AVON COSMETICS PENSION PLAN

IMPLEMENTATION STATEMENT FOR THE NEW MONEY PURCHASE SECTION

Introduction

This document is the annual Implementation Statement ("the Statement") prepared by the Trustees of the Avon Cosmetics Pension Plan ("the Plan") in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The Statement relates to the Plan's New Money Purchase Section ("the NMP Section") only and a separate Implementation Statement is prepared covering the Plan's Defined Benefit Section.

The Statement covers the Plan year ending 31 December 2021 and its purpose is to:

- Detail any review of the Statement of Investment Principles ("SIP") undertaken by the Trustees during the year and to summarise any changes made as a result of the review;
- Set out the extent to which, in the opinion of the Trustees, the SIP has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustees during the year.

The Trustees' Statement of Investment Principles

Under Section 35 of the Pensions Act 1995, the Trustees are required to prepare and keep under review a statement of investment principles that sets out their investment objectives and policies for the Plan, including the NMP Section. In line with this requirement, for the NMP Section, the Trustees' SIP covers the following:

- The division of responsibilities between the Trustees, their advisers and investment managers;
- The Trustees' investment objectives for the NMP Section and how they have taken into account the risks faced by members;
- The range of investment options that the Trustees have made available to members of the NMP Section, including the default investment strategy;
- The Trustees' policies on corporate governance and socially responsible investment; and
- The circumstances in which the Trustees will undertake a review of their SIP.

Changes to the SIP during the year to 31 December 2021

The Trustees did not undertake a review of their SIP during the year ending 31 December 2021. The last review was completed in 2020 and accordingly the current SIP remains the version dated September 2020.

A copy of this Implementation Statement (and the equivalent statement for the Defined Benefit Section), together with a copy of the Trustees' current SIP dated September 2020, can be found on the following website:

www.avon.uk.com/pages/pensions.

The Trustees adherence to the SIP

The Trustees believe they have followed their investment objectives and policies for the NMP Section as set out in their SIP that were in place for the Plan's year ending 31 December 2021. Further information on how they did this is set out in the remainder of this section.

Governance

The NMP Section's provider

The Trustees have appointed Scottish Widows as the NMP Section's provider using a 'bundled' arrangement under which Scottish Widows provide both administration services and the investment platform from which the Trustees' select the range of pooled investment funds in which members can invest their pension savings.

Through the provision of regular reports provided by their advisers, WTW, the Trustees monitor Scottish Widows throughout the year. For the Plan's year ending 31 December 2021, the Trustees concluded that Scottish Widows remained a suitable provider for the NMP Section.

The Trustees' governance framework

The Trustees have a number of responsibilities that are summarised in Appendix A of their SIP and in order to meet these responsibilities, the Trustees have adopted an appropriate governance framework to monitor the NMP Section's investment strategy and the performance of the individual pooled investment funds, including those that make up the default investment strategy. At the current time, for the NMP Section, the Trustees consider that it is best for these governance activities to be largely undertaken by the Trustee board as a whole as part of their Trustee meetings, although the Trustees also operate an Investment Sub-Committee that considers some aspects of the NMP Section's investment strategy in more detail.

The Trustees review their investment objectives and strategy for the default investment option (as well as the wider investment options available to members) at least once every three years in order to ensure the default investment option remains appropriate for the NMP Section's membership. These reviews consider such matters as the demographic profile of the NMP Section's membership, the benefit choices members may make at retirement, the likely risk tolerances of members, developments in the defined contribution pensions market and any relevant legislative changes. The last review was undertaken in March 2022 in conjunction with WTW, the Trustees' investment advisers for the NMP Section, and Scottish Widows.

The performance of each of the pooled investment funds (which include those that make up the default investment option) is reviewed at each Trustee meetings using a report provided by Scottish Widows. As all the pooled investment funds are passively managed (except for the Deposit and Treasury and Money Market funds), each fund's performance is measured against its benchmark index.

