

11. Engagement Policy Implementation Statement ('EPIS')
For the year ended 5 April 2024

Engagement Policy Implementation Statement ("EPIS")

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

Plan Year End – 5 April 2024

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 2024 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/or engagement activity, and the activities completed by our managers align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

We 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. The Plan's property managers struggled to provide the engagement information requested. In particular, we expect improvements from Invesco, BlackRock and Threadneedle on their reporting of fund-level engagement examples in the future. The Plan's Schroders allocation has now been fully redeemed and therefore, is less of a concern. We also expect improvements in LGIM's reporting. Our investment adviser, Aon Investments Limited ("AIL"), will continue to engage with these managers to let them know our expectations for better reporting in future.

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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, which is in line with the policies set out in our SIP. 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/or 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, AIL. In particular, we received quarterly ESG ratings from AIL for the funds the Plan is invested in where available.

During the year, we received training on ESG and stewardship topics, and agreed our policies in relation to these.

In November 2023, our ISC were presented the results of the RI-360 dashboard by the AIL Responsible Investment team. The presentation focused on analysis of the Plan's current managers and current ESG profile as well as the capabilities of the dashboard.

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 2022 to 31 December 2022. The ClearGlass cost transparency report was presented to our ISC in September 2023 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>

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 Environmental Social Governance ("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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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. The property managers struggled to provide engagement information. 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 continue to engage with these managers to discuss their stewardship activities and let them know our expectations for better reporting in future.
2. While LGIM did provide a comprehensive list on fund level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested, as per the industry standard Investment Consultants Sustainability Working Group ("ICSWG") reporting template. Our investment adviser, AIL will continue to meet with LGIM to encourage better reporting.
3. We have signed up to AIL's RI-360i solution which provides an annual in-depth analysis of our investment managers. We will continue to receive manager level insights into the ESG profile of our investment portfolio. We will also monitor how this changes over time, allowing us to better understand the alignment of our portfolio with Plan policies.

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Our fund of funds manager's engagement activity

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

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

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

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

In 2021, AIL 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).

AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code, which is a voluntary code established by the Financial Reporting Council that sets high standards on stewardship for asset owners, investment managers and service providers.

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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. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. 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. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 31 March 2024 which is the closest quarter end to the Plan year end.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Developed Balanced Factor Equity Index Fund GBP Hedged	12,190	99.8%	21.1%	0.2%
In ALL's Global Impact Fund: Mirova - Global Sustainable Equity Fund	651	100.0%	45.0%	2.0%
Nordea - Global Climate and Environmental Fund	841	100.0%	10.3%	3.0%

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

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.

Managers	Description of use of proxy voting adviser(s) (in the managers' own words)
Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses ISS's '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.
Mirova	Mirova utilizes Institutional Shareholder Services, Inc. (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 are not prescriptive or determinative to our voting decision.

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

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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Nordea Investment Management ("Nordea")	Our proxy voting is supported by two external vendors (Institutional Shareholder Services and Nordic Investor Services – henceforth, "ISS" and "NIS") to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors have merged.
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Source: Managers

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 funds invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund-level	Firm-level	
LGIM - Buy and Maintain Credit Fund	154	2,500	Environment - Climate Change; Climate Impact Pledge Governance - Remuneration; Board Composition; Nominations & Succession
LGIM - Developed Balanced Factor Equity Index Fund GBP Hedged	296	2,500	Environment - Climate Impact Pledge; Climate Change Social - Gender Diversity Governance - Remuneration; Board Composition
In AIL's Global Impact fund			
Mirova - Global Sustainable Equity Fund	42	122	Environment - Natural Resource Use/Impact; Climate Change Social - Human and Labour Rights; Human Capital Management Governance - Remuneration
Nordea - Global Climate and Environmental Fund	42	1,214	Environment - Pollution, Waste; Climate Change Social - Human and Labour Rights Governance - Board Effectiveness - Diversity Strategy, Financial & Reporting - Reporting
Invesco - Real Estate UK Residential Fund*	Not provided	206	Environment - Climate Change Social - Human and Labour Rights Governance - Remuneration; Leadership - Chair/CEO Strategy, Financial & Reporting - Risk Management
Threadneedle AM - Property Unit Trust*	Not provided	1,424	Environment - Climate Change Social - Human Capital Management; Human and Labour Rights Governance - Leadership - Chair/CEO; Board Effectiveness - Other
Schroders - UK Property Fund*	Not provided	6,724	Environment - Decarbonising; Deforestation; Climate Risk, Oversight Governance - Boards and Management; Corporate Culture

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BlackRock - UK Property Fund	<i>Not provided</i>	3,768	<i>Not provided</i>
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Source: Managers.

**Invesco, Schroders and Threadneedle did not provide fund-level themes; themes provide are at a firm-level.*

Data limitations

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

- The property managers did not provide fund-level engagement information.
- BlackRock stated that they do not produce engagement reports for the UK Property Fund. BlackRock noted that the fund does not hold publicly listed securities hence there is no engagement report produced.
- 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 stated that Real Estate UK Residential Fund does not participate in the engagement activities defined in the industry standard ICSWG reporting template.
- Whilst LGIM provided a comprehensive list of fund-level engagements, which we find encouraging, it did not provide fund-level engagements in the ICSWG reporting template.

This report does not include commentary on certain asset classes such as liability gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the 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:

Mirova - Global Sustainable Equity Fund	Company name	American Water Works
	Date of vote	10-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4
	Summary of the resolution	Shareholder Proposal on Racial Equity Audit
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	The proponent is requesting that American Water Works Company oversee and report on a racial justice audit analyzing how the company's policies and operations affect systemic racism. While the company has significantly improved its diversity and inclusion disclosures over the past few years, it is far from having reached its diversity targets, which are not publicly disclosed. This proposal would allow the company to further better its transitioning to a more inclusive and diverse workforce and to a higher level of transparency. Additional information on a general scope would be welcome, as well as recommendations to better assess the effectiveness of the company's efforts to address these issues and racial inequity.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	It should be noted that while Mirova, as a French-based asset manager, is not specifically in favor of ethnic statistics, we understand that it is considered a positive and encouraged advancement in the US market, promoted by associations that strive to tackle discrimination and inequality. As a result, and since this shareholder proposal aims to improve transparency, Mirova will vote in favor of item 5. We intend to contact the company to inform of our voting intention and rationale.
	On which criteria have you assessed this vote to be most significant?	Relevant to engagement strategy
Nordea - Global Climate and Environmental Fund	Company name	Deere & Company
	Date of vote	28-Feb-2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.5
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Share-based long-term incentive plan for executives was 64% time-based. In our view, properly devised remuneration systems should, in an uncomplicated, clear and transparent manner, aim to achieve a better performance and increase value for shareholders. Ideally,

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		the incentive programs would incentivize the participant to achieve something out of the ordinary and thus, they should have clear and sufficiently challenging performance conditions.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We see less and less support at many AGMs for remuneration packages, and we will continue to be critical of badly structured remuneration programs with large proportions of time based variable compensation.
	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.
LGIM - Developed Balanced Factor Equity Index Fund GBP Hedged	Company name	The Coca-Cola Company
	Date of vote	25-Apr-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4
	Summary of the resolution	Resolution 7 – Report on Congruency of Political Spending with Company Values and Priorities
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	Rationale for the voting decision	LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While we appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. We believe that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
		On which criteria have you assessed this vote to be most significant?

Source: Managers