

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

*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 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 Kenya Shilling 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 Kenya Shilling. As a result, if the value of the euro strengthens relative to the Kenya Shilling, 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 Kenya Shilling, the value of the Shares expressed in Kenya Shilling] will decrease.

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

The following payment methods are available:

- Salary Deduction over 12 months; or
- Payment by Bank Transfer to the following KShs. Bank Account:
  - Name: L'oreal East Africa Limited

- Bank: Citi Bank N.A.
- Branch: Upper Hill
- Bank Code: 16
- Branch Code: 000
- Account Number: 0104455011
- Swift Code: CITIKENA

### ***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.

### ***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) death of the employee;
- 2) 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 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 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 Kenya**

*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 Kenya for the purposes of the tax laws of Kenya and of the tax treaty concluded between France and Kenya 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 Kenyan 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**

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

**Yes.** The taxable amount (benefit) will be deemed to be the difference between the market value and the discounted subscription price at the *date of actual payment* by the employee. The Pay As You Earn (PAYE) tax will be levied on this amount at the marginal tax rate of 30%.

The tax will be processed through payroll and paid before the due date of 9<sup>th</sup> of the following month as applicable for PAYE tax liability. The tax will be reported together with other payroll taxes (i.e. taxes on basic pay and other benefits) on the return.

**1.2 Will the interest-free advance payment be taxable?**

**Yes.** The tax to be levied is called the Fringe Benefit Tax (FBT) as the interest-free loan is deemed as a fringe benefit to the employee.

As such where the company/employer advances a payment/salary advance/loan which is interest free (i.e. at 0% interest rate) or at an interest rate which is below the prescribed commissioner’s rate of interest, then the difference between the prescribed commissioner’s rate and employer’s loan rate is a benefit from employment chargeable to tax on the employee.

Fringe benefit is taxable at corporation rate of tax of 30% of the determined value of the benefit. Fringe benefit tax would be charged on the total taxable value of Fringe benefit each month and remitted by L’Oréal in the same way as normal PAYE remittance. The FBT tax will be reported together with other payroll taxes on the PAYE return but will not be indicated on the individual’s return as this is the employer’s liability.

### **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 **Kenya**

**No.** There will be no withholding tax applicable since foreign dividends are not taxable in Kenya. However, where a reinvestment of dividends by the FCPE is done, and the foregone dividends are used to purchase additional shares at a discount price (lower than the market value) then such a discount will be deemed to be a benefit to the employees from such reinvestment and is fully taxable at the individual tax rate of 30%.

### **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 **Kenya**

The cash payment made will be fully taxable. The individual marginal tax rate of 30% will be applicable on the taxable amount i.e. the total cash payment made. This will be processed through payroll together with other emoluments. The cash payment will also be reflected on the income tax return for the individual as an earning together with other remunerations.

The taxes to be remitted by the employer are due by the 9<sup>th</sup> of the following month.

In addition to the above, Social Security taxes will be payable on the amount subject to income tax. The National Social Security Fund (NSSF) rate is 5% up to maximum contribution of Kshs 200 by the employee and a matching amount by the employer. As the full remuneration and benefits are subjected to social taxes in any particular month via the payroll operations, there will be no additional social taxes charged on the free shares taxable amount.

***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 the Delivery Date of the Free Shares?***

**Yes.** The taxable amount will be the difference between the share price at grant (i.e. Zero) and the fair market value of the shares at vesting i.e. delivery. The tax applicable is the PAYE tax which will be levied through payroll operations at the marginal tax rate of 30%.

The PAYE tax so levied is due to the KRA before the 9<sup>th</sup> of the following month.

In addition, Social Security taxes will be payable on the amount subject to income tax. The National Social Security Fund (NSSF) rate is 5% up to maximum contribution of Kshs 200 by the employee and a matching amount by the employer. However, as the comprehensive remuneration and benefits amount is subjected to social taxes in any particular month via the payroll operations, there will be no additional social taxes charged on the free shares taxable amount.

The taxable amount will be indicated on the employee's income tax return together with other emoluments accrued from their employment.

***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?***

**No.** This is due to the fact that on delivery/vesting of the free shares, the free shares belong to the employee and the applicable PAYE taxes will be levied at delivery.

The sale/redemption of free shares (exercise) ordinarily results in Capital Gains. This is because there would be a gain accrued which is deemed to be the difference between the market value of shares at exercise (redemption/sale) and the market value at the date of vesting (delivery). However since the shares are held by a foreign entity and are exercised offshore and not in Kenya, the capital gains so accrued do not attract Capital Gains Tax (CGT) in Kenya.

***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?***

It is the obligation of the company/employer to declare such payments/free shares issues and withhold taxes on the taxable amounts in addition to remitting the taxes to the Kenya Revenue Authority.

On the other hand, the employee is obligated to indicate such payments and the taxes so withheld in his annual income tax return at the end of the calendar year.