During the Plan's year to 31 December 2021, as well as over the medium to long term, the passively managed funds performed within acceptable tolerances of their relevant index benchmark. The Trustees accept that there may be small deviations in a fund's performance from its index benchmark and provided these are over short periods of time or are within acceptable tolerances over the medium to long term, the Trustees will not normally take any action. However, sustained or longer-term deviations would be investigated further.

The Trustees also ensure that the Plan meets all relevant legal requirements and expectations as set out in the Pensions Regulator's Code of Practice no. 13 "Governance and administration of occupational trust-based schemes providing money purchase benefits".

Professional advice

In all matters relating to the NMP Section's investments, the Trustees take professional advice from their appointed investment advisers, WTW. The Trustees also take advice from WTW on the suitability of their SIP and when making any changes to the SIP.

In order to ensure that the advice received is appropriate and in line with the Trustees requirements, the Trustees have agreed a number of investment objectives for WTW that will help the Trustees in meeting their own investment objectives for the Plan. The Trustees will keep WTW's objectives under review and will also refer to them when assessing the performance of WTW as their investment advisers.

Investment objectives

The Trustees' principal objective is that the NMP Section's overall investment strategy (particularly the default investment option) remains appropriate as the membership changes over time.

In order to meet the above, the Trustees:

- Provide members with a range of investment options and pooled investment funds to satisfy their differing risk appetites and retirement goals;
- Offer an appropriate lifestyle strategy as the default investment option for those members who do not feel able to make decisions on how their contributions should be invested;
- Offer three alternative lifestyle strategies to the default investment option that allow members to make limited investment decisions, while still being able to tailor their pension planning to suit their personal circumstances;
- Offer a range of suitable investment funds for members to invest in while being able to mitigate the risks they face; and
- Monitor the fund choices to ensure they are consistent with the strategic objectives of the Trustees' SIP and that performance is consistent with that expected.

To meet the above objectives, the investment options currently available to members are summarised below.

The NMP Section's default investment option

During the period covered by this statement, the NMP Section's default investment option used for members who decide not to make their own investment choice was the Scottish Widows Passive Interim Lifestyle (Avon). This aims to provide:

- A a suitable investment solution from the point at which the member joins until the point at which the member is sufficiently comfortable to make an investment decision, in particular how they might wish to manage their income in retirement;

- Capital growth over the long term by investing in a range of multi-asset funds that provide increasing levels of capital protection as members approach retirement by automatically moving into funds that are less likely to experience changes in value.

As part of the Trustees' review of the default investment option in 2019, based on analysis of the demographics and risk profile of the NMP Section's membership at the time, the Trustees agreed that the above default investment option was the most appropriate for members who do not make their own investment choice. The Trustees undertook a further review of the default investment option in March 2022 and are in the process of considering the outcome of this latest review.

The default investment option also satisfies the DWP's auto-enrolment regulations, including the cap on charges. Currently, the charges for the investment funds that make up the Scottish Widows Passive Interim Lifestyle (Avon) range from 0.350% per annum to 0.370% per annum. These compare to the cap on charges of 0.75% per annum.

The NMP Section's alternative lifestyle strategies

As an alternative to the default investment option, members of the NMP Section have the choice of three further lifestyle investment strategies, being:

- The Scottish Widows Passive Immediate Spend Lifestyle (Avon);

- The Scottish Widows Passive Securing Lifelong Income Lifestyle (Avon); and

- The Scottish Widows Passive Flexible Retirement Lifestyle (Avon).

The NMP Section's self-select fund range

In addition to the default investment option and three alternative lifestyle strategies, members have a choice of seven pooled investment funds that provide the option to invest in equities (both in the UK and overseas), UK Government gilts (both fixed and index-linked), corporate bonds and cash. Members are also able to select from the seven individual investment funds that are used in the default investment option and alternative lifestyle strategies.

Except for the cash funds, all the funds are passively managed with the objective of tracking a specified benchmark index chosen by the investment manager.

Managing risks

The Trustees recognise that members of the NMP Section face various investment risks, as referred to in their SIP. For the three key investment risks, inflation risk, pension purchase risk and capital risk, the way the Trustees help members manage them is summarised below.

