Delivery, any Free Shares delivered will become your full property. Your Free Shares will be delivered and held through the FCPE « L'OREAL EMPLOYEE SHARE PLAN» and you shall receive units of the FCPE representing those shares. In the event that a L'Oréal company is required to pay taxes, social charges or any other governmental charges on behalf of any beneficiary of the Free Shares as a result of the grant or delivery of the Free Shares, L'Oréal reserves the right to delay the transfer of the Free Shares to such person until such person has paid all such amounts, or made arrangements for payment that are satisfactory to L'Oréal, or to cause the sale of the shares and withhold from the proceeds the relevant amounts, as provided for in the article 10 of the Free Share Plan Rules.

## **Tax Information for Employees Resident in Bulgaria**

*This summary sets forth general principles in effect at the time of subscription of the offering, that are expected to apply to employees (“**Participants**”) who are and who shall remain, until the disposal of their investment, resident in Bulgaria for the purposes of the tax laws of Bulgaria and of the tax treaty concluded between France and Bulgaria for the avoidance of double taxation (the “**Treaty**”) and are entitled to the benefits of the Treaty. The tax consequences listed below are described in accordance with Bulgaria tax law and certain French tax laws and practices, all of which are applicable at the time of the offering. These principles and laws may change over time.*

*This summary is given for informational purposes only and should not be relied upon as being either complete or conclusive. For definitive advice, employees should consult their own tax advisors.*

### **Upon subscription**

***I. Will I be required to pay any tax or social security charges at the moment of subscription?***

***I.1 Taxation on the difference between the subscription price and the market value of the L’Oréal share at the time of subscription***

No tax should be charged at this stage.

### **During the life of the Plan**

***II. Will I be required to pay any tax or social security charges on dividends?***

Any dividends distributed by L’Oréal will be automatically reinvested by the FCPE «L’OREAL EMPLOYEE SHARE PLAN» in L’Oréal shares (purchased on the market). The value of the units will increase to reflect this dividend reinvestment.

(i) Taxation in France

In the absence of a distribution to employees of the dividends received from L’Oréal, no withholding tax will be levied in France.

(ii) Taxation in Bulgaria

The tax treatment of benefits derived from plans involving the holding of shares through an FCPE under Bulgarian law is unclear since similar concepts are not known to Bulgarian tax laws.

However, the dividends will be most probably considered dividend income for you even if they are reinvested by the FCPE in new shares and not paid to you directly. If so, a one-off income tax at a rate of 5 % on the dividends’ amount would apply. The dividends are to be reported in your

annual tax return to be filed by 30 April of the following year and the relevant tax is to be paid within the same deadline.

No social security or health insurance charges will be due over dividends.

***III. Will I be required to pay any tax or social security charges when, at the end of the lock-up period (or in the event of an authorized early exit event), I ask the FCPE to redeem my investment for cash?***

(i) Taxation in France

You will not be subject to income taxes in France on the gain, if any, realized on the redemption of your units.

(ii) Taxation in Bulgaria

The tax treatment of benefits derived from plans involving the holding of shares through an FCPE under Bulgarian law is unclear since similar concepts are not known to Bulgarian tax laws.

The redemption of your units against cash would most probably be considered as a sale-purchase of the underlying shares of L'Oréal. If upon redemption such L'Oréal shares are sold at a regulated market the proceeds paid to you should be exempted from taxation in Bulgaria.

Otherwise, any gain derived from the redemption (both in case of an early exit resulting from the employee exercising one of the exemptions to the five-year lock-up or in case of redemption after such lock-up period) will be included in your overall taxable income for the year during which you redeem your units and it may be subject to income tax in Bulgaria.

The gain derived from the redemption will be the positive difference between the sum of the "acquisition price" and the "sale price" – the cash that you have received at redemption. In the particular case, the "acquisition price" will be: (i) the subscription price you have paid, for originally subscribed shares, (ii) the amount of reinvested dividends, if those were taxed upon distribution, for the shares acquired against reinvestment of such dividends (if any) and (iii) the market value of Free Shares on the Delivery Date granted to you (if any). The resulting positive amount (if any) will be included in your annual taxable income from transactions with securities for the year during which you redeem your units (jointly with other gains or losses from similar transactions you have made during the year). The resulting positive amount from all transactions with securities (if any) will be included in your overall annual taxable income (to be reported in your annual tax return) and taxed at the rate of 10%.

The tax return must be filed and the tax must be paid not later than April 30 of the year following the year when the redemption has been made.

The income received upon redemption of the investment in the FCPE shall be considered income from transactions with securities and no health and social security charges will be due in Bulgaria over such income.

***Tax or social security charges that may be applicable, if I do not choose immediately to redeem my investment upon the expiration of the lock-up period.***

No.

## **FREE SHARES**

***IV. Will I be required to pay any tax or social security charges at the Grant Date of the Free Shares ?***

No.

***V. Will I be required to pay any tax or social security charges at Tax at the Delivery Date of the Free Shares?***

The delivery of the Free Shares will be considered taxable income for you, the amount of income being the market price of the Free Shares on the Delivery Date. It is not clear under local laws whether such income will be considered employment income (which would also trigger social security and health insurance contribution payments) or general non-employment income. In accordance with recent official opinions of the Bulgarian tax authorities, because of the Continued Employment Condition, such income should be qualified as employment income even if the benefit is provided by L'Oréal and not by your local employer. However, because the income is provided by a foreign entity, you will be personally responsible for reporting the income and payment of the respective income tax and social security and health insurance contributions. Social security and health insurance contribution will be due to extent your monthly income does not exceed the respective monthly ceiling (currently the ceiling is set at BGN 3,400).

***VI. Will I be required to pay any tax or social security charges at the date of sale of the shares / redemption of the units representing the Free Shares?***

The tax treatment will be the same as described under Section III. Above. Please note that if the redemption is not exempted from taxation, the acquisition price for the Free Shares, which will be used for calculation of the gain or loss at redemption, will be the value which was subject to taxation upon Delivery as per Section V. above.

***VII. What are my reporting obligations with respect to the subscription, holding and redemption of the FCPE units as well as the payment of dividends, as applicable?***

Please note that you have to report the acquisition of the shares (including in the period when you hold the shares in the FCPE and including the shares acquired upon automatic reinvestment of dividends and the

Free Shares) in your annual tax return for the year of the acquisition and in each subsequent annual tax return thereafter until you continue to hold such shares. The reporting is done by way of completing the relevant Appendix to the annual tax return form with the relevant information.

The received dividends should be also reported in your annual tax return for the year when the dividends are received.

The received income from sale of shares should be included in your annual tax base and reported in your annual tax return as it is specified above.

You may also be required to file an annual statistical report to the Bulgarian National Bank as of 31 March in case that you have receivables under loans to foreign persons or bank accounts abroad, or foreign securities acquired without the intervention of a local securities broker (such as the shares under the plan) and the total value of such receivables and securities exceeds BGN 50,000.

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