DC Implementation Statement

Introduction and purpose of this Statement

This document is the Annual Implementation Statement ("the Statement") prepared by the Trustee of the Du Pont (U.K.) Limited Pensions Fund (the "Fund") covering the Fund year 1 January 2020 to 31 December 2020. The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles ("SIP") the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review.
- set out the extent to which, in the opinion of the Trustee, the Fund's SIP required under section 35 of the Pensions Act 1995 has been followed during the year.
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this Statement will be made available on the following website: https://vfm.aviva.co.uk/dupont-limited-pension-fund-n11442/

The Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

This statement will cover the Defined Contribution (DC) section of the Fund only. A separate statement for the Defined Benefit section has also been produced.

Review of, and changes to the SIP

The SIP sets out the investment principles and practices the Trustee follows when governing the Fund's DC investments. It explains the different objectives and risks of the DC funds and the Trustee's approach to responsible investing (including climate change).

The SIP was reviewed and updated during the Fund year, with a revised version being published as at June 2020. The changes reflected regulation with regards to the Trustee's policies in relation to:

- financially material considerations, including Environmental, Social and Governance (ESG) considerations, and the extent to which these are taken into account in the selection, retention and realisation of investments
- the extent to which (if at all) non-financial factors, are taken into account in the selection, retention and realisation of investments
- The SIP has been updated again since the end of 2020 to take account of changes to the investment fund range. This implementation statement will cover details of those changes as they were implemented during the Fund year.

Adherence to the SIP

Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the Fund year. The remaining parts of this implementation statement set out details of how this has been achieved for the DC section. These details relate to those parts of the SIP which set out the Trustee's policies, and not those which are statements of fact.

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Investment Strategy

The Trustee seeks to provide members with a diversified range of investment options of appropriate liquidity which will generate income and capital growth which, together with contributions from the members and the Employer, will provide a fund at retirement with which retirement income can be secured.

To meet this objective the Trustee offers members the choice from a number of Lifestyle options (one of which is the default option) as well as a range of Self-Select funds. This gives members a diversified range of options to meet a range of investment needs and risk/return objectives.

The Trustee has sought advice from the Fund's advisers throughout the year including at Trustee meetings and relevant sub-committee meetings.

A triennial strategy review of all the DC options was carried out prior to the reporting period and resulted in changes being made to the options during the Fund year. The Trustee intends to consider whether any further changes may be appropriate. The agreed changes that were implemented in 2020 were as follows:

- Update the Fund's default lifestyle strategy. The key changes to the default strategy were:
    - The Fund's previous default strategy targeted an annuity purchase at retirement. This was based on demographic analysis of the Fund's membership in 2016. In the 2019 review, updated demographic analysis identified that most members (over the next 5-10 years) would be likely to take their DC assets in cash form in either an individual or a small number of payments. As a result, the default investment strategy was changed to target cash on retirement. The Trustee also increased the number of lifestyle strategies from two to three, so that there were individual strategies targeting cash, annuity purchase (the previous default) and income drawdown. Within the accumulation phase of the lifestyle investment strategies the asset allocation was changed as described below.
    - The Fund's former default strategy remained available as a self-select option (along with the Drawdown focused lifestyle).
    - The Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Tracker Fund was replaced with the Aviva Pension Blended Global Equity Fund within the accumulation phase of each of the lifestyle strategies. The key difference with this change is that the amount invested in UK equities is now based on the size of the UK market within the world rather than a fixed percentage (previously 30%).

The SIP was updated in 2021 to incorporate these changes.

Expected Risk and Return

The Trustee has developed and maintained a risk register as part of a framework for assessing DC investment risks. The risk register is reviewed regularly.

The Trustee recognises a range of specific investment risks to which DC Section members are exposed. These are 'Inflation risk', 'Conversion risk', 'Shortfall or opportunity cost risk', 'Manager risk', 'Capital risk', 'Liquidity risk', 'Political risk', 'Concentration risk' and 'Currency risk'.

These risks have been mitigated through careful consideration and construction of the investment strategy. The Trustee has offered a range of self-select funds with different characteristics, however it recognises that not all risks can be fully mitigated. Members are encouraged to review their investment decisions to ensure they are appropriate for their personal objectives.