- *Inflation risk* – investing in equities is considered to be the most effective way of managing inflation risk because over the medium to long term, equity markets are expected to grow faster than inflation. Therefore, to help members manage the risk that their pension savings do not grow at least in line with inflation, under the default investment option and the alternative three lifestyle strategies, a higher proportion is invested in equities while a member is a long time from their retirement, which then reduces as they approach retirement. For members who select their own investment funds, the Trustees provide both UK and overseas equity funds.

- *Pension purchase risk* – investing in fixed and index-linked bonds is seen as the most effective way of managing pension purchase risk as in general, annuity prices are linked to bond yields. Therefore, to help manage this risk for those members wishing to provide a secure level of income when they retire (through the purchase of an annuity), the Trustees offer the Scottish Widows Passive Securing Lifelong Income Lifestyle (Avon) that gradually switches the majority of a member's pension savings into the Scottish Widows Passive Annuity Purchase Fund as they approach retirement. For members who select their own investment funds, the Trustees provide a selection of both fixed and index-linked bond funds.

- *Capital risk* – investing in cash is an effective way of managing the risk that the part of a member's savings that they intend to take as a tax-free lump sum falls in value as they near retirement. Therefore, to help manage this risk, the default investment option and the three alternative lifestyle strategies switch at least 25% of a member's pension saving into a cash fund as they near retirement. For members who select their own investment funds, the Trustees provide a cash fund.

In addition, the Trustees recognise that members of the NMP Section also face the following risks:

- *Communication risk* – to manage the risk that communications to members lead to wrong decisions being made, the Trustees take appropriate advice when preparing member communications to ensure they are clear and appropriate for the members;

- *Inappropriate member decision* – to manage the risk that members make inappropriate decisions, the Trustees recommend that independent financial advice is sought if members are uncertain of the best choice to make.

Corporate governance and socially responsible investments

The Trustees have no direct interaction with the investment managers (Scottish Widows, BlackRock and Legal & General Investment Management) of the pooled investment funds that make up the default investment option, the three alternative lifestyle strategies and the self-select fund range. The Trustees have therefore delegated responsibility for the selection, retention and realisation of the investments held by each of the pooled investment funds to the relevant investment managers.

Due to the inherent constraints that arise from the NMP Section being delivered via a 'bundled' arrangement with Scottish Widows, and the fact that the pooled investment funds offered to members are predominately passively managed, the Trustees take a pragmatic approach to sustainable investment factors. These are factors arising from environmental, social and corporate governance (commonly referred to as 'ESG' factors), including climate change. This is reflected in the Trustees' policy on corporate governance and socially responsible investments set out in their SIP.

The Trustees recognise that long-term ESG factors, including climate change, may have a material impact on investment risk and outcomes. However, the Trustees' current investment strategy is to offer members a range of passively managed pooled investment funds (that include the funds that make up the default investment option and three alternative lifestyle strategies) that do not explicitly take account of ESG considerations in the selection, retention and realisation of investments. However, the Trustees do review their investment strategy on an ongoing basis and will look to reflect these factors as far as possible in any subsequent changes to the default investment option, alternative lifestyle strategies or range of pooled investment funds.

The Trustees will continue to develop their approach to ESG integration and monitoring.

Voting policy and behaviour

Investments in the Plan are made using pooled investment funds available through the Plan's platform provider, Scottish Widows ("SW"). Consequently, for those funds that invest in UK and overseas equities, the voting rights arising from the underlying investments held by each fund are exercised on behalf of the Trustees by each fund's investment manager. The Trustees expect the investment managers to use their engagement activity to drive improved performance over the medium to long term.

The main pooled investment funds that contain voting rights are:

Fund	Investment Manager
The SW Legal & General 30:70 Currency Hedged Global Equity Index fund	Legal & General Investment Management (LGIM)
The SW BlackRock Aquila UK Equity Index fund	BlackRock
The SW BlackRock Aquila World ex-UK Equity Index fund	BlackRock

In addition, the Scottish Widows Passive Interim Lifestyle (Avon), the default investment option, and the three alternative lifestyle strategies, invest in the BlackRock Aquila UK Equity Index fund and the BlackRock Aquila World ex-UK Equity Index fund as well as the following funds that also contain voting rights:

- The iShares Emerging Markets Equity Index fund
- The BlackRock Continental European Equity Tracker fund
- The BlackRock Climate Transition World Equity fund

- The BlackRock Aquila Pacific Rim Equity fund

However, as the proportion invested in each of the above four funds is relatively small, the Appendix to this statement only contains a summary of the voting activity during 2021 for each of the three main funds shown in the table on the previous page.

