

**L'ORÉAL EMPLOYEE SHARE OFFERING 2022  
LOCAL SUPPLEMENT FOR THE CZECH REPUBLIC**

*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 to your HR Director.

***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 the Czech Crown 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 will be affected by fluctuations in the currency exchange rate between the euro and the Czech Crown. As a result, if the value of the euro strengthens relative to the Czech Crown, 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 Czech Crown, the value of the Shares expressed in the Czech Crown will decrease.

***Method of Payment – What are the payment methods available for my subscription?***

The following payment method is available:

- Wire transfer to the employer bank account to the account No. CZ88 2600 0000 0020 3110 0409 between July 12 and July 19, 2022.

### ***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 in this FCPE and will increase the value of the units held therein.

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

There are no special exchange control regulations according to the Czech law.

### ***Securities Notices***

The proposed offering may be made as a private placement, exempt from any securities law or other filing or approval requirements.

### ***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 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;
2. birth or adoption of a third child (or higher);
3. divorce (if custody of at least one child is retained);
4. domestic violence committed against the employee by his/her spouse, partner, civil partner, or his/her former spouse, partner or civil partner
5. disability of the employee or spouse or child;
6. death of the employee or his/her spouse;
7. use of proceeds for creation by the employee, child or spouse of certain businesses;
8. use of the proceeds for the acquisition or enlargement of the principal residence;

9. over-indebtedness; and
10. termination of employment.

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 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 or corporate officer 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 or corporate officer 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:** 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 entailing the forfeiture of the right to receive the Free Shares shall be assessed having regard to the regulations of the relevant country applicable to the dismissal of the beneficiary.

**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 the Czech Republic**

*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 the Czech Republic for the purposes of the tax laws of the Czech Republic and of the tax treaty concluded between France and the Czech Republic 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 the Czech Republic 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?***

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

The share price discount will be subject to taxation and taxable upon termination of the lock-up period (or upon redemption in case of early redemption prior to termination of the lock-up period) at flat tax rate 15% and 23% for higher total incomes exceeding 48-multiple of average salary in the Czech Republic, it will correspond in 2022 to the yearly income 1.867.728 CZK

In case of a taxable income you should include this income in your yearly tax statement prepared by you for relevant calendar year.

### **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 the Czech Republic***

The dividends received by the FCPE are not subject to a tax in the Czech Republic.

### Upon redemption

#### **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 units 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 the Czech Republic

If the market price will be between the reference price at the moment of subscription and subscription price, you will pay the income tax from the difference according to Section I.

If the market price at the moment of redemption will be higher than the reference price at the moment of subscription there can be different scheme of taxation.

If the shares/units are held for three years or less and if at the same time your yearly total income in one calendar year from redemption/sale of all securities (it means the income from a sale/redemption and not a profit) of the relevant employee (not only the shares/units acquired in this offering but all securities in the calendar year) exceeds 100.000 CZK, the capital gains (calculated as the difference between the redemption proceeds and the reference price) will be subject to the income tax at a flat rate of 15% and 23% for higher total incomes exceeding 48-multiple of average salary in the Czech Republic, it will correspond in 2022 to the yearly income 1.867.728 CZK.

The difference between (i) the summary of your own financial contribution of the employee and already taxed share price discount of all shares and (ii) the final received income from the redemption will be taxed.

However, you will not pay any tax if:

- your total taxable incomes (including the salary) does not exceed 15,000 CZK, or
- your salary from the local subsidiary is your main source of income and all other taxable incomes (e.g., sale of shares or other incomes) are lower than 6,000 CZK.

If your yearly total income in one calendar year from redemption/sale of all securities does not exceed 100.000 CZK, the capital gain will not be taxed.

If the shares/units are held more than 3 years, no taxation will apply.

No social charges apply.

In case of a taxable income you should include this income in your yearly tax statement prepared by you for relevant calendar year.

***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.***

If the market price will be between the reference price at the moment of subscription and subscription price, you will pay the income tax from the difference according to Section I. In case of a taxable income you should include this income in your yearly tax statement prepared by you for relevant calendar year.

If you decide not to redeem your investment after more than 3 years and the market price of your shares/unit will be higher than the reference price, no tax will be applied from the income above reference price.

## **FREE SHARES**

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

No tax will be applied at the moment of Grant Date with respect to delivery of Free Shares after vesting period of 5 years.

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

With respect to the fact that the Free Shares will be delivered after a vesting period of 5 years and subject to the employee satisfying a continued employment condition during a period of time and not reinvoiced by the French parent company to the local employer, the market price of Free Shares at the moment of delivery will be subject to the taxation by the income tax at a flat rate of 15% and 23% for higher total incomes exceeding 48-multiple of average salary in the Czech Republic, it will correspond in 2022 to the yearly income 1.867.728 CZK. This value is not subject to social charges.

### ***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 ?***

If the shares/units are held for three years or less and if at the same time your yearly total income in one calendar year from redemption/sale of all securities (it means the income from a sale/redemption and not a profit) of the relevant employee (not only the shares/units acquired in this offering but all securities in the calendar year) exceeds 100.000 CZK, the capital gains (calculated as the difference between the redemption proceeds and the reference price) will be subject to the income tax at a flat rate of 15% and 23% for higher total incomes exceeding 48-multiple of average salary in the Czech Republic, it will correspond in 2022 to the yearly income 1.867.728 CZK.

However, you will not pay any tax if:

- (i) your total taxable incomes (including the salary) does not exceed 15,000 CZK or
- (ii) your salary from the local subsidiary is your main source of income and all other taxable incomes (e.g., sale of shares or other incomes) are lower than 6,000 CZK.

If your yearly total income in one calendar year from redemption/sale of all securities does not exceed 100.000 CZK, the capital gain will not be taxed.

If the shares/units are held more than 3 years, no taxation will apply.

No social charges apply.

In case of a taxable income you should include this income in your yearly tax statement prepared by you for relevant calendar year.

### ***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?***



There is no reporting obligation for subscription and holding of your shares/units. If you have a taxable income according one of above mentioned sections (except for the hypothetical income from interest free loan of your employer), you will have to prepare your tax statement within the end of March of the following calendar year (or within the end on June of the following calendar year in case of use of the tax advisor) and pay the relevant tax in the same period of time.