Statement of Investment Principles

This is the Statement of Investment Principles (the "Statement") made by the Trustees of the De Beers UK Pension Scheme ("the Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement is subject to periodic review at least every three years and after any significant change in investment policy and supersedes previous statements.

Introduction

The Trustees are responsible for decisions relating to all aspects of the investment of the Scheme's assets and to make changes to investment strategy where appropriate. The Trustees delegate day-to-day responsibilities to a Buy-out Sub-Committee ("the Committee"), as they relate to the buy-in policy and deferred premium, which operates in accordance with the Committee's Terms of Reference.

In preparing this Statement, the Trustees have consulted with the sponsoring employer to the Scheme, De Beers UK Limited ("the Company"), and have taken and considered written investment advice from their investment advisor, Hymans Robertson LLP.

The Scheme comprises both Defined Benefit (Final Salary) and Defined Contribution (Money Purchase) Sections. The Defined Benefit Section closed to new members on 31 December 2001 and closed to future accrual on 30 September 2015. This Statement only covers the Defined Benefit Section, and a separate statement is available for the Defined Contribution Section of the Scheme.

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefit basis. The Trustees' over-riding funding principles for the Scheme are to set Company contributions at a level which is deemed sufficient to:

- recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- ensure that there are always sufficient assets in the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For an 'Active-Deferred' member, benefits are based on pensionable service completed to the date of closure of the Scheme to future accrual and linked to final pensionable salary on leaving employment with the Company (underpinned by the deferred revaluation that would have applied to the member's benefits had he/she become a deferred member upon the closure date of 30 September 2015). The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary. The funding position is monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

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. Under this policy, PIC make monthly payments to the Scheme to cover benefit payments to members. A deferred premium with PIC was secured to help facilitate the buy-in transaction as the illiquid private debt assets could not be transferred in specie or in cash. The deferred premium is due to be paid back gradually over the next several years as the private debt assets distribute cash.

Investment Strategy

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.

Choosing Investments

The insurance policy held with PIC is expected to cover the Scheme's benefit obligations. The Scheme holds residual assets in cash to cover the implementation of GMP equalisation and future Scheme expenses (including the cost of liability data cleansing), and also retains ownership of private debt funds which are intended to pay back to the Scheme over the next few years. The deferred premium was secured to facilitate the buy-in transaction as the illiquid private debt assets could not be transferred in specie or in cash.

Expected return on investments.

The Trustees have entered into an insurance policy contract with PIC. The policy has not been structured with expected return in mind, but instead aims to match the Scheme's benefit obligations. The residual assets are expected to distribute income over the remainder of their lifecycle – this income is expected to be sufficient to cover the deferred premium, including interest.

Realisation of investment

The insurance policy is illiquid. This is recognised by the Trustees as it is not expected to be sold in the future.

The Scheme also holds illiquid debt assets, that may be difficult to realise quickly in certain circumstances. The Trustees monitor the allocation which is due to distribute over the coming years (enhancing liquidity) and will monitor this to ensure they are sufficiently satisfied that the Scheme has access to liquid assets as required.

Risk

The Trustees have identified and acknowledged the risks inherent in its strategy to secure the Scheme's liabilities with PIC but believes that the policies in place are suitable given the stated investment objectives. A key potential risk relates to the insurance regime – the risk of failure within the UK insurance sector impacting the ability of PIC to meet their obligations under the insurance policy held by the Scheme.

To mitigate against this risk the Trustees commissioned due diligence on PIC and received professional advice prior to entering the policy. The Scheme is also protected by the reserving requirements and stress testing in place for the insurance sector. The Trustees expect buy-in provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payment benefits from the buy-in provider to the Scheme and periodically, at least annually, monitors the financial covenant of the buy-in provider.

Other key risks for the Scheme are listed below:

- **Liquidity Risk**: The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets. Liquidity risk is managed by the Trustees who ensure that sufficient cash balances are available to meet obligations as and when they arise.
- **Currency Risk**: The risk that the currency of the Scheme's residual assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- **Manager underperformance (residual assets):** The inability of the fund managers to achieve their stated investment objectives.
- **Funding Risk:** All members covered by the buy-in policy continue to be members of the Scheme, and the Trustees continue to have ultimate responsibility for the payment of benefits to these members. The Trustees expect the insurance policy to fully protect the Scheme against funding risk but there remains a residual risk that a mismatch between payments from the insurer and ongoing benefit payments may arise.

- **Sponsor Risk**: This is the risk of the Company ceasing to exist or having insufficient resources to meet any future obligations to the Scheme, for instance in the unlikely event of an insurer failing to meet its contractual obligations. Since all pension liabilities are now secured through a buy-in policy, Sponsor risk is significantly reduced but remains a risk for the Scheme.
- **Custody Risk:** The risk of loss of Scheme assets or a loss of economic rights to Scheme assets, when held in custody or when being traded.
- **Systemic Risk:** Systemic risk is a financial risk that poses a threat to financial stability. The possibility of an interlinked and simultaneous financial stress suffered by the government and corporate sectors leading to stress in several asset classes, possibly compounded by financial 'contagion,' resulting in a deterioration in the financial health of the insurer may negatively impact the ability of the Scheme to meet its pension obligations.

Responsible Investment

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including Environmental, Social and Governance ("ESG") factors, is relevant at various stages of the investment process. The Trustees further recognise that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustees expect that PIC will take account of all financially material factors, including the potential impact of ESG issues, in the implementation of their mandate. This includes relevant climate-related risks and opportunities as they pertain to Scheme members, and the Trustees note that PIC does consider 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.

Given the nature of the insurance contracts, the Scheme Trustees have not made explicit allowance for climate change in framing the strategic asset allocation. The Trustees expect PIC and the investment managers of their residual assets to actively consider ESG and climate risk factors in their investment decision making.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. Given that the Scheme's assets are comprised of an insurance policy, private debt assets and residual cash, stewardship and voting are now of reduced relevance for the Scheme.

Signed For and on Behalf of the Trustees of the

De Beers UK Pension Scheme	Date

Michael B Page	27 January 2025