The Trustees of the Avon Cosmetics Pension Plan
July 2022

Appendix

The tables below provide a summary of the voting policies and activity for LGIM and BlackRock. In addition, the Stewardship reports for these investment managers can be accessed at the following links:

LGIM: https://www.lgim.com/uk/ad/insights/our-thinking/long-term-thinking/active-ownership-global-engagement-to-deliver-positive-change/

BlackRock: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history

Investment Manager: Legal & General Investment Management (LGIM) **Fund: SW Legal & General 30:70 Currency Hedged Global Equity Index Fund**
Voting policy
What is Legal & General's policy on consulting with clients before voting? LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.
Please provide an overview of Legal & General's process for deciding how to vote All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
Please describe whether Legal & General has made use of any proxy voter services LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'Proxy Exchange' 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. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

What process did you follow for determining the "most significant" votes?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated daily and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

Please include here any additional comments which are relevant to LGIM's voting activities or processes

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Voting activity for the year ending 31 December 2021

Summary

• How many meetings were you eligible to vote at?	6,269
• How many resolutions were you eligible to vote on?	64,914
• What percentage of resolutions did you vote on for which you were eligible?	99%
• Of the resolutions on which you voted, what % did you vote with management?	82%
• Of the resolutions on which you voted, what % did you vote against management?	17%
• Of the resolutions on which you voted, what % did you abstain from?	1%

Significant votes (examples)

Company: Facebook

Key resolution: 1.9 - Elect Director Mark Zuckerberg

How voted: Withhold

Reason: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Company: JPMorgan Chase & Co.

Key resolution: 1c - Elect Director Todd A. Comb

How voted: Against

Reason: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Company: Johnson & Johnson

Key resolution: 1e - Elect Director Alex Gorsky

How voted: Against

Reason: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Investment Manager: BlackRock

Funds: SW BlackRock Aquila UK Equity Index Fund and SW BlackRock Aquila World ex-UK Equity Index Fund

Voting policy

What is BlackRock's policy on consulting with clients before voting?

BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients' interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs our voting decisions.

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Principles available on our website at https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

Please provide an overview of BlackRock's process for deciding how to vote

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets.

We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

Please describe whether BlackRock has made use of any proxy voter services

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex, and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

What process did you follow for determining the "most significant" votes?

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Please include here any additional comments which are relevant to BlackRock's voting activities or processes

None provided.

Voting activity for the year ending 31 December 2021

Summary: SW BlackRock Aquila UK Equity Index Fund

• How many meetings were you eligible to vote at?	793
• How many resolutions were you eligible to vote on?	10,815

- What percentage of resolutions did you vote on for which you were eligible? 99%
- Of the resolutions on which you voted, what % did you vote with management? 94%
- Of the resolutions on which you voted, what % did you vote against management? 5%
- Of the resolutions on which you voted, what % did you abstain from? 0%

Summary: SW BlackRock Aquila World ex-UK Equity Index Fund

- How many meetings were you eligible to vote at? 1,966
- How many resolutions were you eligible to vote on? 23,202
- What percentage of resolutions did you vote on for which you were eligible? 99%
- Of the resolutions on which you voted, what % did you vote with management? 92%
- Of the resolutions on which you voted, what % did you vote against management? 7%
- Of the resolutions on which you voted, what % did you abstain from? 0%

Significant votes (examples): SW BlackRock Aquila UK Equity Index Fund

Company: BP Plc

Key resolution: Item 13: Approve Shareholder Resolution on Climate Change Targets

How voted: For

Reason: BIS supports BP's climate strategy and the Board of Directors in their oversight of the company's climate

strategy. At companies where we have concerns about the quality of a company's climate strategy and its implementation, disclosures and/or oversight of climate risk, our standard course of action would be to hold directors accountable. BIS supported the re-election of all directors.

