

Statement of Investment Principles

Du Pont (U.K.) Limited Pensions Fund

(September 2020)

Introduction

1. This document is the Statement of Investment Principles ('SIP') made by the Trustee of the Du Pont (U.K.) Limited Pensions Fund ("the Fund") in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).
2. There is a separate SIP in place for the defined contribution assets of the Fund.
3. The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Fund's Investment Consultant (Towers Watson Limited) and consulted DuPont (U.K.) Limited (the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee. The Trustee will obtain advice on the suitability of its investments at least every three years in conjunction with reviewing this SIP.
4. This SIP replaces the SIP dated June 2020.

Fund objectives

5. The following funding objectives were adopted as part of the 31 December 2017 actuarial valuation:
 - The statutory funding objective is for the Fund to have sufficient and appropriate assets to cover its technical provisions.
 - In addition, the Trustee has a long-term aim to secure sufficient assets so that the Fund may be considered self-sufficient i.e. that the Fund has sufficient assets to pay members' benefits with a high degree of certainty without significant reliance on the participating employers.
 - The Trustee has secured annuity buy-in policies for a portion of the pensioner liabilities. The remainder of the uninsured assets will be invested to deliver returns which are expected to be at least sufficient to meet the returns needed to satisfy the funding objectives.
 - The technical provisions funding method and assumptions anticipate an average annual return on assets notionally deemed to back the uninsured liabilities of at least 1.5% per annum in addition to the yield available on a portfolio of matching UK Government bonds (gilts), between now and 31 December 2032. From 1 January 2033, the assumed average return for technical provisions funding purposes is 0.25% per annum above gilts.
 - The Trustee will set the investment strategy to target an average return of gilts plus 2.1% per annum from the uninsured assets, in order to provide a prudent margin above the return assumed under the technical provisions assumptions.
 - The Fund benefits from formal support from DowDuPont Inc (the Guarantor) in the form of a guarantee.

- A condition of the guarantee is that the investment strategy is not changed in a way which causes a detrimental change to the technical provisions or technical provisions deficit, without prior agreement of the Guarantor or Du Pont (U.K.) Limited on behalf of the Guarantor.

Investment strategy

6. The Trustee has received advice to determine an appropriate investment strategy for the Fund.
7. The strategic asset allocation is driven by the financial characteristics of the Fund, in particular the nature and duration of the Fund's liabilities and the risk tolerance of the Trustee and the Principal Employer.
8. The investment strategy makes use of five key types of investments:
 - a diversified portfolio of global equities
 - a diversified multi-asset growth portfolio
 - a liability driven investment portfolio invested in pooled funds
 - 'buy-in' insurance policies covering a proportion of the Fund's liabilities
 - cash or other money market instruments
9. The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Fund's objectives at an acceptable level of risk.
10. The Trustee will monitor the liability profile of the Fund and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.
11. The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Fund's overall investments, where possible. The Trustee, together with the Fund's administrators, will hold sufficient cash to meet benefit and other payment obligations.
12. The strategic asset allocation benchmark that has been agreed by the Trustee is included in the appendix.

Investment managers

13. In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Fund competently.
14. The Fund uses a number of different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational

Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.

15. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.
16. To maintain alignment the managers are provided with a copy of this Statement and the Trustee will monitor the extent to which they give effect to the policies set out in it. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment.
17. The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Fund's assets.
18. For most of the Fund's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity where applicable to drive improved performance over these periods. The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Fund's objectives, and an acceptable level of risk.
19. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
20. Most managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services agreed prior to investment. The scope of services will include consideration of long term factors and engagement where applicable. In some cases, additional fees may be paid to managers based on investment performance exceeding pre-agreed targets.
21. The Trustee, with the help of the Investment Consultant, reviews the costs incurred in managing the Fund's assets annually, which includes the costs associated with portfolio turnover.
22. The Trustee, with the help of the Investment Consultant, monitors annually that the level of portfolio turnover for each manager/mandate is within an acceptable range for that mandate.

Financially material considerations and non-financial matters

23. The Trustee recognises that factors including, but not limited to, environmental, social and governance (ESG) factors including climate change, can have a material financial impact on the Fund given its long time horizon, and that taking account of such 'financially material considerations' as part of investment decision-making is expected to have a positive financial benefit to the Fund over the longer term.
24. The Trustee's policy is that day-to-day decisions relating to the investment of Fund assets are left to the discretion of its investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant.
25. The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment

managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

26. The Trustee delegates responsibility for engagement in respect of investments held by the Fund to the investment managers. This includes consideration of all financially materially factors, and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG-related issues where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice, with an expectation that engagement will take place, either directly or as part of a collective multi-investor initiative as appropriate, with the aim of protecting or enhancing the value of the Fund's investments. The Trustee will monitor how the investment managers' fulfil their responsibilities with regards voting and engagement through the regular reporting provided by the managers.
27. When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.
28. The Trustee recognises that members and beneficiaries may have views on ethical investment or views on matters such as the social and environmental impact of the Fund's investments (referred to as 'non-financial matters'). In conjunction with there being practical challenges of capturing and maintaining a consensus view on multiple issues across a varied membership population, it is the Trustee's view that financial factors should take precedence in seeking to maximise the security of member benefits. As such, it is the Trustee's policy not to take into account the non-financial matters when taking investment decisions related to the Defined Benefit assets of the Fund

Other matters

29. The Fund is a Registered Pension Scheme for the purposes of the Finance Act 2004.

Risks

30. The Trustee recognises a number of risks involved in the investment of the Fund's assets:
 - Deficit risk:
 - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
 - is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
 - Manager risk:
 - is measured by the expected deviation of the return relative to the benchmark set or its target absolute performance.
 - is managed by consideration of the appropriate amount of the Fund to allocate to each manager, setting appropriate risk targets and by monitoring the actual deviation of returns relative to the benchmark.

- Liquidity risk:
 - is measured by the level of cashflow required by the Fund over a specified period.
 - is managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.
- Currency risk:
 - is measured by the level of exposure to non-Sterling denominated assets.
 - is managed by the implementation of a currency hedging programme which reduces the impact of exchange rate movements on the Fund's asset value.
- Interest rate and inflation risk:
 - is measured by comparing the likely movement in the Fund's liabilities and assets due to movements in inflation and interest rates.
 - is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Fund's assets to better-match movements in the value of the liabilities due to inflation and interest rates.
- Political risk:
 - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
 - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
 - is measured by receiving periodic financial updates from the Employer and independent covenant assessments.
 - is managed through an agreed contribution and funding schedule.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Fund

Appendix

The strategic asset allocation benchmark below, as agreed following the March 2020 investment strategy review, is expressed in terms of non-insured assets only (i.e. excluding the 'buy-ins').

	Target allocation %	Range %
Return seeking	40.0	35 - 45
Equity	14.0	11 - 17
Multi-asset growth	26.0	23 - 29
Liability matching	60.0	55 - 65
Liability driven investment	59.0	54 - 64
Cash	1.0	0 - 2
	100.0	
Other exposures		
Non-sterling currency exposure	15.0	10 - 20
Interest rate hedge ratio:		
- % assets hedged	85.0	80 - 90
- % liabilities hedged	72.0	67 - 77
Inflation hedge ratio:		
- % assets hedged	85.0	80 - 90
- % liabilities hedged	72.0	67 - 77

Note: Hedge ratios are based on total liability exposures, including the insured liabilities.

The Trustee will monitor the actual allocations periodically (normally on a quarterly basis). If any of the allocations fall outside of the ranges shown, the Trustee will determine an appropriate course of action to address the position.