

# **Rolls-Royce Retirement Savings Trust**

Trustee's annual report and financial statements  
for the year ended 5 April 2023

Pensions Scheme Registration Number: 10249659

## Contents

	Page
Trustee and advisors	3
Trustee’s report	4
Independent auditor’s report	14
Financial statements	17
Independent auditor’s statement about contributions	28
Chairperson’s annual governance statement	Appendix 1
Statement of Investment Principles	Appendix 2
Statement of Investment Principles: appendix	Appendix 3
Annual implementation statement	Appendix 4

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## Trustee and advisors

<b>Trustee</b>	Rolls-Royce Retirement Savings Trust Limited
<b>Directors</b>	<p><b>Company-appointed directors</b> Mark Porter – Chairperson Fiona Brown Rebecca Hodgson Nick Sloan Teresa Waine</p> <p><b>Member-nominated directors</b> Nicholas Halliday (resigned on 21 October 2022) Matthew Hill Kevin Wright Anne-Marie Smith (appointed 1 April 2023)</p>
<b>Secretary</b>	Richard Hill, Rolls-Royce Pensions Department
<b>Sponsoring employer</b>	Rolls-Royce plc, Kings Place, 90 York Way, London, N1 9FX
<b>Advisor</b>	Rolls-Royce plc Pensions Department Trent Hall (A90), Victory Road, Derby, DE24 8BJ
<b>Administrator</b>	Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR
<b>Banker</b>	National Westminster Bank plc 15 Bishopsgate, London EC2P 2AP
<b>Investment managers</b>	<p>Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR</p> <p>The Prudential Assurance Company Limited Craigforth, Stirling, FK9 4UE</p>
<b>Legal advisors</b>	Gowling WLG (UK) Limited Two Snowhill, Birmingham, B4 6WR
<b>Auditor</b>	Deloitte LLP Four Brindleyplace, Birmingham, B1 2HZ
<b>Investment consultant</b>	Mercer Limited Tower Place West, London EC3R 5BU
<b>Life assurance provider</b>	<p>Met Life, Invicta House, Trafalgar Place, Brighton BN1 4FR</p> <p>Aviva Life and Pensions UK Limited, Group Protection, Norwich, NR1 3ZF</p>

## Trustee’s report

### Introduction

The Rolls-Royce Retirement Savings Trust (the “Trust”) provides retirement and life assurance benefits for employees of Rolls-Royce plc and associated companies (the “Company”). The Trust was established on 6 April 2000. The Trust is governed by a Trust Deed and Rules as amended by supplementary deeds. The Trustee is a UK limited company, Rolls-Royce Retirement Savings Trust Limited (the “Trustee”).

The Trust’s assets are held in the name of the Trustee and are entirely separate from the assets of the Company. The Trust is registered with His Majesty’s Revenue & Customs for tax purposes. Consequently, the majority of the Trust’s income and investment gains are free of taxation.

The Trust is an earmarked scheme which means that, all the benefits are secured by an insurance policy. Under the policy, each member accumulates an individual (earmarked) pension fund invested in unit-linked insurance funds. The Trust provides retirement benefits for members and where applicable, life assurance benefits.

The Trustee has decided to extend the scope of the annual report and financial statements beyond that required of an earmarked scheme. Therefore this is a non-statutory annual report and financial statements.

### Management of the Trust

The directors of the Trustee are appointed and removed in line with the provisions of the Trustee’s Articles of Association. There are usually eight directors comprising five directors appointed by the Company (including a Chairperson and a director nominated by the Company’s Central Negotiating Committee) and three directors nominated by members.

In accordance with The Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 1996, the Trustee (with the consent of the sponsoring employer), has put in place a procedure for the appointment and removal of Trustee directors, including the provision for three Trustee directors to be nominated and selected by eligible members in accordance with the Trust Deed and Rules.

The directors normally hold four regular meetings a year and an annual strategy day. Additional meetings are held as frequently as required. All directors have the same function except that the Chairperson (or if he or she is not present, a Deputy Chairperson appointed by the directors) will have a casting vote. Mrs Teresa Waine was appointed to act as Deputy Chairperson for two years from 24 March 2022. Attendance at the regular meetings during the year is shown in the table below:

Director	Meetings attended	Meetings applicable
Mark Porter – Chairperson	7	7
Fiona Brown	6	7
Matthew Hill	6	7
Rebecca Hodgson	6	7
Nicholas Halliday (resigned 21 October 2022)	2	2
Nick Sloan	7	7
Teresa Waine	7	7
Kevin Wright	7	7
Anne-Marie Smith (appointed 1 April 2023)	0	0

## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Each director has been provided with relevant documentation required to perform their role as a pension scheme trustee and pension scheme trustee training is undertaken on a regular basis. These training arrangements are designed to meet The Pensions Regulator’s pension scheme trustee training requirements, which were established by the *Pensions Act 2004*.

### Changes during the year

#### Trustee directors

Mr Nick Halliday resigned as a member nominated director on 31 October 2022. The Trustee would like to place on record its thanks to Mr Halliday for his service to the Trust. In accordance with the Trustee’s member nominated director selection process, Ms Anne-Marie Smith was appointed to replace Mr Halliday on 1 April 2023.

In September 2022, to provide continuity throughout the investment strategy review described on page 9, the Trustee agreed to extend Mr Matthew Hill’s term of office as a member nominated director until 31 December 2023. In accordance with the Trustee’s member nominated director selection process, Mr Roger Dale will replace Mr Hill on 1 January 2024 and has been invited to attend Trustee meetings in an observational capacity throughout 2023.

During the year the Company agreed to re-appoint Ms Rebecca Hodgson as a Company-appointed director for another four-year term of office ending on 31 December 2026.

#### Trust deeds

The following deeds of amendment were executed by the Trustee during the year:

- 22 April 2022 to provide benefits for employees of Rolls-Royce SMR Limited.
- 14 October 2022 to provide benefits for employees of Rolls-Royce Solutions UK Limited.

## Membership

The changes in membership during the year are shown in the table below.

<b>Active Members<sup>1</sup></b>		
Members at 6 April 2022		18,306
Add:		
New joiners		3,068
Members re-joining from deferred status <sup>1</sup>		99
Members re-joining from another status <sup>1</sup>		19
Less:		
Active members retiring		(9)
Active members leaving service <sup>3</sup>		(1,145)
Deaths		(25)
Transfers out		(28)
Account closed <sup>2</sup>		(46)
<b>Members at 5 April 2023</b>		<b>20,239</b>
<b>Deferred Members</b>		
Members at 6 April 2022		14,934
Add:		
Active members leaving service <sup>3</sup>		1,145
Members re-joining from another status <sup>1</sup>		6
Less:		
Members re-joining active status <sup>1</sup>		(99)
Deferred members retiring		(155)
Deaths		(42)
Transfers out		(720)
Account closed <sup>2</sup>		(287)
<b>Members at 5 April 2023</b>		<b>14,782</b>

<sup>1</sup>Occasionally members re-join various statuses for their benefits to be administered. For example, this could occur where a member leaves active status and subsequently requires additional contributions to be paid by the Company. To receive contributions such a member would have to temporarily re-join active status.

<sup>2</sup>Accounts might be closed when an account is created for a new joiner who subsequently leaves employment with the Company without making any contributions.