BIS voted for the climate-related shareholder resolution because we see it as a means to reiterate our expectation that BP progressively refine its GHG emissions reduction targets. This is both complementary to BP's current activity plans and actions, and consistent with what BIS would expect of large energy companies like BP. We believe that progress aligned with the shareholder resolution will be essential to achieving broad-based support for the transition strategies of large energy companies. Supporting this resolution signals our belief that the company should continue to make progress, both on its strategy and in demonstrating the validity of its targets.

Company: Vale, S.A.

Key resolutions: Item 1: Individual elections of members of the Board of Directors recommended by the Nominating Committee and Board of Directors (featuring contested elections by minority shareholders), Item 2: Election of the Chairman and Vice-Chairman of the Board of Directors, Item 3: Election of members of the Fiscal Council, Item 4: Establishment of the overall annual compensation of the Company's directors and members of the Fiscal Council for the year 2021, Item 5: Approve corporate transactions to simplify iron ore assets and Vale's corporate structure.

How voted: All resolutions - For

Reason: The Vale's work to regain stakeholder trust – and the trust of impacted communities in Minas Gerais – is far from concluded. BIS voted FOR multiple items on "Management's Proposal for the Annual and Special Shareholders' Meeting" held on April 30, 2021 because Vale has enacted necessary changes at the board level – including the creation of a Nominating Committee – that have led to significant improvements in Vale's board composition, diversity, and independence. These changes have, in turn, contributed to board effectiveness and the implementation of stronger corporate governance practices and risk management controls.

Vale's commitment to improve its corporate governance practices, advance sustainability, and transform its culture – starting at the top– is a step in the right direction. Given ongoing safety concerns, BIS will continue to engage with Vale on board oversight of operational quality and risk management and will monitor its progress on environmental and social reparation actions.

Company:	Barclays PLC
Key resolution:	Item 29: Approve Market Forces Requisitioned Resolution
How voted:	Abstained

Reason: BIS is supportive of the broad ask of the resolution. However, the imprecise and ambiguous wording means that BIS is unable to support it, particularly as the resolution is legally binding. BIS therefore abstained from the vote on this resolution.

Significant votes (examples): SW BlackRock Aquila World ex-UK Equity Index Fund

Company:	Tyson Foods, Inc
Key resolutions:	Item 4.0: Human rights due diligence report, Item 5.0: Recapitalization to establish "one share-one vote", Item 6.0: Lobbying report
How voted:	All resolutions - For

Reason: Item 4.0: BIS voted for the proposal requesting the board of directors prepare a report on the company's "human rights due diligence process to assess, identify, prevent, mitigate, and remedy actual and potential human rights impacts" given that the company has limited disclosure regarding its supply chain audits.

At Tyson Foods' 2020 Annual Meeting, BIS supported the shareholder proposal requesting a report on the human rights risk assessment process because we were not satisfied with the company's disclosures and practices around sustainable working conditions (the proposal received 15% support). After continued engagement on the matter, we remain concerned about the company's lack of robust disclosures.

Item 5.0: BIS voted for the proposal requesting the board of directors "to retain an investment banker to develop a plan for a recapitalization to result in one vote per share for all outstanding stock of the Company." Tyson Foods' capital structure has two classes of common stock: Class A common stock with one vote per share and Class B common stock with ten votes per share. As a result, TLP controls 70.63% of the aggregate vote of Class A common stock and Class B common stock. The company's board of directors believes that the capital structure, in existence since Tyson Foods reincorporated in Delaware in 1986, is in the best interests of the company and its shareholders.

As noted in our 2021 proxy voting guidelines for U.S. securities, BIS prefers a "one vote for one share" capital structure for publicly traded companies. We believe that certain fundamental rights should be attached to share ownership, starting with equal voting rights for all shareholders so that they can act to protect their economic interests in a company. While we recognize the potential benefits of dual class shares to newly public companies in certain circumstances as they establish themselves, we believe that these structures should have a specific and limited duration.

