

De La Rue Pension Scheme – Implementation Statement for the year end 5 April 2024

Statement of Compliance with the De La Rue Pension Scheme’s Stewardship Policy for the year end 5 April 2024.

1. Introduction

This is the Trustee’s statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the Scheme’s Stewardship Policy during the period from 6 April 2023 to 5 April 2024.

The Scheme provides you with benefits on a defined benefit (‘DB’) basis. This means that the benefits paid to you depend on your salary and length of service.

The Statement of Investment Principles (‘SIP’) sets out the investment principles and practices the Trustee follows when governing the Scheme’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee’s approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme’s SIP policies that were in place during the year to 5 April 2024. The Scheme’s SIP was last reviewed by the Trustee in February 2024, and the coverage of this statement of compliance includes the existing policies and any updates to the policies following review. The SIP was updated to reflect the following changes:

- the establishment of the Investment and Funding Working Group (‘IFWG’) to replace the Investment Committee (‘IC’);
- the engagement with investment advisors and managers with regards to strategic consideration towards climate change and climate risk within their holdings.

The next review of the SIP will take place no later than February 2027 as per the regulatory triennial schedule, or sooner if there are changes to the investment strategy.

The Trustee has prepared this Implementation Statement on the basis of the SIP policies in force throughout the period, with reporting within this document also being in line with the SIP applicable at 5 April 2024.

The Scheme’s DB assets are invested in a combination of assets including equities, which have voting rights attached, and other assets which generally do not confer voting rights such as liability-hedging instruments, bonds and other debt-based investments, and private debt. Where assets do not confer voting rights, the Trustee recognises the importance of engagements by the relevant investment managers and expects the managers to report on their engagements.

The Scheme also has a small subsection of legacy Additional Voluntary Contributions (‘AVC’), a portion of which is invested in equities. The Trustee has taken a proportionate and pragmatic approach to detailing AVC voting and engagement information for the purposes of this document.

2. Stewardship policy

The Trustee’s Stewardship (voting and engagement) Policy sets out how the Trustee will behave as active owner of the Scheme’s assets which includes the Trustee’s approach to;

- the exercise of voting rights attached to assets; and

- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed periodically in line with the Scheme's Statement of Investment Principles ("SIP") and is available at <https://www.delaruepensions.co.uk/resources/db-scheme-statement-of-investment-principles-2024/>

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that the 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 Trustee's own engagement activity is focused on dialogue with the investment managers, undertaken in conjunction with the Trustee's investment consultant. The Trustee meets periodically with the investment managers and considers the managers' exercise of stewardship during these meetings and through reporting provided by their investment adviser. The Trustee also monitors its own compliance with the Scheme's Stewardship Policy on a regular basis and is satisfied that it has complied over the year to 5 April 2024.

3. Voting activity

The Trustee seeks to ensure that the managers are exercising voting rights and, where appropriate, to monitor managers' voting patterns. The Trustee also monitors the investment managers' voting on particular companies or issues that affect more than one company.

3.1 LGIM – voting summary

The Scheme's DB equity-based assets are invested in through two mandates: LGIM Global Equity Index, comprised of underlying regional equity funds (including GBP-hedged funds), and LGIM UK Equity Index. These holdings have voting rights attached. LGIM uses the Institutional Shareholder Services ("ISS") "Proxy Exchange" electronic voting platform to vote, with all voting decisions made by LGIM and no part of the strategic decisions outsourced.

Table 1: LGIM voting data for the year to 31 March 2024

	UK Equity Index	North America Equity Index	Europe (ex UK) Equity Index	Japan Equity Index	Asia Pacific (ex-Japan) Equity Index	World Emerging Markets Equity Index
Proportion of Scheme at 5 April	0.1%	0.2%	0.1%	0.1%	0.0%	0.1%
No. of meetings eligible to vote at	709	645	542	514	461	4,238
No. of resolutions eligible to vote on during the period	10,462	8,731	9,556	6,103	3,279	33,716
% of resolutions voted	99.8%	99.8%	99.7%	100.0%	100.0%	99.9%
% of resolutions voted with management	94.4%	65.4%	80.6%	88.0%	74.9%	80.1%

% of resolutions voted against management	5.6%	34.6%	19.0%	12.0%	25.1%	19.0%
% of resolutions abstained	0.0%	0.0%	0.4%	0.0%	0.0%	0.9%

Source: LGIM, 31 March 2024 as the nearest relevant date to 5 April 2024. Numbers have been rounded to 1 decimal place.

