

**L'ORÉAL EMPLOYEE SHARE OFFERING 2022  
LOCAL SUPPLEMENT FOR SOUTH KOREA**

*You have been invited to invest in shares of L'Oréal ("**Shares**") in the L'Oréal group employee share plan 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 (email address: [KRInvest@loreal.com](mailto:KRInvest@loreal.com), mailing address: L'Oreal Korea Human Resources, 31 Floor ASEM Tower, 517, Yeongdongdae-ro, Gangnam-gu, Seoul Korea).

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

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

The following payment methods are available:

- Salary Deduction over 1 month, 3 months or 6 months instalments (to be paid in maximum 6 monthly instalments); or
- Wire transfer to the employer bank account (account bank: Citibank Korea, account number: 0-001601-016, accountholder: L'OREAL KOREA)

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

Your shares will be held in your name in a securities account in a financial institution (BNP Paribas Securities Services). Information regarding custodianship of your shares will be provided to you following the subscription period.

You will be entitled to directly exercise the voting rights attached to your L'Oréal shares. Any dividends paid by L'Oréal will be directly paid to you.

You will receive annual account statements in relation to your shares from the financial institution holding your shares.

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

Prior to remittance of the subscription price, the transaction must be confirmed by conducted through a local foreign exchange bank, which is generally a simple administrative procedure. The funds to be remitted and evidence of the offering (e.g., offering documentation) should be submitted to a local foreign exchange bank for the confirmation. In order to remit funds for purchasing the shares, each employee needs to submit a power of attorney to authorize the employer to make necessary remittances.

### ***Securities Notices***

An offer of shares by an offshore parent company to local employees of its majority-owned subsidiary in South Korea pursuant to an employee share purchase plan established for employee welfare is considered as a private placement exempt from any disclosure requirements under the securities law of South Korea.

### ***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:** 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 securities account where the shares you subscribed for are registered. 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 South Korea**

*This summary sets forth general principles in effect on May 1, 2022, that are expected to apply to employees (“**Participants**”) who (i) are and who shall remain, until the disposal of their investment, resident in South Korea for the purposes of the tax laws of South Korea and of the tax treaty concluded between France and South Korea for the avoidance of double taxation signed on June 19, 1979 and entered into force on February 1, 1981, as amended on April 9th, 1991 (the “**Treaty**”) and (ii) are entitled to the benefits of the Treaty and do not carry out their professional activity in France, but may not apply in all specific cases. The tax consequences listed below are described in accordance with South Korea tax law and certain French tax laws and practices, all of which are applicable on May 1, 2022. 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**

Yes.

The discount will be subject to tax as salary income. The taxable discount will be calculated as the market price of shares at the time of acquisition minus their subscription price. For this purpose, the time of acquisition will be when the employee pays the subscription price. Subscription price will be considered as being paid on a lump-sum basis, since the salary deduction in maximum six (6) instalments would be repayments of loan extended by the employer.

Tax will be due at the progressive rates ranging from 6.6% to 49.5% including resident surtax.

The amount of discount will be borne by L’Oréal S.A. without any charge-back to your local employer, therefore, the discount will not be subject to any tax withholding by the local employer. As a result, you will pay tax by filing an annual personal income tax return in May of the following year.

Such salary income borne by L’Oréal S.A. without any charge-back to the local employer will increase the base income for the following year’s National pension contribution, but is not practically subject to other social security contributions such as National medical insurance, Unemployment insurance, etc. because there is currently no mechanism for assessing such charges.

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

Yes.

If you choose to pay the subscription price in instalments through salary deductions, you will be considered as having benefited from an interest free loan granted by your employer for an amount equal to such subscription price.

You will be viewed as having benefited from a taxable income equal to a deemed interest of 4.6% per annum on the basis of the loan balance as reduced by salary deductions.

Such income will be subject to tax as salary income, at the progressive rates of the personal income tax ranging from 6.6% to 49.5% including resident surtax. As salary income, it will be subject to the tax withholding by the employer (the employer will actually add the deemed interest to your taxable income at the end of the year when conducting the year-end settlement for your income tax). Social security taxes will also be due on this amount.