<sup>3</sup>Following a reconciliation of Aviva’s active membership records, many active member records were identified that should have been changed to deferred status. This is the reason for the significant number of active members leaving service.

## Statement of Trustee’s responsibilities

### Statement of Trustee’s responsibilities for the non-statutory annual report and financial statements

The non-statutory financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Trust during the year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Trust year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the non-statutory financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the non-statutory financial statements on a going concern basis unless it is inappropriate to presume that the Trust will not be wound up.

The Trustee is also responsible for making available certain other information about the Trust in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control. The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Trust’s website. Legislation in the United Kingdom governing the preparation and dissemination of non-statutory financial statements may differ from legislation in other jurisdictions.

### Trustee’s responsibilities in respect of contributions

- The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary, revising a Payment Schedule showing the rates of contributions payable towards the Trust by or on behalf of the employer and the active members of the Trust and the dates on or before which such contributions are to be paid; and
- The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Trust by the employer in accordance with the Payment Schedule. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

## Financial development of the Trust

The financial statements of the Trust for the year ended 5 April 2023, as set out on pages 17 to 26, have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

A summary of the Trust’s financial statements is set out in the table below:

	2023	2022
	£’000	£’000
Member related income	195,331	177,852
Member related payments	(38,342)	(45,097)
Net additions from dealings with members	<b>156,989</b>	<b>132,755</b>
Net returns on investments	(27,948)	34,813
Net increase in the Trust	<b>129,041</b>	<b>167,568</b>
Net assets at start of year	858,443	690,875
Net assets at end of year	<b>987,484</b>	<b>858,443</b>

## Benefits

The Trust provides defined contribution retirement benefits and life assurance benefits.

Retirement savings are secured by an insurance policy under which each member accumulates an individual savings fund. At retirement, members have the following options:

- Take their retirement savings as a cash lump sum. Generally 25% of which would be tax-free with the rest taxed as income.
- Invest their savings in an appropriate personal pension arrangement and draw money from it as and when required. This is known as “drawdown”. Generally 25% can be taken as a tax free lump sum and the remainder taxed as income.
- Taking a series of cash lump sums. Generally 25% of each payment would be tax-free with the remainder taxed as income.
- Buying an annuity and taking up to 25% as a tax-free cash lump sum.
- A combination of the above options.

Life assurance benefits for certain active members are also secured by an insurance policy provided by the life assurance provider shown on page 3.



## Investments

During the year covered by this report, the Trustee has directed Trust contributions into a range of unit-linked pension funds offered to members under a unit-linked insurance policy issued by Aviva Life and Pensions UK Limited (“Aviva”).

The investment options available to members during the year were as follows:

- Do nothing in which case their contributions will be invested in one of two predetermined default investment programmes depending on the section of the Trust they are in. For most members the default investment programme is designed for members that expect to receive their benefits through flexible retirement or income drawdown. For members of the Top-up section of the Trust, the default investment programme is designed for members that expect to receive their benefits as a single cash sum.
- Actively choose one of three predetermined investment programmes, which in addition to the two default investment programmes described above includes an investment programme that is designed for members that expect to receive their benefits by purchasing an annuity.
- Design and manage their own investment programme using up to 18 self-select investment funds. The choice of funds offered under the Aviva policy includes a range of asset classes including an ethical fund and a Shariah-compliant fund.

The investment funds available along with their performance to 31 March 2023 and the value of members’ investments in them at the same date are shown on page 11. Where funds are used as part of the predetermined investment programmes they are shown in bold.

Where funds were exposed to the UK Government bond market they would have been impacted by the volatility in that market during September and October 2023. However, the impact would not have been significant for most members or the Trust as a whole, due to the diversified nature of most investments and the default investment strategy in particular.

During the year the Trustee undertook a comprehensive review of the Trust’s default investment strategy with support from its professional advisers. As a result, the Trustee decided to select a new default investment strategy for members that do not wish to make any active investment decisions with effect from 1 July 2023. The new default investment strategy comprises a suite of target date funds (TDFs). Contributions for members in the default investment strategy will be invested in TDFs that match their expected dates of retirement. The TDFs are managed by Aviva and are invested in underlying funds managed by BlackRock Investment Management (UK) Limited. The option for members to design and manage their own investment strategy using the range of self-select investment funds remains.

A small amount of the Trust’s assets remains invested in a unit-linked insurance policy issued by Prudential Assurance Company Limited. Investments are no longer made into these policies.

The Trustee confirms that the investments of the Trust are invested in accordance with the Occupational Pensions Schemes (Investment) Regulations 1996. The Trust did not hold any direct employer related investments during the year or at the end of the year, although limited employer related investments may occur through pooled investment vehicles where specific exclusions are not possible.

Aviva, Prudential, and any underlying investment managers are authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority.

## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Further details about the Trust’s investments are available to members online, in the Chairperson’s annual governance statement (included in Appendix 1) and the Trust’s Statement of Investment Principles (included in Appendix 2).

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

		1 year performance		3 year performance		5 year performance	
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
	£'000s	%	%	%	%	%	%
<b>Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund</b>	441,921	(1.4)	(0.9)	14.9	15.2	6.7	6.9
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	21,999	3.2	2.9	13.3	13.8	4.8	5.0
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	7,477	(3.0)	(2.4)	18.0	18.5	-	-
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	1,522	7.7	8.5	15.5	16.0	-	-
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	818	1.9	1.5	7.7	7.9	-	-
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	1,055	(3.8)	(4.0)	13.8	14.0	-	-
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	1,893	(6.5)	(6.0)	8.2	8.5	-	-
<b>Aviva My Money Diversified (50:50 abrdn GARS / Insight BOF)<sup>1</sup> Growth Fund</b>	168,044	(6.9)	5.6	0.8	2.6	0.3	-
<b>Aviva My Money Legal &amp; General (PMC) Diversified Fund</b>	156,565	(5.6)	(3.3)	6.5	16.5	-	-
<b>Aviva My Money Legal &amp; General (PMC) Retirement Income Multi-Asset Fund</b>	67,726	(3.3)	2.4	5.0	0.9	3.5	0.8
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	5,985	(30.4)	(30.4)	(9.1)	(9.2)	(4.1)	(4.1)
Aviva My Money BlackRock Over 15 Year Gilt Index Tracker Fund	60	(30.5)	(29.7)	-	-	-	-
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	372	(10.7)	(10.3)	(3.4)	(3.1)	-	-
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	6,154	(1.8)	1.0	16.9	17.8	-	-
Aviva My Money Legal and General (PMC) Future World Annuity Aware <sup>2</sup>	7,802	(20.2)	(18.6)	(8.5)	(10.0)	(3.2)	(2.6)
Aviva My Money Legal & General Investment Management Future World Fund	571	(4.9)	(4.3)	15.1	15.7	-	-
Aviva My Money HSBC Islamic Global Equity Index Fund	15,181	(3.0)	(2.9)	16.7	17.1	-	-
<b>Aviva My Money BlackRock Institutional Sterling Liquidity Fund</b>	28,415	2.4	2.2	0.9	0.8	0.9	0.7
Aviva My Money Three Year Transition Fund <sup>3</sup>	53,277	(2.8)	(2.8)	7.4	7.4	-	-
Prudential With Profits Fund	80	-	-	-	-	-	-
	<b>986,887</b>						

Value of investments and performance net of fees to 31 March 2023.

