

Engagement Policy Implementation Statement ("EPIS")

L'Oréal (UK) Ltd Retirement Benefits Plan (the "Plan")

Plan Year End – 5 April 2023

The purpose of the EPIS is for us, the Trustees of the L'Oréal (UK) Ltd Retirement Benefits Plan, to explain what we have done during the year ending 5 April 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Plan's investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the 'most significant' votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Plan's material investment managers were able to disclose adequate evidence of voting and engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

The Trustees expect improvements in disclosures over time, in line with the increasing expectations on investment managers and their ability to generate positive outcomes for the Plan through considered voting and engagement. In particular, the Trustees expect improvements from LGIM, Invesco and Threadneedle on their reporting of fund-level engagement examples. The Trustees' investment adviser, Aon, will continue to engage LGIM, Invesco and Threadneedle to encourage improvements in their disclosures.

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How voting and engagement policies have been followed

The Plan is invested primarily in pooled funds, and so the responsibility for voting and engagement is delegated to the Plan's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Plan year and in our view, most of the investment managers were able to disclose adequate evidence of voting and engagement activity. More information on the stewardship activity carried out by the Plan's investment managers can be found in the following sections of this report.

Ongoing Monitoring and Training

Over the reporting year, we monitored the performance of the Plan's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Plan is invested in where available.

Over the year, we received training sessions covering responsible investment topics with their investment advisor, which provided us with updates on the evolving regulatory requirements and the developments of ESG integration across the appropriate asset classes.

In February 2023, newly appointed Trustees received responsible investment training which covered the ESG positioning of the individual funds within the Plan and our role in ensuring responsible investment considerations form a part of the Plan's decision-making framework. In March 2023 ISC ("Investment Sub Committee") meeting, the members of the ISC received further ESG training with a more detailed insight into the specific ESG goals of the funds within the Plan's portfolio.

Cost Transparency Reporting

Over the year, we appointed ClearGlass to collate cost transparency information on the Plan's investment managers for the period 1 January 2021 to 31 December 2021. The ClearGlass cost transparency report was presented to the ISC in November 2022 and annual fees were deemed to be in line with the median.

Each year, we review the voting and engagement policies of the Plan's investment managers to ensure they align with our own policies for the Plan and help us to achieve them.

The Plan's stewardship policy can be found in the SIP: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/7-local-country-folder/uk/documents/loreal-uk-defined-benefit-plan-sip--2023.pdf?rev=3caa29d6712e46819af26bb5cf172b4b>

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Some of the property managers struggled to provide the engagement information requested. Threadneedle provided limited engagement information and BlackRock did not provide any data. Schroders and Invesco did not provide reporting on fund-specific engagements.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

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Whilst we acknowledge that opportunities for engagement for property managers are different to other asset classes, we still expect our managers to carry out engagement activity and report on it.

We will contact these managers to let them know our expectations for better reporting in future.

2. While LGIM provided a comprehensive list of fund-level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested. Also, it did not provide firm-level engagement information. Our investment manager, Aon will continue to meet with LGIM to encourage better reporting.
3. We will undertake more regular, detailed ESG monitoring of our managers. We have signed up to Aon's RI-360i solution which will involve an annual in-depth analysis of our investment managers. It will provide manager level insights into the ESG profile of our investment portfolio and how these changes over time and also allow us to better understand the alignment of our portfolio with Plan policies.
4. We will undertake an annual review of our investment managers' Responsible Investment policies to ensure they are in line with our own.

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Our fund of fund manager's engagement activity

We invest some of the Plan's assets in Aon's Global Impact Fund. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity, and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars, and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

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Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Plan's material funds with voting rights for the year to 31 March 2023. Managers collate voting information on a quarterly basis. The voting information for the year to 31 March 2023 broadly matches the Plan year.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Legal and General Investment Management ("LGIM") - Developed Balance Factor Equity Index Fund GBP Hedged	11,712	99.8%	20.2%	0.1%
In Aon's Global Impact Fund				
Mirova - Global Sustainable Equity Fund	703	100.0%	43.0%	0.0%
Nordea - Global Climate and Environmental Fund	824	99.2%	5.6%	1.6%

Source: Managers

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay, and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Plan's managers use proxy voting advisers.