The resolutions which LGIM voted against management the most on over the Scheme year were:

- Board composition; and
- Climate.

3.2 LGIM – significant votes

The Trustee has asked LGIM to report on the most significant votes cast on behalf of the Trustee in relation to the portfolios they manage. Managers are expected to detail why the votes identified were significant, the size of the position in the portfolio, how the manager voted, any engagement the manager had undertaken with the company and the outcome of the vote.

From the LGIM reports, the Trustee has identified the votes recorded in Table 2 as being of greater relevance to the Scheme. Significant votes may be defined, among other criteria, as those that have a large relative size of holding, potential impact of vote on company, size of manager position in company, profile of resolution.

Table 2: LGIM significant votes for the year to 31 March 2024

Date	Company	Subject	Vote	Significance and rationale
23/5/2023	Shell Plc	Resolution 25 - Approve the Shell Energy Transition Progress	Against	<p>Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</p> <p>Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p>

24/5/2023	Amazon.com	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	For (Against Management)	<p>Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company’s diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.</p>
7/12/2023	Microsoft Corporation	Resolution 1.06 - Elect Director Satya Nadella	Against	<p>Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.</p> <p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</p>
28/2/2024	Apple Inc	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	<p>Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.</p>

27/4/2023	BP Plc	Resolution 4 - Re-elect Helge Lund as Director	Against	<p>High Profile Meeting and Engagement: We consider this vote to be significant given our long-standing engagement with the company on the issue of climate.</p> <p>Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, we note concerns around the governance processes leading to the decision to implement such amendments.</p>
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Source: LGIM, 31 March 2024 as the nearest relevant date to 5 April 2024. LGIM's voting decisions incorporate specific market policies that allow for local nuances to align with best practices and have in place a "custom" voting policy which is flexible to different markets.

3.3 Additional Voluntary Contributions – voting summary

The Scheme also offers AVC policies through BlackRock and Aviva (currently included in pooled investment vehicles) and Prudential, Phoenix Life and Utmost.

The underlying managers of these funds vote on behalf of the Trustee where assets are invested in funds which confer voting rights. Aviva and Phoenix Life do not provide funds with voting rights attached. Voting data from Utmost was not available at the time of preparing this statement of compliance.

BlackRock

BlackRock make use of the services of the proxy voting advisor ISS. The following BlackRock fund offered through the Scheme has voting rights associated with it:

Table 3: BlackRock voting data for the year to 31 March 2024

BlackRock 60/40 Global Equity fund	
No. of meetings eligible to vote at during the period	2,917
No. of resolutions eligible to vote on during the period	38,555
% of resolutions voted	95.0%
% of resolutions voted with management	94.0%
% of resolutions voted against management	5.0%
% of resolutions abstained	0.0%
% of meetings with at least one vote against management	27.0%

Source: BlackRock, 31 March 2024 as the nearest relevant date to 5 April 2024.

The following BlackRock funds offered through the Scheme do not have voting rights attached:

- BlackRock Over 15-Year Gilt fund; and
- BlackRock Cash fund

Prudential

Prudential make use of the services of the proxy voting advisor ISS. The following Prudential funds offered through the Scheme have voting rights:

- Prudential With Profits Fund
- Prudential Dynamic Growth (no data available at time of preparing statement)
- Prudential Global Equity
- Prudential International Equity
- Prudential S3 Discretionary Pen

Summary voting statistics for the Prudential funds with attaching voting rights are displayed in Table 4.

Table 4: Prudential voting data for the year to 31 December 2023

	With-Profits	Global Equity	International Equity	Discretionary Pen
No. of resolutions eligible to vote on during the period	67,518	20,509	17,638	20,761
% of resolutions voted	98.5%	97.7%	97.3%	97.7%
% of resolutions voted with management	92.1%	94.6%	93.8%	94.6%
% of resolutions voted against management	6.8%	4.8%	5.6%	4.8%
% of resolutions abstained	1.1%	0.6%	0.6%	0.6%

Source: Prudential, 31 December 2023 as the most recent data available from Prudential.

The following Prudential funds offered through the Scheme do not have voting rights attached:

- Prudential Fixed Interest

3.4 Additional Voluntary Contributions – significant votes

The Trustee has asked BlackRock to report on the most significant votes cast on behalf of the Trustee in relation to the portfolios they manage. From the BlackRock reports, the Trustee has identified the votes recorded in Table 5 as being of greater relevance to the Scheme.