Sources: Aviva, Prudential and Mercer.

<sup>1</sup>GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

<sup>2</sup>Formerly called the Aviva My Money Legal & General (PMC) Pre-Retirement Fund.

<sup>3</sup>As part of a review of the investment options available to members in 2019, some members were being transferred to new investment programmes gradually by making a partial allocation to this fund. It is not expected to continue following the recent review of investment strategy undertaken by the Trustee described on page 9.

## Contact details

### Internal Disputes Procedure

The Trustee operates an Internal Disputes Procedure for resolving complaints by members in accordance with statutory requirements. All complaints should be made in writing to:

*The Trustee Secretary  
Pensions Department  
Rolls-Royce plc  
Trent Hall (A90)  
Victory Road  
Derby  
DE24 8BJ*

### The Money and Pensions Service

The Money and Pensions Service (MaPS) is a UK Government funded website that provides financial information and tools for the public on a range of financial issues. The website address is: <https://moneyandpensionsservice.org.co.uk>

### The Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. The Ombudsman can be contacted at:

*10 South Colonnade  
Canary Wharf  
London  
E14 4PU*

### Pension Tracing Service

The Pension Tracing Service has been established to help individuals to keep track of benefits they may have as a result of service with former employers. The Pension Tracing Service can be contacted at:

*The Pension Service 9  
PostHandling Site A  
Wolverhampton  
WV98 1AF*

The registration number of The Rolls-Royce Retirement Savings Trust is 10249659.

### The Pensions Regulator

The Pensions Regulator (TPR) is the regulatory body for occupational pension schemes in the UK. TPR can be contacted at:

*Telecom House  
Brighton  
East Sussex  
BN1 6AF*

## Rolls-Royce Retirement Savings Trust – Trustee's annual report and financial statements

### Information to members

Further information about the Trust can be requested by writing to:

*The Trustee Secretary  
Pensions Department  
Rolls-Royce plc  
Trent Hall (A90)  
Victory Road  
Derby  
DE24 8BJ*

This report or other information about the Trust can be provided in large print or Braille formats upon request. The Trust Deed and Rules is available for inspection by members by writing to the same address.

Further information about all members' benefits and the Trust in general, is available online at [www.rolls-roycepensions.com](http://www.rolls-roycepensions.com)

### Approval of Trustee's annual report and financial statements

The Trustee's annual report and financial statements were approved at a meeting of the Trustee held on 21 September 2023.

Signed on behalf of the Trustee by

**Mark Porter**  
Director

## **Independent auditor’s report to the Trustee of the Rolls-Royce Retirement Savings Trust for the year ended 5 April 2023**

### **Report on the audit of the non-statutory financial statements**

#### **Opinion**

In our opinion the non-statutory financial statements of Rolls-Royce Retirement Savings Trust (the ‘Trust’):

- show a true and fair view of the financial transactions of the Trust during the year ended 5 April 2023 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- contain the information specified in Regulation 3A of the Occupational Pension Trusts (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the non-statutory financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the non-statutory financial statements section of our report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the non-statutory financial statements, we have concluded that the Trustee’s use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust’s ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

### Other information

The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor’s report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of the Trustee

As explained more fully in the Trustee’s responsibilities statement, the Trustee is responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Trustee is responsible for assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Trust’s industry and its control environment, and reviewed the Trust’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and pension management about their own identification and assessment of the risks of irregularities, including those that are specific to the Trust’s business sector.

## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

We obtained an understanding of the legal and regulatory frameworks that the Trust operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. These included Pension Act 1995, the Pensions Act 2004, the Occupational Pension Trusts (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Trusts (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the non-statutory financial statements but compliance with which may be fundamental to the Trust’s ability to operate or to avoid a material penalty<sup>1</sup>. These included Trust’s regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the non-statutory financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have:

- obtained an understanding of the relevant controls over investment holdings and transactions;
- agreed investment holdings to independent confirmations; and
- agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing non-statutory financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the non-statutory financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may misstatement due to fraud;
- enquiring of the Trustee, pension management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittee meetings, reviewing internal audit reports and reviewing correspondence with the Pensions Regulator.

### Use of our report

This report is made solely to the Trust’s Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Trusts (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trust’s Trustee those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust’s Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

### Deloitte LLP

Statutory Auditor  
Birmingham, United Kingdom

Date: 21 September 2023



## Financial statements

### Fund account for the year ended 5 April 2023

	Note	2023	2022
		£'000	£'000
<b>Contributions and benefits</b>			
Employer contributions	4	160,558	143,739
Employee contributions	4	24,712	24,285
Transfers in	5	4,364	7,420
Other income	6	5,697	2,408
		<b>195,331</b>	<b>177,852</b>
Benefits payable	7	(11,578)	(9,668)
Payments to and on account of leavers	8	(23,768)	(32,786)
Other payments	9	(2,706)	(2,457)
Administrative expenses	10	(290)	(186)
		<b>(38,342)</b>	<b>(45,097)</b>
<b>Net additions from dealings with members</b>		<b>156,989</b>	<b>132,755</b>
<b>Returns on investments</b>			
Change in market value of investments	13	(26,623)	35,792
Investment management expenses		(1,325)	(979)
<b>Net returns on investments</b>		<b>(27,948)</b>	<b>34,813</b>
<b>Net increase in the Trust during the year</b>		<b>129,041</b>	<b>167,568</b>
Net assets of the Trust at 6 April		858,443	690,875
<b>Net assets of the Trust at 5 April</b>		<b>987,484</b>	<b>858,443</b>

The notes on pages 19 to 26 form part of these financial statements.

**Statement of net assets (available for benefits)**

	Note	2023	2022
		£'000	£'000
<b>Investment assets</b>			
Pooled investment vehicles	13	986,887	858,017
Cash	13	609	450
		<b>987,496</b>	<b>858,467</b>
Current assets	20	3,393	1,899
Current liabilities	21	(3,405)	(1,923)
<b>Total net assets of the Trust as 5 April</b>		<b>987,484</b>	<b>858,443</b>

The financial statements summarise the transactions of the Trust and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The notes on pages 19 to 26 form part of these financial statements.

These financial statements were approved by the Trustee on 21 September 2023.

Signed on behalf of the Trustee by

**Mark Porter**  
Director

**Rebecca Hodgson**  
Director

## **Notes (forming part of the financial statements)**

### **1. Basis of preparation**

The Trust is an earmarked scheme which means that, all the benefits are secured by an insurance policy. Under the policy, each member accumulates an individual (earmarked) pension fund. These non-statutory financial statements have been prepared at the wish of the Trustee of the Trust. The Trust is exempt from the requirement to have an audit under the Pensions Act 1995 and therefore these financial statements do not constitute statutory annual financial statements. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (as amended) – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Principal Employer, Rolls-Royce plc, is also a going concern as described below. The Trust currently relies on Rolls-Royce plc to pay its administrative expenses and in accordance with the Trust Deed and Rules of the Trust, it is likely that the Trust would be wound up if the Principal Employer became insolvent.