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All risks and opportunities are considered for materiality and impact within the risk management framework, which takes account of members' investment time horizons and objectives. The expected risk and return of the DC fund range was considered in detail as part of the 2019 strategy review, and the investment changes implemented in 2020 were reflective of the outcome of the review. For example a key reason for the move within the lifestyle strategies from the Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Tracker Fund to the Aviva Pension Blended Global Equity Fund was made to reduce the concentration risk in UK equities in particular in the growth phase of the lifestyle strategies.

In addition, it was agreed that the Aviva M&G Feeder of Property Fund should be removed as an available investment choice within the DC Section. This decision was reached in part to the liquidity risk associated with this fund. The assets within this fund will be transferred into the Aviva L&G Diversified Fund following the trading suspension being lifted.

Suitability

The Trustee is aware of the requirement to take professional advice when setting and reviewing the investment strategy.

The Trustee has appointed Willis Towers Watson to provide such advice. In accordance with this engagement, Willis Towers Watson provides a triennial strategy review which includes recommendations in relation to the default, additional lifestyles and wider fund range. The risks were assessed during 2019 as part of the last triennial strategy review and the Trustee believes that there were no further changes in 2020 which merited a further review of the investment strategy at that time. The Trustee received quarterly monitoring reports throughout 2020 from its advisers, which included an assessment of the risks carried within the funds that comprise the default lifestyle option. The reports received during the reporting period indicated that the level of risk in the funds was appropriate and consistent with their objectives.

The Trustee provides its members with a member guide and information on all the investment funds, which includes an explanation of the risks associated with investing.

The Trustee makes available a range of funds covering the main asset classes as detailed within the SIP.

Investment Managers

The overall suitability of the Fund's investment managers is formally reviewed as part of the Trustee strategy reviews, with the most recent in 2019. Suitability of managers is also discussed and considered on a quarterly basis during 2020 as part of the Trustees regular monitoring, with the investment adviser providing its ratings and views on managers as required.

Charges (including transaction costs) are benchmarked annually as part of the Value for Members Process and were discussed in April 2021 for the 2020 reporting period.

Performance objectives / Monitoring

The Trustee monitored the performance of all the investment funds via a quarterly report prepared by their advisers. This provides the Trustee with a breakdown of return of the funds against their respective benchmarks and performance targets. The suitability of the funds is also considered triennially and will next be reviewed in 2022. As previously stated, there were changes made to the funds during the reporting period.

During 2020, the majority of funds performed in line with their benchmarks. The Trustee accepts that there may be deviations from benchmarks from time to time and provided these are over short periods of time will not normally take any further action. Sustained or longer-term under-performance would be subject to further investigation.

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Based on the reviews carried out during the reporting period, the Trustee is satisfied that investment performance remains consistent with the aims and objectives stated in the SIP.

Liquidity and realisation of investments

The Trustee's policy is to offer members fund options that can be readily realised to allow members to access funds quickly and easily. The Fund does offer one investment option – the M&G Feeder of Property Fund – for which there have been occasions when the funds were not readily realisable due to liquidity and valuation issues. As part of the recent strategy review in 2019, the Trustee considered the specific issues associated with this fund. The Trustee decided that this fund should be replaced with an alternative property fund which was considered to have fewer potential liquidity issues.

However subsequent to this review, in late 2019, the M&G Feeder of Property Fund was suspended. In early 2020, due to the economic and market environment that arose as a result of the COVID-19 pandemic, the UK saw widespread suspensions of property funds across the market. Following this the Trustee concluded that a property fund investment option would not be offered in future, and that once the suspension was lifted on the M&G Feeder of Property Fund the assets would be removed from it and transferred to the Aviva LGIM Diversified Fund. The suspension on the M&G Feeder of Property Fund remained in place throughout 2020 and continues to be in place at the time of writing. Once the suspension is lifted the existing assets will be redirected as outlined above.

Environmental, social and governance considerations

The DC Section investment funds are predominantly passively managed in pooled funds. As a result, the Trustee's direct influence on the fund manager's voting policy is limited by the pooled nature of these investments. The Trustee has therefore chosen to adopt an approach to ESG that is consistent with the opportunities and constraints of this position. This is reflected in the SIP.