Item 6.0: BIS voted FOR the proposal requesting the preparation of an annual report "to assess whether Tyson Foods' lobbying is consistent with Tyson's expressed goals and the best interests of shareholders."

As discussed in our commentary on our perspective on corporate political activities, BIS regularly engages with companies to understand how their activities and disclosures related to political spending and lobbying are consistent with a company's overall strategy and long-term shareholder value creation. Companies that engage in political and lobbying activities should develop and maintain robust processes to guide these activities and mitigate risks, including through effective board oversight. Companies should provide accessible and transparent disclosure so that investors and interested stakeholders can understand how a company's public messaging and strategy are aligned with its contributions or affiliations. Moreover, we expect companies to monitor the positions taken by trade associations of which they are active members for consistency on major policy positions and to provide an explanation where inconsistencies exist.

Tyson Foods has launched an internal review to identify approaches to enhance transparency of their federal, state lobbying, and political activity at the direction of the executive management team. The company has said that this review should be concluded by the end of March 2021. While BIS welcomes the internal review and views it as a step in the right direction, we supported this proposal given the company's limited disclosures of its political contributions and corporate lobbying activities at present

Company:	AmerisourceBergen Corporation
Key resolutions:	Item 1d: Re-elect Richard W. Gochnauer, Item 1g: Re-elect Kathleen W. Hyle, Item 1h: Re-elect Michael J. Long, Item 3: Advisory Vote to Approve the Compensation of Named Executive Officers, Item 4: Shareholder Proposal to Adopt a Policy that the Chairman of the Board be an Independent Director
How voted:	All resolutions - Against

Reason: Items 1d, 1g and 1h: IS voted against the re-election of all three members of the Compensation and Succession Planning Committee: Richard W. Gochnauer, Kathleen W. Hyle, and the Chair of said Committee, Michael J. Long, due to concerns over the poor exercise of discretion regarding CEO compensation.

ABC's Compensation Committee has the "discretion to increase or reduce any portion of a calculated award for reasons including, but not limited to, issues that may positively or negatively impact the company." Per the BIS commentary on our approach to incentives aligned with value creation, where a compensation committee has used its discretion in determining the outcome of any compensation structure, we expect transparency with respect to how and why discretion was used. As was the case in this instance, we hold members of the compensation committee, or equivalent, accountable for poor compensation practices or structures, and the lack of sufficient disclosure. Please refer to item 3 below for more detail regarding our concerns over the Compensation Committee's decisions.

Item 3: IS voted against ABC's Say-on-Pay proposal for failing to sufficiently address the magnitude of the opioid settlement-related adjustment and its effect on executive compensation payouts in its disclosures.

ABC Chairman, President and CEO Steven H. Collis received $14.3 million in total compensation for fiscal year 2020, representing an increase of 26% from the prior year. We do not believe that support for ABC's Say-on-Pay proposal is warranted given the significant divergence between ABC's operating loss of $5.1 billion – as calculated according to generally accepted accounting principles (GAAP) – and adjusted operating income of $2.2 billion, as measured on a non-GAAP basis, which includes an adjustment for the $6.6 billion opioid settlement-related charge.

ABC maintains that excluding the opioid settlement-related adjustment from its executive compensation payout determinations was an appropriate use of non-GAAP accounting practices. However, the company's original proxy statement failed to describe whether the Compensation Committee considered the charge when reaching its compensation decisions. We believe the circumstances call for a robust explanation by the Compensation Committee of its decision not to exercise discretion to lower Mr. Collis' payout. While a supplemental proxy filing made by ABC provided additional insight into the Compensation Committee's decisions, we believe that the filing did not sufficiently address the magnitude of the opioid settlement-related adjustment and the fact that it did not affect executive compensation payouts.