Rolls-Royce plc is a significant part of the Rolls-Royce group of companies which are ultimately owned by Rolls-Royce Holdings plc (the “Group”). The Trustee has considered the going concern statement included in the Group’s 2023 half-year results published on 3 August 2023. This concluded that under “base case” and “stressed downside” scenarios the Group expects to continue as a going concern until 28 February 2025. On this basis, whilst the impact of various factors including the macroeconomic environment and the Russian invasion of Ukraine cannot be accurately predicted, the Trustee currently considers that the Group will continue to operate for the next twelve months, and therefore the Trustee believes that it remains appropriate to prepare the Trust’s financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate. It should also be noted that the net assets in the financial statements (£987.5 million) almost entirely comprise investments (£987.5 million). Investments are recognised at fair value and this would not change if the financial statements were not prepared on a going concern basis.

### **2. Identification of the financial statements**

The Trust is established as a trust under English law. The address for enquiries to the Trust is included in the annual report.

### **3. Accounting policies**

The principal accounting policies of the Trust are as follows:

#### **a) Contributions, Benefits and Transfers**

Contributions and benefits accrued and due in respect of the year ended 5 April 2023 are included in these financial statements. Transfers in and transfers out are accounted for in the period in which they are received or paid.

#### **b) Valuation of Investments**

Investments are stated at market value at 5 April 2023 determined as follows:

- (i) Pooled investment vehicles are included at bid price as advised by the investment manager; and

## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

- (ii) The change in market value is the difference between the opening and closing balances of market value, adjusted for the net investment, and includes both realised and unrealised gains and losses against opening market value.

### c) Exchange rates

All assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the year end. Income and expenditure denominated in foreign currencies is translated into sterling at the rate ruling at the date on which it is receivable or payable. Profits and losses on exchange rate movements are included in change in market value during the period.

### d) Expenses

Expenses are borne by the Trust. Where such expenses exceed available undesignated cash funds the sponsoring employer currently bears the cost in the form of matching employer contributions.

### e) Transaction costs

Expenses relating specifically to purchases or sales of investments are included in the costs of the investments or deducted from the proceeds of sales respectively in these financial statements and disclosed separately.

## 4. Contributions receivable

	2023	2022
	£'000	£'000
<b>Employer:</b>		
Normal	157,563	141,075
Life assurance premiums	2,706	2,457
Expenses	289	207
	<b>160,558</b>	<b>143,739</b>
<b>Members:</b>		
Normal	5,207	3,765
Additional Voluntary Contributions	19,505	20,520
	<b>24,712</b>	<b>24,285</b>
	<b>185,270</b>	<b>168,024</b>

## 5. Transfers in

	2023	2022
	£'000	£'000
Individual transfers	4,364	7,420
	<b>4,364</b>	<b>7,420</b>

## 6. Other Income

	2023	2022
	£'000	£'000
Claims on life assurance policies	5,685	2,408
Interest on deposit account	12	-
	<b>5,697</b>	<b>2,408</b>

## 7. Benefits Payable

	2023	2022
	£'000	£'000
Lump sum commutations	(4,307)	(5,955)
Taxation where lifetime or annual allowance exceeded	(103)	-
Death benefits	(7,168)	(3,713)
	<b>(11,578)</b>	<b>(9,668)</b>

## 8. Payments to and on account of leavers

	2023	2022
	£'000	£'000
Individual transfers out to other schemes	(23,678)	(32,783)
Refunds of contributions	(90)	(3)
	<b>(23,768)</b>	<b>(32,786)</b>

## 9. Other Payments

	2023	2022
	£'000	£'000
Life assurance premiums	(2,706)	(2,457)
	<b>(2,706)</b>	<b>(2,457)</b>

Life assurance benefits are secured by an insurance policy provided by the life assurance providers shown on page 3.

## 10. Administration expenses

	2023	2022
	£'000	£'000
Administration and processing	(22)	(24)
Audit fee	(19)	(15)
Legal and other professional fees	(22)	(15)
IT Costs	(4)	(5)
Investment advisory costs	(122)	(82)
Pensions Regulator levy	(101)	(45)
	<b>(290)</b>	<b>(186)</b>

All other costs of administration are borne by the sponsoring employer.

## 11. Tax

The Trust is a registered pension scheme for tax purposes under the Finance Act 2004. The Trust is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

## 12. Additional voluntary contributions (AVC's)

Members' AVC's are invested together with the main assets of the Trust.

### 13. Investment reconciliation

	Market value at 6 April 2022	Purchases at cost	Sales proceeds	Change in market value	Market value at 5 April 2023
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	858,017	187,846	(32,353)	(26,623)	986,887
Cash deposit	450				609
	<b>858,467</b>				<b>987,496</b>

There are no investments that are not allocated to members.

### 14. Pooled investment vehicles (PIVs)

The market value of investments at 5 April 2023 can be analysed as follows:

	2023	2022
	£'000	£'000
<b>Equity funds</b>		
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund	441,921	384,056
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	21,999	21,160
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	7,447	4,819
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	1,522	987
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	818	562
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	1,055	834
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	1,893	1,615
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	6,154	4,242
Aviva My Money Legal & General Investment Management Future World Fund	571	408
Aviva My Money HSBC Islamic Global Equity Index	15,181	12,921
<b>Fixed income funds</b>		
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	5,985	8,112
Aviva My Money BlackRock Over 15 Year Gilt Index Tracker Fund	60	22
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	372	398
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	-	9,442
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	28,415	24,388
Aviva My Money Legal and General (PMC) Future World Annuity Aware <sup>1</sup>	7,802	-
<b>Multi-asset funds</b>		
Aviva My Money Diversified (50:50 abrdn GARS / Insight BOF) <sup>2</sup> Growth Fund	168,044	145,151
Aviva My Money Legal & General (PMC) Diversified Fund	156,565	132,605
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	67,726	55,049
Aviva My Money Three Year Transition Fund	53,277	51,167
<b>With profits funds</b>		
Prudential With Profits Fund	80	79
	<b>986,887</b>	<b>858,017</b>

<sup>1</sup>Formerly called the Aviva My Money Legal & General (PMC) Pre-Retirement Fund.

<sup>2</sup>GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

## 15. Concentration of investment risk

The assets of the Trust are mainly invested in unit linked insurance funds provided by Aviva Life and Pensions UK Limited. The following 5 funds each represent an investment of 5% or more of the Trust’s total net assets as at 5 April 2023:

Fund	Allocation
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila Connect) Fund	44.75%
Aviva My Money Diversified (50:50 abrdn GARS / Insight BOF) <sup>1</sup> Growth Fund	17.02%
Aviva My Money Legal & General PMC) Diversified Fund	15.85%
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	6.86%
Aviva My Money Three Year Transition Fund	5.40%

<sup>1</sup>GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

## 16. Transaction costs

Transaction costs include fees, commissions, stamp duty and other duties. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs are not separately provided to the Trust. There are no direct transaction costs incurred by the Trust.

## 17. Investment fair value hierarchy

The fair value of investments has been determined using the following fair value hierarchy:

Level (1) – the quoted price for an identical asset in an active market.

Level (2) – when quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary or observable market data.

Level (3) – where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses non-observable data.

For the purpose of this analysis daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

The Trust’s investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

At 5 April 2023	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	986,807	80	986,887
Cash	609	-	-	609
Total	609	986,807	80	987,496

At 5 April 2022	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	857,938	79	858,017
Cash	450	-	-	450
Total	450	857,938	79	858,467

## 18. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by defaulting on an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trust has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee’s report on page 9. The Trustee manages investment risks, including credit risk and other market risks, within agreed risk limits which are set taking into account the Trust’s strategic investment objectives relative to its liabilities. These investment objectives and risk limits are implemented through the investment management agreements in place with the Trust’s investment managers and are monitored by the Trustee through quarterly reviews of the investment strategy and performance with the Trustee’s Investment Consultant.

