

# De Beers UK Pension Scheme - Implementation Statement for the 30 September 2024 Annual Accounts

**Statement of Compliance with the De Beers UK Pension Scheme's ("the Scheme") Stewardship Policy for the year ending 30 September 2024.**

## Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 October 2023 to 30 September 2024.

During the year to 30 September 2024, the Trustees have entered a full buy-in insurance policy with the Pension Insurance Corporation Limited ("PIC") that is expected to secure the benefits of all Scheme members in return for the initial payment of a buy-in premium. To facilitate the buy-in:

- Credit funds managed by Western and M&G were redeemed in October 2023
- Insight Buy and Maintain funds were mostly transferred in-specie to the insurer, with residual redeemed (and transferred as cash) in January 2024
- LGIM LDI (inclusive of Buy and Maintain funds) were transferred in specie to the insurer in January 2024.

As a result, this statement will predominantly focus on Engagement and/or ESG activities undertaken by or on behalf of the Trustees by these fund managers for the period they were held by the Scheme. Since the redemption date of the M&G fund was early October 2023, the engagement activities of the fund have been ignored for this Implementation Statement on materiality grounds.

As of 30 September 2024, the Scheme's asset portfolio consists of: buy-in policy with PIC, private debt assets managed by Partners Group, LGIM Sterling Liquidity fund, and cash in Trustee Bank Account. Hence this statement will also focus on Engagement and/or ESG activities undertaken by or on behalf of the Trustees by these fund managers for the year to 30 September 2024.

We will also cover stewardship considerations following completion of the full insurance buy-in.

## What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustees follow when governing the Scheme's investments. It explains the risks and expected returns of the funds used and the Trustees' approach to responsible investing (including climate change).

The SIP was updated in March 2024 following the full buy-in insurance policy with PIC.

**If you want to find out more, you can find a copy of the Scheme's SIP at <https://schemedocs.com/de-beers-uk-statement-investment-principles.html>**

## What is this Implementation Statement for?

Each year from 2020 the Trustees are required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last year.

**Overall, the Trustees are satisfied that:**

- **The Scheme's investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Scheme's members.**

**How the Scheme's investments are governed**

The Trustees have overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

Prior to the buy-in, the Trustees established an Investment Sub-Committee (ISC), which focussed on investment issues and made recommendations to the whole Trustee board.

Post buy-in, the Trustees disbanded the ISC and established a Buy-out Sub-Committee, which took on this role as it relates to the buy-in and deferred premium.

The Trustees have delegated day-to-day investment decisions, such as which investments to buy and sell, to the investment managers. Post implementation of buy-in with PIC, the Trustees expect that the insurer will take account of all financially material factors, including the potential impact of ESG/RI issues, in the implementation of their mandate. This includes relevant climate-related risks and opportunities as they pertain to Scheme members. The Trustees will continue to monitor PIC's consideration of climate-related risks and opportunities more broadly as part of wider reporting as per requirements with respect to the Taskforce on Climate-related Financial Disclosures.

In June 2023, the Trustees developed a set of investment beliefs (also set out in the SIP) which they used as a guide when making investment decisions. The Trustees are currently also updating their RI policy after execution of the buy-in with PIC to reflect the changing governance requirements related to the RI/ESG activities of the Scheme hence forth.

**Investment Strategy and Expected Risks in the Scheme**

The investment strategy and investment risks relating to members' benefits are described in the SIP.

As set out in the SIP, the Scheme holds the majority of assets within an insurance policy managed by PIC. The Scheme's liabilities are secured by these matching assets. The Scheme's residual assets following the buy-in are held in private debt and cash-like instruments. The Trustees expect the purchase of the insurance policy, and the resulting monthly payments from PIC, to help protect the Scheme from key risks such as credit risk, interest rate risk, inflation risk and longevity risk associated with the Scheme's liabilities.

However, even after the execution of buy in with PIC, the Scheme is still exposed to key risks like buy-in provider risk, sponsor risk, liquidity risk and systemic risk, albeit at reduced levels of risk in most cases.

The insurance policy contract with PIC has not been structured with long term expected return in mind, but instead aims to match the Scheme's benefit obligations.

**Stewardship policies**

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to:

- the exercise of voting rights attached to assets;

- the undertaking engagement activities, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed in line with the Scheme's SIP. The SIP was last updated March 2024 post execution of buy-in with PIC.

You can review the Scheme Stewardship Policy which can be found within the Scheme's SIP, at <https://schemedocs.com/de-beers-uk-statement-investment-principles.html>

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with their investment managers, which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their managers and the Trustees consider managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

The Scheme no longer holds any equity investments, either directly or through multi-asset mandates. Therefore, this statement does not cover voting cast on the Trustees' behalf. Post execution of buy-in with PIC, the make-up of the Scheme's assets (i.e. buy-in policy, private debt and cash-like assets) means that stewardship, engagement and voting are now of reduced relevance for the Scheme.

### Engagement and ESG activity

This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 October 2023 to 30 September 2024. The Engagement and ESG activities of the fund managers within these periods are highlighted below:

#### Partners Group

As at 30th September 2024, the Scheme still holds investments in private debt assets held with Partners Group.

For the 12 month period ending 30th June 2024, the MAC V fund had two engagement activities related to ESG Strategy with issuers Access Group (on Governance related issues) & Meine Radiologie (on Environmental issues, specifically decarbonisation).

Also, for the 12 month period ending 30th June 2024, the MAC III fund had one engagement activity related to ESG Strategy with issuer Access Group (on Governance related issues).

#### Western

The Western Credit funds were redeemed from the portfolio on 26th October 2023 hence engagement activities between the period 1st October 2023 to 26th October 2023 are most relevant for the Scheme. During this period, the fund manager engaged with firm AP Moller on 'Carbon Emissions & Net Zero Commitments'.

#### Insight

Insight Buy and Maintain funds were mostly transferred in-specie to the insurer with residual redeemed (and transferred as cash) in January 2024.

For the year to 31st December 2023, in Insight Buy & Maintain Bond Fund there were approximately 150 ESG related engagements, of which 63% of engagements were related to Environmental issues (Climate Change, Natural resource and Pollution waste), 19% were related to Governance Issues (Board effectiveness, Remuneration and Shareholder Rights) and 18% were related to Social Issues (Conduct, culture and Ethics, Human Capital management etc).

## **LGIM**

The Scheme's bespoke LDI assets held with LGIM (inclusive of Buy & Maintain Credit) were transferred in-specie to the insurer in January 2024.

For the year to 31st December 2023, within LGIM's bespoke LDI Fund (inclusive of B&M) there were approximately 187 ESG related engagements, of which 25% of engagements were related to Environmental issues (Climate Change, Natural resource and Pollution waste), 48% were related to Governance Issues (Board effectiveness, Remuneration, Leadership roles -Chair/CEO and Shareholder Rights) and 27% were related to Social Issues (Conduct, culture and Ethics, Human Capital management etc).

## **Review of policies**

The Trustees expect that post implementation of buy-in, PIC will take account of all financially material factors, including the potential impact of Responsible Investment issues, in the implementation of their mandate. Given the nature of the insurance contracts, the Trustees expect PIC to actively consider Environmental, Social and Governance ("ESG") factors in their investment governance and decision making.

The Trustees are in process of adopting a new, simplified Responsible Investment Beliefs policy, to reflect both the reduced size of the Scheme (excluding buy-in) and the simplicity of the residual asset strategy.