	Description of use of proxy voting advisers
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
Mirova	Mirova utilizes ISS as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendation is not prescriptive or determinative to our voting decision.
Nordea	Our proxy voting is supported by two external vendors ISS and Nordic Investor Services ("NIS") to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors have merged.

Source: Managers

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

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Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Plan's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., is not necessarily specific to the fund invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - Developed Balance Factor Equity Index Fund GBP Hedged	297	<i>Not provided</i>	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Inequality, Public health Board effectiveness - Diversity, Remuneration Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose
In Aon's Global Impact Fund			
Mirova - Global Sustainable Equity Fund	33	115	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity), Pollution, Waste Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting)
Nordea - Global Climate and Environmental Fund	36	994	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity), Pollution, Waste Social - Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g., supply chain rights, community relations) Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Strategy/purpose, Risk management (e.g., operational risks, cyber/information security, product risks)
Schroders - UK Property Fund*	<i>Not provided</i>	>2,800	Environment - Climate change Social - Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Diversity
Invesco - Real Estate UK Residential Fund*	<i>Not provided</i>	183	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g., supply chain rights, community relations) Governance - Leadership - Chair/CEO, Remuneration

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Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
			Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting), Risk management (e.g., operational risks, cyber/information security, product risks)
Threadneedle - Property Unit Trust	<i>Not provided</i>	177	<i>Not provided</i>
Blackrock - UK Property Fund			<i>Not provided</i>

Source: Managers. *Schroders and Invesco did not provide fund-level themes; themes provided are at a firm-level.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Schroders did not provide fund-level engagement information. In its response to our data request, Schroders stated that engagement is primarily with its tenants and is conducted by property managers who are responsible for the day-to-day relationship with tenants. It is therefore difficult to quantify the level of engagement.
- Invesco did not provide fund-level engagement data.
- Threadneedle did not provide fund-level engagement data.
- BlackRock informed us that they do not produce engagement reports. BlackRock stated that the UK Property Fund does not hold publicly listed securities hence there is no engagement report produced.
- LGIM did not provide firm-level engagement data.

This report does not include commentary on the Plan's liability gilts, cash, and insurance policies, because of the limited materiality of stewardship to these asset classes. Further, this report does not include Additional Voluntary Contributions ("AVCs") due to the relatively small proportion of the Plan's assets that are held as AVCs.

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Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Plan's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - Developed Balance Factor Equity Index Fund GBP Hedged	Company name	Eli Lilly and Company
	Date of vote	02 May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9%
	Summary of the resolution	Require Independent Board Chair
	How you voted	LGIM voted in favour of the shareholder resolution (management recommendation: against).
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	
Mirova - Global Sustainable Equity Fund	Company name	Vestas Wind Systems
	Date of vote	01 April 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.2%
	Summary of the resolution	Remuneration Report
	How you voted	For resolution (Supported management)
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	<i>Not provided</i>
	Rationale for the voting decision	After voting against management in 2021 due to the fact that the compensation plan lacked sustainability criteria, we were pleased to see the incorporation of a corporate social responsibility ("CSR") metric in the 2022 short term incentive plan. We therefore voted with management on the remuneration related items

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	Outcome of the vote	Pass
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	We have not been able to support past resolutions due to the absence of CSR criteria and we were encouraged to find the company responsive to our suggestions to incorporate such criteria going forward.
	On which criteria have you assessed this vote to be "most significant"?	Relevant to engagement strategy
Nordea - Global Climate and Environmental Fund	Company name	Republic Services
	Date of vote	16 May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.8%
	Summary of the resolution	Report on third-party civil rights audit (shareholder proposal)
	How you voted	For resolution (Against management)
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Given that an independent civil rights audit would aid the shareholders to better assess the effectiveness of the company's efforts to address the issue of any inequality within their operation, this merits shareholder approval.
	Outcome of the vote	Fail
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue to vote for such proposals in this company as well as in other relevant companies
	On which criteria have you assessed this vote to be "most significant"?	Significant votes are those that are severely against our principles, and where we feel we need to enact change in the company.

Source: Managers