Further information on the Trustee’s approach to risk management and the Trust’s exposures to credit and market risks are set out below:

### Direct credit risk

The Trust is subject to direct credit risk in relation to Aviva through its holding in unit linked insurance funds.

Aviva is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Aviva maintains separate funds for its policy holders. In the event of default by Aviva the Trust is not protected by the Financial Services Compensation Scheme.

### Indirect credit and market risks

The Trust is also subject to indirect credit and market risk arising from the underlying investments held in the range of unit linked insurance funds made available to members. The funds which have significant exposure to these risks are set out below:



## Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	-	-	-	✓
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money Diversified (50:50 abrdn GARS/Insight BOF) <sup>1</sup> Growth Fund	✓	✓	✓	✓
Aviva My Money Legal & General (PMC) Diversified Fund	✓	✓	✓	✓
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	✓	✓	✓	✓
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	✓	-	✓	-
Aviva My Money BlackRock Over 15 Year Gilt Index Tracker Fund	✓	-	✓	-
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	✓	-	✓	-
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	-	✓	-	✓
Aviva My Money Legal & General Investment Management Future World Fund	-	✓	-	✓
Aviva My Money HSBC Islamic Global Equity Index Fund	-	✓	-	✓
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	✓	-	✓	-
Aviva My Money Three Year Transition Fund	✓	✓	✓	✓
Aviva My Money Legal and General (PMC) Future World Annuity Aware <sup>2</sup>	✓	✓	✓	✓
Prudential With Profits Fund	✓	-	✓	-

<sup>1</sup>GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

<sup>2</sup>Formerly called the Aviva My Money Legal & General (PMC) Pre-Retirement Fund.

The analysis of these risks as set out above are at a Trust level. Member level risk exposures will depend on the funds invested in by members.

The Trustee has selected the above funds and considered the indirect risks in the context of the investment strategy described in the Trustee’s report.

## 19. Self-investment

The Trust did not hold any direct employer related investments during the year or at the end of the year, although limited employer related investments may occur through pooled investment vehicles where specific exclusions are not possible.

## 20. Current assets

	2023	2022
	£'000	£'000
Bank balances	3,255	1,609
Other debtors	138	290
	<b>3,393</b>	<b>1,899</b>

Included in the bank balance is £27,796 (5 April 2022: £17,546) which is not allocated to members. Included in other debtors are contributions payable by the Company amounting to £135,717 (5 April 2022: £135,642).

## 21. Current liabilities

	2023	2022
	£'000	£'000
Other creditors and accruals	(3,405)	(1,923)
	<b>(3,405)</b>	<b>(1,923)</b>

Included in other creditors and accruals are benefit payments due of £3,229,243 (5 April 2022: £1,593,111) which are allocated to members. The remaining other creditors and accruals are not allocated to members.

## 22. Related parties

At 5 April 2023:

- 8 Trustee directors were active members of the Trust; and
- 1 Trustee director was a Trustee director of another Company pension arrangement.

Contributions in respect of the Trustee directors have been paid in accordance with the Payment Schedule. Contributions due from the Company at the end of the Trust year are reported in note 20 above. These were paid after the end of the Trust year in accordance with the Payment Schedule. There were no other disclosable related party transactions during the year.

### Summary of contributions payable under the Payment Schedules

This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trust’s Trustee. It sets out the employer and member contributions payable to the Trust under the Payment Schedules dated 31 January 2021 in respect of the period 6 April 2022 to 29 May 2022, 30 May 2022 in respect of the period 30 May 2022 to 13 November 2022, and 14 November 2022 in respect of the period 14 November 2022 to 5 April 2023.

<b>Contributions payable under the Payment Schedules in respect of the Trust year</b>		<b>£'000</b>
Employer:		
Normal contributions		157,563
Contributions in respect of life assurance premiums		2,706
Contributions in respect of expenses		289
Member:		
Normal contributions		5,207
<b>Contributions payable under the Payment Schedules (as reported by the Trust auditor)</b>		<b>165,765</b>
<b>Reconciliation of contributions</b>		<b>£'000</b>
Reconciliation to contributions payable under the Payment Schedules reported in the non-statutory financial statements in respect of the Trust year:		
Contributions payable under the Payment Schedules (as above)		165,765
Contributions payable in addition to those due under the Payment Schedules (and not reported on by the Trust auditor):		
Member additional voluntary contributions		19,505
<b>Total contributions reported in the non-statutory financial statements</b>		<b>185,270</b>

Employer contributions include contributions payable by the employer where the employee is in the salary sacrifice arrangement.

## Independent auditor’s statement about contributions

We have examined the summary of contributions to the Rolls-Royce Retirement Savings Trust for the Trust year ended 5 April 2023 which is set out on page 27.

We have examined the Summary of Contributions to the Rolls Royce Retirement Savings Trust for the Trust year ended 05 April 2023 to which this statement is attached.

In our opinion contributions for the Trust year ended 05 April 2023 as reported in the Summary of Contributions and payable under the Payment Schedules have in all material respects been paid from 6 April 2022 to 29 May 2022 at least in accordance with the Payment Schedule dated 31 January 2021, then from 30 May 2022 to 13 November 2022 at least in accordance with the Payment Schedule dated 30 May 2022 and subsequently at least in accordance with the Payment Schedule dated 14 November 2022.

### Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Payment Schedules. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Trust and the timing of those payments under the Payment Schedules.

### Respective responsibilities of Trustee and the Auditor

As explained more fully in the Trustee’s responsibilities statement, the Trust’s Trustee is responsible for securing that a payment schedule is prepared, maintained and from time to time revised and for monitoring whether contributions are made to the Trust by the employer in accordance with the Payment Schedules.

It is our responsibility to provide a Statement about Contributions paid under the Payment Schedules and to report our opinion to you.

### Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Trusts (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

### Deloitte LLP

Statutory Auditor

Birmingham, UK

Date: 21 September 2023

## **Appendix 1 – Chairperson’s annual governance statement**

# Chairperson's annual governance statement

Defined Contribution (DC) pension arrangements are subject to governance requirements which aim to help members achieve good outcomes from their retirement savings. In accordance with legislation set out in Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) the Trustee of the Rolls-Royce Retirement Savings Trust is required to produce a yearly statement (which is signed by the Chair of the Trustee) to demonstrate how the following governance requirements have been met for inclusion in the Trustee's annual report:

- Which investment option(s) the members' funds are invested in;
- Outline the requirements for processing financial transactions;
- What charges and transaction costs are borne by members;
- Provide an illustration of the cumulative effect of these costs and charges;
- Estimate the net returns of the investment options;
- Make a "value for members" assessment;
- Evaluate Trustee knowledge and understanding.

This annual governance statement covers the period 6 April 2022 to 5 April 2023 and is available to members in the Help and resources tab at [www.rolls-roycepensions.com](http://www.rolls-roycepensions.com) and will be notified to members in the distribution of their annual benefit statement and annual Trustee newsletter.