### **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 directly paid to you.

##### **(i) Taxation in France**

Under French domestic law, dividends paid by a French company to non-residents of France are generally subject to a 12,8% withholding tax in France, unless they are paid to a bank account opened in a Non-Cooperative State or Territory as defined under article 238-0 A 1, 2 and 2 bis-1° of the French Tax Code (NCST)<sup>1</sup> which would trigger a 75% withholding tax in France.

##### **(ii) Taxation in South Korea**

Yes.

The employee will be subject to income tax on any dividends received with respect to the shares. The taxable amount is the total amount of the dividends issued to the employee. Income from receipt of dividends from shares is subject to taxation at ordinary income tax rates, which range from 6.6% to 49.5% including resident surtax. The employee is responsible for reporting the dividends and paying any taxes due. The dividends should be reported on a year end global income tax return filed in May of the year following the year the dividends are issued. Taxes paid in France will be considered for Korean tax calculation purposes as a foreign tax credit. There are no social security charges on dividend income.

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

No.

---

<sup>1</sup> The list of NCSTs can be modified each year. The states and territories qualifying as NCSTs are currently the following: Anguilla, British Virgin Islands, Panama, Seychelles and Vanuatu..

**At the end of the lock-up period / upon sale of my shares**

**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 to sell my shares?**

(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 South Korea

Yes.

The employee will be subject to capital gains tax on the gain from the sale of the shares and is responsible for reporting the income and paying any taxes due thereon. Taxable gain is calculated as the difference between the sale proceeds and the subscription price paid. The tax rate for individuals on capital gains from the sale of the shares is 22% including resident surtax, on the excess of the gains less KRW 2,500,000 per year. There are no social security charges on capital gains income. From 2023, a tax rate of 22% would apply to gains (minus a basic deduction of KRW2.5 million) of up to KRW300 million and a higher tax rate of 27.5% would apply to gains (minus a basic deduction of KRW2.5 million) in excess of KRW300 million.

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

No.

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

Yes.

Tax will be assessed on the market value of the free shares at delivery, based on a progressive tax rate that ranges between 6.6% to 49.5% including resident surtax.

Because this benefit is not procured to you by your employer, the market value of the free shares will not be subject to any tax withholding by the local employer. As a result, you will pay taxes by filing an annual personal income tax return in May of the following year. Also, with regard to social security charges, such salary income borne by L'Oréal S.A. without any charge-back to the local employer will increase the base income for the following year's National pension contribution, but is not practically subject to other social security contributions such as National medical insurance, Unemployment insurance, etc. because there is currently no mechanism for assessing such charges.

**VII. Will I be required to pay any tax or social security charges at the date of sale of the Free Shares?**

Yes.

The employee will be subject to capital gains tax on the gain from the sale of the free shares and is responsible for reporting the income and paying any taxes due thereon. Taxable gain is calculated as the difference between the market price on the date of delivery of the shares and the sale price. The tax rate for individuals on capital gains from the sale of the shares is 22% including resident surtax, on the excess of the gains less KRW 2,500,000 per year. There are no social security charges on capital gains income. From 2023, a tax rate of 22% would apply to gains (minus a basic deduction of KRW2.5 million) of up to KRW300 million and a higher tax rate of 27.5% would apply to gains (minus a basic deduction of KRW2.5 million) in excess of KRW300 million.

**VIII. What are my reporting obligations with respect to the subscription, holding and sale of my L'Oréal shares as well as the payment of dividends, as applicable?**

Except for the reporting/confirmation procedure for exchange control purposes made at the time of remittance of funds for purchase of the shares, and the tax reporting discussed above, there are no other reporting obligations.

Korean residents must declare foreign financial accounts (i.e., non-Korean bank accounts, brokerage accounts, etc.) in foreign countries to the Korean tax authority and file a report with respect to such accounts in June of the immediately following year if the monthly balance of such accounts exceeds KRW 0.5 billion or an equivalent amount in foreign currency on any month-end date during a calendar year.

\* \* \*