The Trustee's policy is that day-to-day decisions relating to the investment of Fund's DC assets (including 'ESG' considerations) are left to the discretion of the investment managers. The Trustee recognises that long-term sustainability issues, including climate change, may have a material impact on investment risk and outcomes.

The SIP has been updated to take account the new requirements that came into force from 1 October 2019, particularly around Environmental, Social and Governance ('ESG') factors and sustainability.

During the reporting year, the Trustee received information from its advisers on the approach taken to sustainable investment and corporate governance by its DC investment managers. The information considered the adviser's assessment of the managers' policies on environmental, social and governance factors and how these help to influence their engagement with companies in which their funds invest. Details were also included on the managers' approaches to shareholder voting and corporate engagement. As the majority of the assets are passively managed the fund managers do not have discretion to alter the investment holding; the focus of the Trustee's attention, therefore, is on how the managers have used their voting rights on behalf of the Trustee and how they have exercised their engagement policies.

The Trustee periodically reviews Aviva's approach to ensure that it is aligned with the Trustee's views and policy as set out in the SIP. In Q3 2020 a representative from Aviva attended the Trustee meeting to outline Aviva Investors' approach to ESG and use of the voting rights, as outlined below:

- Aviva has a multi-manager team which is responsible for monitoring all of the funds and fund managers on Aviva's investment platforms. It analyses and selects the fund managers using a 7P process: Parent, Product, Philosophy, Process, People, Performance and Position (market influence). It incorporates ESG considerations into its analysis in each of these areas.

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- The Multi Manager Team undertakes a biennial survey of global asset managers on ESG matters to understand trends, ideas and philosophies.
- For BlackRock index tracking funds, Aviva has moved away from insured funds to tax transparent funds that are administered by Aviva Investors. This enabled Aviva Investors to take on the responsibility for the voting rights for the investments held.
- Aviva has a dedicated team of 22 ESG analysts that act as a center of excellence. In 2019 this team voted on 61,876 resolutions at 5,382 shareholder meetings, representing 24% of votes against management resolutions including 46% of pay proposals.

After some further discussion with the Aviva representative the Trustee agreed that it was satisfied with Aviva's current approach.

Voting and engagement

The Trustee has considered how it can most effectively ensure its views and priorities are reflected in how votes are cast in respect of the DC investments held and has concluded:

- As a relatively small DC scheme accessing investments for its members via pooled funds, the Trustee can exert little direct influence in how individual votes are exercised during the reporting period.
- The Trustee has reviewed the underlying managers' Stewardship policies and is satisfied the principles and behaviour of BlackRock, LGIM and Aviva align with those of the Trustee.

The table below sets out the relevant voting activities, including any votes cast on the Trustee's behalf and examples of votes cast that they deem to be significant. The voting covers funds available under the Fund as at 31 December 2020:

In the current Fund year, the Trustee will seek to develop their monitoring of investment managers' voting activities.

Fund name	Voting activity	Example of one of the most significant votes cast during the period
L&G Ethical UK Equity Index Fund	Number of eligible meetings where Aviva were able to vote: 312 Percentage of resolutions that were voted on: 100% Percentage of votes cast which were with a Board's proposal: 93.63% Percentage of votes cast which were against a Board's proposal: 6.37%	Company: International Consolidated Airlines Group Resolution: 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020. How Aviva voted: Against proposal Rationale: The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. LGIM disagreed with the bonus remuneration (up to 90% of salary) offered to executives in light of these events. Engagement on this point eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020.