## The default investment arrangements

The Rolls-Royce Retirement Savings Trust continues to act as a "Qualifying Scheme" for Rolls-Royce plc to fulfil its auto-enrolment obligations.

Members who join the Trust, but do not make any investment choices, automatically enter the default investment programme. The Trustee continues to be responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements. Details of the rationale for the default investment programmes can be found in a document called the "Statement of Investment Principles" ("SIP"). The Trust's SIP is appended to the Trustee's annual report and financial statements. The aims and objectives of the default arrangements, as stated in the SIP, are as follows:

- To make available a range of lifestyle strategies that meet the needs of members at retirement and a range of self-select investment funds that should enable members to tailor their own investment strategy to meet their own individual needs;
- Offer funds and lifestyle strategies which facilitate diversification and long-term capital growth;
- Offer funds and lifestyle strategies that enable members to reduce risk in their investments as they approach retirement;
- Offer funds which mitigate the impact of sudden and sustained reductions in capital values, or rises in the cost of providing benefits at retirement (cash, annuity purchase or drawdown);

- To structure the range of funds and lifestyle strategies, to provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.

The Trustee regularly reviews the appropriateness and performance of the default investment programme with the support of its investment consultant Mercer Limited (“Mercer”). These reviews include quarterly reviews of investment performance and an annual review of the aims, objectives, and policies in the Trust’s SIP. The quarterly reviews include an analysis of fund performance and member activity to check that the risk and return levels still meet the objectives. The Trustee also undertakes reviews in response to specific events such as changes in member demographics, member activity and the retirement experience, or the investment funds used in the default investment programmes, and at least every three years.

The Trustee commenced a detailed review of the default investment strategy on 24 March 2022. The scope of this review focussed on the structure of the investment strategy, the Trustee’s ability to communicate it effectively to members, outcomes for members with reference to the latest retirement living standards published by the Pension & Lifetime Savings Association (PLSA) and a range of risks including those related to climate change. The review incorporated a range of membership analysis and stochastic retirement projections. As a result of the review the Trustee decided to change the default investment strategy from a lifestyle investment to a target date fund (TDF) structure with annual vintages and reduce the de-risking phase from 30 to 15 years. The new strategy will benefit from a lower overall charging structure, a significant investment in underlying funds that seek to reduce the risks presented by climate change and other environmental, social and governance (ESG) factors, and additional focussed support from the underlying investment managers. The Trustee is satisfied that the new strategy will deliver better value for money and improved future retirement outcomes for members. The changes will be implemented by Aviva Life and Pensions UK Limited (“Aviva”), who act as the Trust’s administrator and investment manager, and in conjunction with BlackRock, in June 2023.

### **Requirements for processing core financial transactions**

The Trustee has previously appointed Aviva as its administrator and has a non-contractual service level agreement (“SLA”) in place with the administrator, which covers the accuracy and timeliness of all its core financial transactions, as well as the adequacy of any internal controls. This includes the investment of contributions into the Trust, the transfers of assets between different investments within the Trust, processing the transfer of member assets both in to and out of the Trust, and the payment of benefits to Trust members and/or their beneficiaries. Aviva processes financial transactions in accordance with non-contractual service levels that have been agreed with the Trustee, who review Aviva’s performance each quarter against those service levels.

During the period covered by this annual statement, Aviva continued to measure customer satisfaction by providing the Trustee with both end-to-end service times in resolving member requests and obtaining customer feedback, as well as more traditional service levels, which measure the time taken to complete individual tasks. Under the former measure, the average case completion time remained consistent at 11 working days during the scheme year. In respect of the traditional service levels, which is to process 95% of cases within five working days, Aviva achieved this service level in around 92% of cases. The Trustee has continued to monitor Aviva’s progress through quarterly service reports and monthly administration meetings where the service performance was monitored. Following additional reviews of Aviva’s investment platform offering and their key administration processes, several service enhancements were subsequently implemented, which saw the SLA improve to an average of 96.11% in the final quarter of the scheme year.

Aviva also provides an annual report on its internal controls undertaken by an independent business assurance specialist. The last report produced was for the year to 31 December

2022, which amongst other things covered the processing and service levels of core financial transactions (including daily monitoring of bank accounts, a dedicated contributions processing team and two individuals checking all investment and banking transactions), full cyber security and business continuity, as well as annual data checks. The latest report did not highlight any significant concerns.

As a result of both the quarterly reviews and the annual external audit, the Trustee is satisfied that over the period covered by this statement, the administrator was operating appropriate procedures, checks and controls; there have been no material administration errors in relation to processing core financial transactions; and all core financial transactions have been processed promptly and accurately. A quarterly compliance report also provides additional assurance, which covers various activities the Trustee must oversee involving funding and investment, governance, administration, regulatory reporting, data protection, as well as cyber security.

### Member-borne charges and transaction costs

The Trustee is also required to set out in this annual statement the on-going charges borne by members for investing in each fund. These include the platform and administrative fees charged by Aviva in addition to the investment management and administrative fees charged by the underlying investment manager. This is also known as the Total Expense Ratio (TER). The table below shows the TERs of the funds available in the Trust during the year. The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Trust's fund managers buy and sell assets within investment funds. The absolute charge payable by members is a function of the size of their investment in a fund and will, therefore, change over time.

The charges and transaction costs have been supplied by Aviva who act as the Trust's investment manager and platform provider. Estimated transaction costs are also shown in the table below. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance. Transaction costs are calculated in accordance with "slippage cost" methodology prescribed by the Financial Conduct Authority. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an investment is valued immediately before an order is placed into the market and the price at which it is traded. Where transaction costs are shown as negative, this is because the average price at which units were traded was more favourable to members than the price at which orders were placed.

Underlying manager	Fund	TERs per year	Annual estimated transaction cost
BlackRock	(10:80:10) Currency Hedged Global Equity *	0.24%	-0.0610%
BlackRock	Institutional Sterling Liquidity *	0.15%	0.0132%
abrdn / Insight	Diversified Growth (50:50 GARS <sup>1</sup> /IBOF <sup>2</sup> ) *	0.58%	0.3520%
LGIM	Retirement Income Multi Asset *	0.45%	0.0874%
BlackRock	Over 5 Year Index-Linked Gilt Index	0.15%	0.0000%
BlackRock	Over 15 Year Gilt Index	0.15%	0.0000%
BlackRock	UK Equity Index	0.17%	0.0717%
BlackRock	US Equity Index	0.16%	0.0153%
BlackRock	European Equity Index	0.17%	-0.0461%
BlackRock	Japanese Equity Index	0.16%	0.0000%
BlackRock	Pacific Rim Equity Index	0.17%	0.0309%
BlackRock	Emerging Markets Equity Index	0.41%	0.0000%
BlackRock	Corporate Bond All Stocks Index	0.16%	0.0000%
HSBC	Islamic Global Equity Index	0.45%	0.0400%
LGIM	Ethical Global Equity Index	0.30%	0.0093%
LGIM	Future World	0.43%	0.0166%
LGIM	Diversified	0.34%	0.0000%

<sup>1</sup> abrdn SICAV II GARS fund / <sup>2</sup> Insight Broad Opportunities Fund



Other than the TER and any transaction costs, members do not currently pay any other charges in relation to the Trust, e.g., for governance, administrative or advisory fees.

