

IMPLEMENTATION STATEMENT

Avon Cosmetics Pension Plan

The Trustees of the Avon Cosmetics Pension Plan (“**Plan**”) have prepared this implementation statement in compliance with the governance standards introduced under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). Its purpose is to demonstrate how, and the extent to which, the Plan’s Statement of Investment Principles (SIP) dated September 2019 and updated on the 29th September 2020 has been followed, if there has been any review of the SIP and how the policies on voting, stewardship and engagement have been followed. This statement covers the period 31 December 2020 to 31 December 2021.

A. Review of the Statement of Investment Principles

During the Plan year, there was a review of the Statement of Investment Principles and no changes were made. The Trustees adopted a policy of delegating responsibility for the consideration of ESG issues to the Investment Manager, SEI. SEI will take account of all financially material factors including ESG in the selection of investments and no exclusions are applied to investments based on non-financially material factors.

There were no changes to the investment strategy, objectives or fund range as part of this review.

B. Plan Governance

During the Statement Period the Trustees continued to have responsibility for the governance and investment of the Plan’s assets whilst delegating the day-day aspects of investment management to their Fiduciary Manager, SEI. SEI is required to manage the Plan in line with the principles and policies set out in the SIP.

There was a review of the investment strategy during the period; however no changes were made to the Plan’s strategic asset allocation.

C. Implementation of the Statement of Investment Principles

The SIP sets out the policies in the following matters:

- i. Investment Objectives
- ii. Choosing Investments
- iii. Risks
- iv. Expected return on investments
- v. Financial and non-financial material considerations
- vi. Voting and Engagement
- vii. Asset Manager arrangements

The Trustees have implemented the policies as described in the SIP during the year. As part of the Trustees’ governance of the Plan, the Trustees review quarterly investment reports from SEI to track performance against the Investment Objectives, and to verify that the Plan is being

managed by SEI in line with the policies and principles in the SIP. Further details regarding the implementation of the Voting and Engagement policy are provided in the next section.

The Trustees have not identified any areas where the Plan's investments have diverged from the policies set out within the SIP.

D. Voting and Engagement Policy

The policy as set out in the SIP in respect of voting, stewardship and engagement is in summary as follows:

- i. The Plan invests via pooled investment funds for the Return Enhancement Pool and through segregated accounts for the Risk Management Pool. It can be harder for those invested in pooled funds to exert their influence, given the other investors with a stake, but the Trustees still monitor and engage as much as possible.
- ii. Voting decisions on stocks are delegated to the investment manager of the pooled funds held by the Plan.
- iii. SEI, the Plan's Fiduciary Manager, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments.
- iv. Where the investment manager is SEI, they have pooled their holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services.
- v. SEI will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code. The Trustees will consider whether the approach taken was appropriate or whether an alternative approach is necessary.
- vi. Trustees will assess the Fiduciary Manager's performance against objectives annually including how well the Fiduciary Manager is aligned with the SIP in terms of ESG factors.

The Trustees are of the opinion that this policy has been followed during the year. In particular:

- The Trustees have received and reviewed quarterly reports from SEI that set out
 - How SEI has voted on all the shares where SEI has voting rights including number of votes for, against and abstentions. For votes against, details of the issue to which the vote relate is provided.
- SEI's engagement priorities which for 2021 included priorities in each of the following categories:
 - Climate change
 - Sustainable Agriculture
 - Modern Slavery
 - Future of Work
 - Board Governance
- The number of companies engaged and the number of milestones achieved by engagement issue and a rating of its significance.

- The Trustees reviewed the above quarterly reports throughout the Scheme year and monitored performance. The Trustees were satisfied with the content of the report and that SEI's performance was in line with the SIP and the Trustees' expectations.
- The Trustees have considered SEI's voting practices and stewardship policies noting that they are a signatory to the UN Principles for Responsible Investment.
- The Trustees have a process in place to review SEI's performance against objectives, including ESG factors.

In light of the above and otherwise, the Trustees have considered their policy in regard to voting and stewardship and concluded that

- SEI's voting and stewardship policies and implementation on behalf of the Trustees remain aligned with the Trustees' views on these matters.
- The current policy is appropriate and no further action is required at this stage, albeit the Trustees will continue to monitor the performance of this policy and SEI's performance in the future.