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Aviva BlackRock Aquila Connect Emerging Markets Fund	Number of eligible meetings where Aviva were able to vote: 2417 Percentage of resolutions that were voted on: 97.05% Percentage of votes cast which were with a Board's proposal: 91.33% Percentage of votes cast which were against a Board's proposal: 8.67%	Company: Korea Electric Power Corp Resolution: Item 1.2 & 1.2 How Aviva voted: For proposals Rationale: Two new directors were to be elected (Item 1.1 and Item 1.2). Upon engagement and extensive analysis, and in consideration of the company's response to investor concerns by committing to move away from future coal-power projects, BlackRock supported the candidate (item 1.2) as a new nominee who ought not to be held accountable for KEPCO's past decisions; and given KEPCO's recent announcement to stop all future coal projects, a safeguard is now in place that they, as well as other members of the board, will not be assessing any new coal projects going forward. BlackRock also supported the election of Item 1.1 as they are a new and non-publicly appointed nominee who is not associated with the company's past decisions.
Aviva BlackRock Aquila Connect MSCI World Fund	Number of eligible meetings where Aviva were able to vote: 1073 Percentage of resolutions that were voted on: 91.39% Percentage of votes cast which were with a Board's proposal: 93.03% Percentage of votes cast which were against a Board's proposal: 6.97%	Company: Barclays PLC Resolution: 29 How Aviva voted: For proposal Rationale: Barclays announced on 30th March 2020 updated ambitions with respect to tackling climate change. Barclays proposed a resolution (Resolution 29) at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. BlackRock reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29). BlackRock determined that, as outlined, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns.
Aviva BlackRock UK Equity Index Fund	Number of eligible meetings where Aviva were able to vote: 772 Percentage of resolutions that were voted on: 99.62% Percentage of votes cast which were with a Board's proposal: 93.48%	Company: Tesco PLC Resolution: 1. Approve Matters Relating to the Disposal of the Asia Business to C.P. Retail Development Company Limited How Aviva voted: For proposal Rationale: Aviva were supportive of the disposal of the Asia business (valued at $10.6 billion /£8.2 billion) as they shared the same view as the Board in that the Disposal would realise a significantly higher

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	Percentage of votes cast which were against a Board's proposal: 6.52%	value than could be generated from the Company's continued ownership and investment. It would enable the Company to return significant proceeds to shareholders, with approximately £5.0 billion expected to be returned via a special dividend, and to further de-risk the business by reducing indebtedness through a significant pension contribution of £2.5 billion.
Aviva BlackRock World (ex-UK) Equity Index	Number of eligible meetings where Aviva were able to vote: 2156 Percentage of resolutions that were voted on: 93.98% Percentage of votes cast which were with a Board's proposal: 65.85% Percentage of votes cast which were against a Board's proposal: 34.15%	Company: Amazon.com INC Resolution: Shareholder resolution (15) requiring to Company to produce a human rights risk assessment How Aviva voted: For proposal Rationale: Aviva engaged with Amazon on human rights risks management over the past year. Whilst they observed improvements, with the publication of its Global Human Rights Principles, they found reporting fell short of expectations. The assessment (and public disclosure) of the company's actual and potential impacts of its products benefits shareholders as it will help understand the policies the company has implemented to address human rights impacts in its operations and supply chain. Aviva look forward to seeing the expanded risk assessment approach and further details as discussed with the company.
Aviva LGIM Diversified Fund	Number of eligible meetings where Aviva were able to vote: 12317 Percentage of resolutions that were voted on: 98.47% Percentage of votes cast which were with a Board's proposal: 82.19% Percentage of votes cast which were against a Board's proposal: 17.25%	*LGIM have confirmed that there were no significant votes made in relation to the securities held by this fund during the reporting period

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Aviva BlackRock 30:70 Currency Hedged Global Equity Index	Number of eligible meetings where Aviva were able to vote: 2649 Percentage of resolutions that were voted on: 95.48% Percentage of votes cast which were with a Board's proposal: 74.2% Percentage of votes cast which were against a Board's proposal: 25.8%	Company: EasyJet PLC Resolution: 1. Remove John Barton as Director How Aviva voted: Against proposal Rationale: easyGroup Holdings Ltd, the Company's largest shareholder with 34% of the issued share capital, at the direction of Stelios Haji-Ioannou, sought to remove four incumbent Directors, as follows: John Barton (Board Chair); Johan Lundgren (CEO); Andrew Findlay (CFO); and Andreas Bierwirth (non-executive). The dissident's main goal was the cancellation of the aircraft delivery contract with Airbus, which they hoped to achieve through the removal of board members. Aviva voted against as the dissident did not provide sufficient justification that removing four key directors would leave the board and the company better positioned or to deal with the current crisis.