The funds that are used in the default investment programmes are marked with an asterisk in the table above. The TER payable under the default investment programmes will vary depending on the mix of funds on any date, which automatically changes depending on how many years a member is from their expected retirement date.

All the available investment programmes in the Trust, including those that are default investment programmes, will comply with charge cap legislation limiting charges to 0.75% a year.

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Trust.

The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Trust and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.

The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

The transaction cost figures used in the illustrations below are based on those provided by the managers over the past five years.

Fund	Cash Lifestyle Default Investment Programme		Drawdown Lifestyle Default Investment Programme	
	Growth Costs	5.1% a year 0.48% a year	5.5% a year 0.51% a year	
At end of year	Projected value <b>without</b> costs.	Projected value <b>with</b> costs.	Projected value <b>without</b> costs.	Projected value <b>with</b> costs.
1	£1,210	£1,210	£1,210	£1,210
2	£2,470	£2,470	£2,470	£2,470
3	£3,780	£3,770	£3,780	£3,770
4	£5,140	£5,120	£5,140	£5,120
5	£6,550	£6,510	£6,550	£6,510
10	£14,500	£14,300	£14,500	£14,300
15	£24,100	£23,700	£24,100	£23,700
20	£35,700	£34,900	£35,700	£34,900
25	£49,300	£47,700	£49,300	£47,700
30	£64,500	£61,100	£64,500	£61,100
35	£81,600	£75,500	£81,600	£75,500
40	£102,000	£91,800	£102,000	£91,800
45	£122,000	£108,000	£124,000	£110,000
50	£134,000	£117,000	£146,000	£126,000

<b>Fund</b>	<b>Av MyM BlackRock Aq Connect Japanese Equity Index 6.5% a year</b>	<b>Av MyM Diversified Growth (50:50 abrdn GARS<sup>1</sup> / Insight BOF<sup>2</sup>) 5.0% a year</b>
<b>Growth Costs</b>	<b>0.15% a year (Lowest cost)</b>	<b>1.22% a year (Highest cost)</b>
<b>At end of year</b>	<b>Projected value without costs.</b>	<b>Projected value with costs.</b>
1	£1,210	£1,210
2	£2,470	£2,470
3	£3,780	£3,770
4	£5,140	£5,120
5	£6,550	£6,520
10	£14,500	£14,400
15	£24,100	£23,800
20	£35,700	£35,100
25	£49,800	£48,700
30	£66,900	£65,100
35	£87,500	£84,800
40	£113,000	£108,000
45	£143,000	£137,000
50	£179,000	£171,000

<sup>1</sup>abrdn SICAV II GARS fund / <sup>2</sup>Insight Broad Opportunities Fund

Values shown are estimates and are not guaranteed, with the current and legacy default investment programmes shown together with the lowest and highest charging self-select fund outside the default programme. The illustrations do not indicate the likely variance and volatility in the possible outcomes from each fund.

The numbers shown in the illustration are rounded to the nearest £100 for simplicity. Projected pension fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The above illustrations have been produced by Aviva in line with statutory guidance. The illustration assumes contributions of £100 a month increasing in line with earnings inflation of 2.5% a year. All figures are shown in today's prices. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values. The starting pot size used is £0.00. The projection is for 50 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age. The projected annual returns above inflation and costs used are highlighted in each illustration for each fund. No allowance for active management has been made.

### Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for both default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the scheme year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

For the arrangements where returns vary with age, such as for the default investment strategies, returns are shown below for a member aged 25, 45 and 55 at the start of the period the returns are shown below:

<b>Drawdown Lifestyle Investment Strategy</b>	<b>1 year % annually</b>	<b>5 years % annually</b>
Age of member at start of period		
25	-3.00% a year	6.60% a year
45	-5.16% a year	3.61% a year
55	-5.11% a year	3.545% a year

<b>Cash Lifestyle Investment Strategy</b>	<b>1 year % annually</b>	<b>5 years % annually</b>
Age of member at start of period		
25	-3.00 % a year	6.60 % a year
45	-5.16 % a year	3.61 % a year
55	-5.27 % a year	2.99 % a year

For the self-select investment fund, the net returns over periods to scheme year end are estimated as follows:

<b>Underlying investment manager and fund</b>	<b>1 Year % annually</b>	<b>5 years % annually</b>
BlackRock (10:80:10) Currency Hedged Global Equity*	-3.00%	6.60%
BlackRock Institutional Sterling Liquidity*	2.18%	0.69%
abrdn / Insight Diversified Growth (50:50 GARS <sup>1</sup> /IBOF <sup>2</sup> ) *	-7.02%	0.08%
LGIM Retirement Income Multi Asset*	-3.50%	3.31%
BlackRock Over 5 Year Index-Linked Gilt Index	-28.37%	-4.01%
BlackRock Over 15 Year Gilt Index	-29.98%	-6.47%
BlackRock UK Equity Index	1.47%	4.85%
BlackRock US Equity Index	-6.16%	13.42%
BlackRock European Equity Index	5.97%	7.82%
BlackRock Japanese Equity Index	1.70%	3.75%
BlackRock Pacific Rim Equity Index	-3.96%	4.91%
BlackRock Emerging Markets Equity Index	-5.93%	1.07%
BlackRock Corporate Bonds All Stocks Index	-10.58%	-0.96%
HSBC Islamic Global Equity Index	-3.16%	14.59%
LGIM Ethical Global Equity Index	-1.93%	11.73%
LGIM Future World	-6.67%	Data unavailable
LGIM Diversified	-5.78%	3.87%

<sup>1</sup>abrdn SICAV II GARS fund / <sup>2</sup>Insight Broad Opportunities Fund

The funds that are used in the default investment programmes are marked with an asterisk in the table above. The charges assumed are those currently applicable to a single contribution of £10,000 paid in at the beginning of the reporting period. Returns are the annualised, geometric mean over the time periods displayed. For example, if a net fund return over a five-year period was 15.9% this would be shown as 3.00% in the '5 years' column. Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs. When comparing charges, it is important to ensure that comparator schemes have included all charges, including any initial contribution-based charges. The net returns reflect the current charge arrangement. These charges could vary in the future.

For age specific returns, a normal retirement age of 65 has been used. Please note when comparing returns with a comparator scheme that has chosen a later retirement age this will generally inflate the comparator scheme returns.

### **Value for members assessment**

The Trustee is also required to assess the extent to which the member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers its quarterly review of Aviva's performance against the service levels described on page 2 is a suitable measure because the TERs include the platform and administrative fees charged by Aviva. The Trustee currently considers the combination of costs and the quality of what is provided in return for those costs to be appropriate for the Trust's membership, when compared to the other options currently available in the marketplace.

The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing

money purchase benefits). The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 15 December 2022. The Trustee also notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has again been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the type of funds available to members. Following agreement with Aviva, the platform charge reduced by a further 0.01% shortly after the end of the period covered by this statement, when the overall fund value reached £1bn. The Trustee will continue to seek a review of the TERs if any significant concerns over cost are highlighted.

With the support of Mercer, the Trustee's appointed investment consultant, the Trustee also reviews the appropriateness and performance of the funds offered to members on a quarterly basis. Where the funds offered to members are highly rated by Mercer and are believed to offer competitive TERs, the Trustee considers that the funds continue to offer good value for members and remain consistent with the stated investment objectives and benchmarks set in the SIP.