E. Voting Record

All underlying securities in pooled funds that have voting rights are managed by SEI with SEI having the legal right to the underlying votes. SEI in turn use a Specialist ESG Provider, namely BMO REO for 2020 and Glass Lewis for votes cast in 2021, as a proxy for all voting. SEI provide the Specialist provider with the holdings across all SEI's pooled funds and the proxy votes are cast according to a policy set out by SEI. During the period from 31 December 2020 to 31 December 2021, across the Plan's holdings¹ SEI voted as follows, including the percentage of overall votable items voted on:

Fund Name	Global Managed Volatility	Dynamic Asset Allocation	Emerging Market Equity
ISIN	IE00B19H3542	IE00B5NNKL10	IE0002515637
Number of Votable Meetings	544	805	854
Number of Votable Items	6355	15100	7271
% of Items Voted	93%	94%	99%
For	91%	93%	82%
Against	7%	6%	13%
Abstain/ Withheld/ Other	1%	0%	5%
% of votes with management	92%	93%	80%
% of votes against management	8%	6%	15%
% Other	0%	0%	6%

¹ SEI has shown voting data for the relevant quarters the fund was invested in.

Voting Against/Abstain by Category			
Capital Related	7%	7%	16%
Board/Directors/Governance	48%	41%	54%
Remuneration Related	16%	22%	11%
Shareholder Proposals	22%	28%	1%
Other	7%	3%	19%

F. Significant Votes

A highlight of some of the significant votes during the period are shown in the table below. These votes are considered to be significant as they have a material impact on the company or the wider community. SEI selects votes based on one or more of the following criteria:

- Votes SEI consider to be high profile which have such a degree of controversy that there is high client and/ or public scrutiny.
- Votes relating to companies with a high or severe ESG risk rating.
- Votes relating to companies on one of SEI's watch lists. Watch lists cover ESG topics such as climate and diversity as well as initiatives including Climate Action 100 + and the United Nations Global Compact.
- Votes relating to our 2021 thematic priorities as described in section A.

To date the Trustees have accepted SEI's position on what constitutes a significant vote but this will be kept under consideration.

Company Name	Held in Fund(s)	Theme	Description
Boeing Co	Dynamic Asset Allocation	Governance	Boeing supplied the aircraft for the Lion Air Flight 610 and the Ethiopian Airlines Flight 302 that fatally crashed in October 2018 and March 2019 respectively. The investigations and hearings which followed these crashes have indicated that it was due to poor oversight by many parties including the board, the firm's executives and U.S. Federal Aviation Administration's aircraft certification process. SEI therefore voted Against the re-election of Edmund Giambastiani and Lawrence Kellner who are the longest serving members on the board and were on the audit committee when the planes were being developed and the certification of them. Therefore, they had a significant role in the decisions regarding these planes. This vote is considered high profile as it addresses concerns over passenger safety and helps to hold the board accountable for the fatal consequences of the Boeing crashes. Boeing also has a high ESG risk rating and is part of the Climate Action 100+ initiative.

DuPont de Nemours Inc	Dynamic Asset Allocation	Environmental	Voted For the proposal for a 'Report on Plastic Pollution'. Although DuPont have made commitments to reducing its environmental footprint by plastic pollution e.g. zero discharge of plastics to marine and freshwaters it has not provided much disclosure on how it is going to meet these commitments. Therefore, this report will provide better oversight of this. This vote is considered significant as it addresses important environmental issues and DuPont is part of the United Nations Global Compact as well as having a high ESG risk rating.
Petroleo Brasileiro S.A. Petrobras	Emerging Markets	Governance	Voted Against the proposal for the 'Dismissal of Director Roberto da Cunha Castello Branco'. This proposal is considered to be a politically motivated change in governance as it was proposed by the Brazilian Government who are the biggest shareholder. Branco who is the current CEO is set to be replaced by the Government's proposed candidate Joaquim Silva e Luna; a retired army general and former Minister of Defense. It is questionable whether a military official has the right professional background for this role and considering the risk of political intervention SEI believes he might not act in the shareholders' interests. Due to the political aspect of the vote it is considered significant as it has an impact of society which poses serious business risks for the company. Petroleo Brasileiro S.A – Petrobras also has a severe ESG risk rating and is part of Climate Action 100+ and United Nations Global Compact.
General Electric Company	Dynamic Asset Allocation	Governance	Voted Against the proposal on 'Advisory Vote on Executive Compensation'. This vote decision was mainly driven by the CEO's updated inducement award to 9.3 million shares from 5 million and its lower performance goals. Despite this increase being due to the drop in value of the award (pandemic impact to the share value) and a need to retain top executives, SEI believe that this award and its targets misalign long-term performance and pay outcomes. This vote is considered significant due to the high executive pay and the impact this has on governance of a high profile company. General Electric Company has a severe risk rating and is part of multiple watch lists including Climate Action 100+ and United Nations Global Compact.
Glencore	Dynamic Asset Allocation	Climate Change	Voted For the 'Advisory Vote on Climate Action Transition Plan'. Glencore's plan which will be updated every 3 years and targets to become net total emissions by 2050. This proposal would encourage the engagement between the company and the shareholders to ensure the company is producing strong reporting on climate related issues. The company have also clarified that the Board would remain responsible for the management and oversight of all risks and opportunities relating to climate