Item 4: BIS voted against the shareholder proposal requesting that ABC's Board of Directors adopt a policy and amend its governing documents as necessary to require that the Chairman of the Board of Directors to be an independent member of the Board, whenever possible. BIS did not support the proposal because the company has a designated Lead Independent Director, Dr Jane E. Henney, who fulfils the requirements appropriate to such role. As stated in our [2021 Proxy voting guidelines for US Securities](), "In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence. In the event that the board chooses a combined chair/CEO model, we generally support the designation of a lead independent director if they have the power to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. Furthermore, while we anticipate that most directors will be elected annually, we believe an element of continuity is important for this role to provide appropriate leadership balance to the chair/CEO." While we maintain concerns regarding the decision related to compensation, we do not have any overarching governance or independence concerns that would warrant support for this proposal at this time.

Company: TransDigm Group Incorporated

Key resolutions: Item 1.2: Elect Director Mervin Dunn, Item 1.3: Elect Director Michael S. Graff, Item 1.4: Elect Director Sean P. Hennessy, Item 1.5: Elect Director W. Nicholas Howley, Item 1.9: Elect Director Robert J. Small, Item 1.10: Elect Director John Staer, Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation.

How voted: All resolutions - Against

Reason: Item 1.5: BIS voted against the re-election of the Chair of the board for the lack of climate risk oversight We remain unsatisfied with the company's climate risk oversight and believe there has been insufficient progress on climate-related reporting, despite laying out our clear expectations in past engagements. In addition, the shareholder proposal received approximately 45% support at the 2020 annual meeting. The company also has not made progress on SASB-aligned reporting. As stated in our US proxy voting guidelines, BIS will hold members of the relevant committee or the most senior non-executive director accountable for inadequate disclosures and the underlying business practices. As the company has no lead director or committee designated as responsible for climate risk, we are holding the Chairman (W. Nicholas Howley) to account by voting against his re-election. Howley was the CEO until 2018 and is the founder of the company.

Items 1.2, 1.3, 1.4, and 1.9 and 2: BIS voted against the re-election of all directors on the compensation committee and the executive compensation proposal given the misalignment of pay and performance BIS voted against the executive compensation proposal and the compensation committee based on our assessment that there is a misalignment between pay and performance, including outsized pay, for both the CEO and the Chairman.

The company was greatly impacted by the COVID-19 pandemic in 2020—total shareholder returns were negative and the company experienced declines in profitability metrics. However, amidst the economic impact of the pandemic, CEO pay increased 91% from $13.2 million in FY19 to $25.1 million in FY20 (or $22 million per the company's valuation). As a point of comparison, the median CEO pay for the company's peer group was approximately $10 million. In addition, the Chairman's pay was triple that of the CEO. Founder and Chairman Howley received $74.8 million in total pay.

The increased payment to the CEO was largely due to a stock option grant in FY20 when no grant was made in FY19 (the company historically practiced biennial granting). In September 2020, the compensation committee decided to allow performance options that were granted in FY20 to vest despite not achieving threshold performance.

The increase in value of dividend equivalent payments to the CEO and Chairman also contributed to the increase in overall compensation when the company issued a $32.50 dividend per share in January 2020. TransDigm's say-on-pay proposal has received relatively low support over the past three years, averaging 66% support. The company indicated consideration of shareholder feedback and agreed to eliminate overlapping metrics in the short-term and stock option plan, as well as alternative vesting criteria for awards beginning in 2021. However, the committee ultimately decided to retain several existing elements. BIS has continuously provided feedback on the structure of the plan during our engagements; however, after three years of low shareholder support, the changes are minimal.

Item 1.10: BIS voted against the re-election of a non-independent director on the audit committee.

BIS voted against Director John Staer, a member of the audit committee. Staer is not considered independent by BIS for overlapping board participation with Chairman Howley on another company board and affiliated business activities with TransDigm. He is the former CEO of Satair, a distributor of aerospace products, including parts manufactured by subsidiaries of TransDigm, and no additional information about the monetary exchange of this partnership or personal financial benefit is disclosed in the proxy statement. As a result, BIS is unable to assess the materiality of the relationship, as well as how this may factor into the ability of the director to exercise independent oversight.

Based on both the business partnership and interpersonal relationship, we do not consider this director to be independent. BIS expects all members of key committees, including audit, compensation, and nominating/governance committees, to be independent.