

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

*You have been invited to invest in shares of L'Oréal ("**Shares**") in the L'Oréal group employee share plan 2022 ("**Employee Offering 2022**"). 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 together with the requisite enclosures before June 22, 2022 at your company's Human Resources Department.

***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 HUF will be converted by your employer using the exchange rate, applicable by or around the beginning of June of 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 HUF. As a result, if the value of the euro strengthens relative to the Hungarian Forint, the value of the Shares expressed in Hungarian Forint will increase. On the other hand, if the value of the euro weakens relative to the Hungarian Forint, the value of the Shares expressed in Hungarian Forint 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  
The bank transfer must take place between July 12 and July 19, 2022.  
Bank name: Citibank  
IBAN: HU48 10800007- 10000000 - 12721013  
SWIFT code: CITIHUHX

Please indicate as reference for the bank transfer your tax ID number and "Employee Offering 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***

Not applicable in Hungary.

### ***Securities Notices***

The subscription of shares through an FCPE is not subject to regulatory approval, on the basis that FCPE units do not qualify as securities under French law and the Prospectus Regulation. We note that if the FCPE units are exchanged for shares at the end of the lock-up period, this may be qualified as private offering of shares under Hungarian laws. The private offering is subject to a notification requirement to be fulfilled by the issuer of the shares to the National Bank of Hungary within 15 days following the redemption of units for shares.

### ***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 HR 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 of Free Shares:** 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 of Free Shares:** 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 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 laws of Hungary 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.

**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 Hungary**

*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 Hungary for the purposes of the tax laws of Hungary and of the tax treaty concluded between France and Hungary 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 Hungarian 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?**

No, the share subscription discount is not taxed at subscription due to the mandatory lock-up period.

#### **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

#### **I.2 Will the interest-free advance payment be taxable?**

Yes

However, this benefit is taxable at the local company, and not at the employees.

An interest-free loan provided by the local company to the employees to subscribe L’Oréal shares is taxable, unless it is granted in terms of advance salaries for a maximum duration of six months and in a maximum amount of five times of the monthly minimum wages applicable on the date of the grant of the loan. (The general minimum wage is HUF 200,000 in 2022, i.e. the above tax-free loan limit amounts up to HUF 1,000,000.)

- The benefit derived from the loan granted more beneficially than the interest calculated at the basic rate of the National Bank of Hungary increased with five percent-points, will be the taxable benefit.
- The tax base is the benefit provided increased with an 18% tax base increasing item, while the applicable personal income tax rate is 15% and 13% social tax is also payable. This tax calculation method results in a 33.04% effective tax rate ( $100 * 1.18 * (15\% + 13\%)$ ).
- The tax liability should be calculated for the last day of the 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 Hungary

No

Since the employees do not receive the dividends until the end of the lock-up period, i.e. the dividends will be reinvested and delivered to the employees at the end of the lock up period in the form of shares, the dividends are not taxable at the time when transferring them into the FCPE.

#### **III. Will I be required to pay any wealth tax on the FCPE units I own?**

No

### **Upon redemption**

#### **IV. 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 Hungary

Yes

Since the shares are provided by a non-Hungarian company, i.e. the employees of the Hungarian company will receive the shares directly from a foreign company (from the French mother company), the local employer will not have tax withholding obligation related to the shares/income provided in case of redemption.

- The employee is liable for both the personal income and social tax liabilities as detailed below.
- The tax base will be the difference between the fair market value at delivery and the acquisition price paid.

- The taxable income derived shall be treated as employment income and taxed at 15%. In addition, a social tax of 13% is also payable.
- Since the employees should pay the social tax, there is a specific tax deduction which can be applied: the tax and health tax base should be 89% of the income provided (this calculation method results in 24.92% effective tax rate, including social tax).
- The liabilities should be paid until 12 of the month following the quarter of the delivery of the shares/income (i.e. by January 12 if the shares/income are delivered in July) and reported in the annual personal income tax returns by May 20 following the tax 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.***

Yes

At the end of the lock-up period the same tax consequences apply as in case of redemption, please see above.

Furthermore, any additional gain resulting from the increase in the share price after the end of the lock-up period would be taxed at a flat rate of 15%. Social tax at a rate of 13% also applies. However, social tax shall be payable until the individual's income in consolidated base, his/her investment income and his/her income from non-resident performer activity reaches twenty-four times the mandatory minimum wage. (The mandatory minimum wage for 2022 is HUF 200,000, thus, the limit applicable is HUF 4,800,000.)

However, capital gains derived from transactions carried out on the Paris stock exchange can be treated as controlled capital transactions, and as a consequence, social tax is not applicable in such a case.

## **FREE SHARES**

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

No

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

Yes

At the time of the delivery of the free shares the same tax consequences apply as in case of redemption, please see above. (In case of free shares, the acquisition price will be zero.)

**VII. 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”?**

Yes

Any additional gain resulting from the increase in the share price after the delivery would be taxed at the time of the sale or redemption at a flat rate of 15%. Social tax at a rate of 13% also applies. However, social tax shall be payable until the individual’s income in consolidated base, his/her investment income and his/her income from non-resident performer activity reaches twenty-four times the mandatory minimum wage. (The mandatory minimum wage for 2022 is HUF 200,000, thus, the limit applicable is HUF 4,800,000.)

However, capital gains derived from transactions carried out on the Paris stock exchange can be treated as controlled capital transactions, and as a consequence, health tax is not applicable in such a case.

**VIII. 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?**

At the end of the lock-up period and at the time of redemption and sale of shares tax reporting and payment liability will arise as detailed above.

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