			change and the vote would not be a way for the Board to defer issues of strategy to shareholders. This vote is deemed high profile due to the nature of Glencore's business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Glencore has a high ESG risk rating and is part of Climate Action 100+ and United Nations Global Compact.
Imperial Oil Ltd	Dynamic Asset Allocation	Climate Change	Voted For the 'Shareholder Proposal Regarding Net Zero by 2050 Ambition'. Many companies, particularly energy companies are adopting net zero emission goals to align their operations with the goals of the Paris Agreements. This proposal was flagged as a Climate Action 100+ shareholder proposal and requests an ambition to achieve net zero carbon emissions at or before 2050 on Scope 1 and 2 emissions. Considering the market and regulatory momentum towards cutting carbon emissions this proposal is important since this company is one of Canada's largest integrated oil companies. This vote is deemed high profile due to the nature of Imperial Oil Ltd.'s business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Imperial Oil Ltd. has a high ESG risk rating and is part of Climate Action 100+.
Johnson & Johnson	Global Managed Volatility Dynamic Asset Allocation	Community Relations	Voted For the 'Shareholder Proposal Regarding Racial Impact Audit'. Johnson & Johnson have faced many legal challenges on the safety of its talc-based baby powder where patients alleged it caused cancer. It has also been accused of marketing the product to minority women even after concerns about potential carcinogens in the product were raised. Although the legal battle continues, this report will require a third party audit to assess the racial impact of its policies, products and services. This vote is deemed high profile because of the concerns of product safety and its impact on society. This issue disproportionately impacted women of colour due to the focused marketing therefore the report will help to identify and mitigate potential risks. Johnson & Johnson has a high ESG rating and is part of SEI's United Nations Global Compact watch list.
Phillips 66	Dynamic Asset Allocation	Climate Change	Voted For the 'Shareholder Proposal Regarding Greenhouse Gas Reduction Targets'. The proposal implicitly requests the company to set Scope 1, 2 and 3 emissions reduction targets on its operations and energy products. Although the company has raised that it is working towards setting attainable targets that are tied to projects, SEI believes that they should do more given the regulatory momentum in US which could make Phillips 66 and others in the industry significantly reduce their emission levels. Scope

			<p>3 targets can require significant operational changes but for a company that has not set scope 1 or 2 emission reductions it is lagging behind oil and gas industry peers. This vote is deemed high profile due to the nature of Phillips 66 business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Phillips 66 has a high ESG risk rating and is part of Climate Action 100+.</p>
Rio Tinto Ltd	Dynamic Asset Allocation	Governance	<p>Voted Against the proposal 'Remuneration Report'. SEI is hesitant to support the remuneration report due to the size of the awards for the former CEO. In May 2020 in Western Australia as part of an iron-ore mine expansion, the company blasted two ancient rock shelters in the Juukan Gorge. This caused permanent damage to an Aboriginal cultural heritage site. Despite knowing the cultural significance of them before blasting, it went ahead and also later admitted they did not advise the traditional owners of other options available, which would not have involved destruction of the shelters. As CEO at the time, they would have had a significant role in this decision and therefore SEI does not support the high Long Term Incentive Plan of the CEO as part of the remuneration report. This vote is deemed high profile as the destruction of the Gorge sparked a public outcry and therefore, it seeks to address poor corporate behaviour by not compensating those responsible. Rio Tinto has a high ESG risk rating and is part of Climate Action 100+.</p>
Santos Ltd	Dynamic Asset Allocation	Climate Change	<p>Voted For 'Shareholder Proposal Regarding Disclosure of Paris-aligned Capital Expenditure and Operations'. As one of the largest oil and gas producers in Australia, additional reporting on how the Company's capital expenditures is consistent with the climate goals of the Paris Agreement would benefit shareholders and provide insight into how the Company manages an important issue and wider climate goals. This vote is deemed high profile due to the nature of Santos Ltd's business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Santos Ltd has a high ESG risk rating and is part of Climate Action 100+.</p>
Alibaba	Emerging Markets Equity	Governance	<p>Voted Against the proposal 'elect Joseph Tsai Chung'. SEI believes shareholders are best served if the board has basic standards of independence for its board leadership and committees. Chung is executive vice chair of the Company and is a member of the compensation committee. SEI does not believe it is appropriate for an executive to serve on their own company's compensation committee, as they would be in charge of setting their own compensation. Additionally, he also serves as</p>

			<p>chair of the nominating and corporate governance committee which SEI believes should consist of solely independent directors. Finally, the board has no independent chair or lead director since both roles are held by company insiders. An independent chair is better able to oversee the executives of the company without conflicts. Alibaba has a high ESG risk rating and the company is deemed high profile after recent investigations by the Chinese regulatory body overseeing business.</p>
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