Table 5: BlackRock significant votes for the year to 31 March 2024

Date	Company	Subject	Vote
23/05/2023	Royal Dutch Shell Plc	Request alignment with 2030 GHG reduction target	BlackRock voted against the resolution
24/05/2023	Amazon.com	Report on efforts to reduce plastic waste	BlackRock voted against the resolution
02/06/2023	Alphabet Inc	Approve recapitalisation of plan for al stock to have one vote per share	BlackRock voted for the resolution

Source: BlackRock, 31 March 2023 as the nearest relevant date to 5 April 2024.

Significant votes in relation to Prudential's funds had not been disclosed at the time of preparing this statement.

4. Trustee engagement activity

The Trustee holds meetings with the investment managers on a periodic basis where stewardship matters are discussed in further detail. Over the year, the Trustee met with one out of its three DB investment managers.

Table 6: Trustee's engagement activity with DB investment managers over the year to 5 April 2024

Date	Fund manager	Subject discussed	Outcome
19/01/2024	Partners Group	Portfolio update including projected cashflows, NAV and factors affecting target returns.	Underlying holdings were discussed along with options for secondary sales although this is not required or being actively pursued.

5. Manager engagement activity

Aside from the equities holding, the Scheme is invested in non-equity assets without voting rights attached. The managers are nonetheless expected to engage with investee companies on Environmental, Social and Governance ("ESG") issues.

The following table summarises the key engagement activity for the 12-month period ended 31 March 2024.

Table 7: Summary of investment managers' activity over the year to 31 March 2024

Manager: Fund	Approach	Topic(s) engaged on
Insight: Corporate Bonds, Secured Finance Fund, ABS Funds, Liability Driven Investments and Cash	<p>Portfolio of debt securities, with no voting rights.</p> <p>Insight engages via questionnaires, surveys and calls with senior management mainly at executive level, and produce annual reports on integration of Responsible Investment principles into their investment management process across the business.</p> <p>The funds invest in gilts, cash instruments, asset-backed securities, and other fixed income, with no voting rights.</p> <p>Cash instruments exclude controversial weapons, defence, tobacco, gambling facilities, fossil fuels and coal mining.</p>	<p>Insight undertook 991 engagements with debt issuers, of which the majority included some form of ESG dialogue. These included 149 engagements focused solely on ESG issues. The 991 engagements included interactions with companies in 61 countries, of which 23 were emerging markets.</p> <p>The main engagement topics were climate change, remuneration and diversity.</p>
Partners Group: Illiquid Private Debt	<p>The MAC (III) 2016 fund and the MAC (V) 2019 fund invest in private debt and have no material exposure to assets which carry any voting rights.</p> <p>There may be some debt holdings which are converted to equity or have equity holdings attributed to them, in which case Partners follow their Proxy Voting directive.</p> <p>Partners Group engages via regular calls with investee company management.</p> <p>Partners Group implements a Climate Change Strategy to manage their portfolios towards the Paris Agreement climate goals and in alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and has a key focus on renewable energy and carbon avoidance strategies in their portfolios.</p>	<p>Partners Group engaged with its investee companies across issues such as restructuring and sustainability.</p> <p>Within MAC III, they engaged with five underlying issuers with regards to exit strategies. This related to the realisation of loan arrangements and included repayments, re-financing first and second liens and an equity co-invest with Partners Group.</p> <p>In MAC V, they also engaged with five underlying issuers with regards to corporate activity and ESG. This included: positive updates on performance and leverage positions; investigation into a previous IT breach and revised systems now in place; and a general ESG update focusing on water consumption, plastic recycling and employee well-being.</p>

Source: Insight Investment, Partners Group, 31 March 2024 as the nearest relevant date to 5 April 2024.

6. Buy-in insurance policy

A portion of the Scheme's liabilities are insured in a buy-in transaction with the insurance provider Scottish Widows, meaning that Scottish Widows are contracted to meet a portion of the members' benefits as they fall due. Although the provider has voting protocols, we understand that the nature of assets held in the Scheme's buy-in policy do not generally confer voting rights. The Trustee considered Scottish Widows' approach to ESG during the buy-in provider selection exercise; however, ongoing monitoring opportunities in relation to the buy-in are limited, and the Trustee is mindful and accepting of this.

7. Review of policies

The Trustee recognises that financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options.

The Scheme published its first TCFD report in Q4 2023 and the Trustee received detailed training sessions from their investment adviser in preparation. No such report is required to be published for the year ended 5 April 2024.

The Trustee is satisfied that they have complied with the principles detailed in the SIP during the year.