Finally, while carrying out a value for money assessment, the Trustee also considers the other benefits members receive from the Trust, including the quality of support services provided by Aviva in terms of its website and the quality of the communications delivered to members. With the implementation of Aviva's MyWorkplace product and improvements in respect of the historic investment performance members can view, the Trustee is satisfied with the service members receive. The Trustee is satisfied with the quality and efficiency of the administration processes and believe the transaction costs provide value for members as the ability to transact efficiently forms an integral part of the investment approaches, and the Trustee expects this to lead to greater investment returns net of fees over time. Overall, the Trustee believes that members of the Trust are receiving fair value for money for the charges and costs that they incur. The Trustee will continue to engage with Aviva regarding improvements to its communications, including an annual investment "snapshot tool" and simplified annual benefit statements, to help further improve the experience for members.

### **Trustee knowledge and understanding**

The Trustee is required to maintain an appropriate level of knowledge and understanding in accordance with sections 247 and 248 of the Pensions Act 2004, that, together with professional advice, enables it to properly exercise its functions and duties in helping to run the Trust effectively. Each Trustee Director must:

- Be conversant with the Trust's Deed and Rules, its SIP and any other document recording policy adopted by the Trustee relating to the administration of the Trust generally;
- Have, to the degree that is appropriate for the purpose of enabling the individual properly to exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of an occupational pension arrangement.

In addition, the Trustee Directors are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance

and knowledge and understanding requirements have been met during the period covered by this statement are set out below:

- The Trust has in place a structured induction process designed for new Trustee Directors, which includes designated sessions on the history of the Trust, investment, discretionary cases and the format and structure of meetings. During the period of this statement, induction training was completed for a new Member Nominated Director. Additional training is also provided to address specific gaps in initial knowledge and understanding;
- Trustee Directors are expected to complete the Pensions Regulator's Trustee Toolkit within six months of appointment, either at the relevant meetings or by personal study (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). All the current Trustee Directors are compliant with this requirement and have completed the Pension Regulator's Trustee Toolkit within the required time limit;
- In line with best practice, the Trustee maintains an individual training plan and register to record all training and development activities with a view to achieving a minimum of 15 hours continuing trustee development each year. Both the training plan and the register are reviewed on an annual basis to ensure it is up to date and to highlight and address any potential gaps in knowledge and understanding. The last review was conducted on 23 March 2023;
- All the Trustee Directors are familiar with and have access to copies of the current scheme governing documentation, including the Trust Deed and Rules, the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Trust and, where relevant, deciding individual member cases, and the SIP is formally reviewed annually as part of making any change to the Trust's investments;
- The Trustee, with the help of its advisers, also regularly considers training requirements to identify any additional knowledge gaps. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material and the Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee receives focussed training and advice from its appointed advisors in advance of making significant decisions, e.g., from its legal advisor before signing a trust deed, or from its investment consultant before authorising its agreement to a bulk transfer of members from one investment to another within the Trust. During the period covered by this statement, such training was provided by Gowling WLG (UK) Ltd, the Trust's legal advisers on conflicts of interest;
- The Trustee undertakes an annual review of the support and advice it has received from its appointed advisors. During the period covered by this statement, the Trustee completed a desk-based review of its current investment platform in conjunction with the investment strategy review;
- On an annual basis the Trustee also assesses its effectiveness using the Pensions Regulator's code of practice on governance and administration of occupational trust-based schemes providing money purchase benefits. Any gaps in knowledge and understanding identified during this assessment are added to individual training plans. The current Trustee Board has a wide range of skills and experience which benefit the running of the Trust including project and financial management, technical inspection, auditing, service procurement, employee relations, negotiation, and regulatory compliance. In conjunction with this, a Trustee strategy event was held on 6 October 2022, where a series of online questionnaires were

used to carry out an annual evaluation of the performance and effectiveness of the Trustee Board. This considered future objectives and strategy, wider skills, communications, current developments in ESG issues and developments in DC post-retirement savings. This was combined with an informal Trustee exercise carried out by an external provider, Willis Towers Watson. Following the success of this activity, the Trustee Board has now agreed to appoint an external service provider to assess its effectiveness during 2023.

In light of the statements above, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts, as well as the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties. When combined with advice and support from their appointed specialist advisors (both in writing and whilst attending meetings), the Trustee Directors can exercise their function as a trustee board properly and effectively.

#### **Chairperson's declaration**

I confirm that the above statement has been produced by the Trustee and was approved at a meeting on 22 June 2023.

Signed on behalf of the Trustee by

**Mark Porter**  
Chairperson

## **Appendix 2 – Statement of Investment Principles**

# **STATEMENT OF INVESTMENT PRINCIPLES – JUNE 2023**

## **ROLLS-ROYCE RETIREMENT SAVINGS TRUST**

### **1. Introduction**

The Rolls-Royce Retirement Savings Trust (the “Trust”) is a wholly insured scheme as defined in Regulation 8 (2) of The Occupational Pension Plans (Investment) Regulations 2005. As a result, the asset held by the Trustee is the policy of insurance issued by the Provider. This Statement of Investment Principles (“SIP”) sets out the required principles governing decisions about the investment options available under this Policy for the Trust and the reasons why it is a wholly insured scheme. The Pensions Act 1995, and subsequent legislation, requires the Trustee to document matters in the Statement which include the Trustee’s policy to choosing investments, the kinds of investments to be held, the balance between different kinds of investments, risk, the expected return on investments, the realisation of investments, and such other matters as may be prescribed.

Before preparing this Statement of Investment Principles, the Trustee has consulted with the Employer (Rolls-Royce Plc), and obtained and considered written professional advice from Mercer Limited, the Trust’s investment consultants, regarding the Trust’s investment strategy.

### **2. The Trustee**

The Trustee’s investment powers are set out within the Trust’s governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Trust’s investment arrangements. The Trustee will regularly review the Trust’s investment policies and their implementation against the DC Code of Practice. The Trustee appoints a professional consultant (the “Investment Consultant”) to provide them with relevant advice where necessary. The Trustee also takes advice as appropriate from other professional advisers.

The Trustee remains accountable for the investment of the Trust’s assets, but may delegate some aspects of the investment arrangements. When determining which decisions to delegate, the Trustee has taken into account whether it has the appropriate training and are able to secure the necessary expert advice in order to take an informed decision.



### **3. Reasons for the wholly insured approach**

A wholly insured scheme is where all the assets (excluding cash held in the Trustee's bank account) are held in one or more qualifying insurance policies. The Trustee continues to consider that a wholly insured approach is an appropriate arrangement, having regard to the needs of the membership and the preferences of the Sponsoring Company.

This route enables the Trustee to provide Trust members with access to a comprehensive range of investment options that are sufficient to meet the Trustee's objectives (as set out in 4.1 below). These investment options are managed by a number of leading fund managers, via a single contractual relationship with the chosen provider, Aviva, who deliver investment, administration and communications services for the Trust. Fund switches and manager changes can be processed more efficiently with less risk than through alternative options, and members gain access to a reasonable range of services in addition to the Trust's investment options.

The Trustee will review the continued appropriateness of the wholly-insured approach at least triennially or more frequently if required.

### **4. Investment Policy**

#### **4.1 Objectives**

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives, which may include different working patterns post State Pension Age. The Trustee also recognises that members have different attitudes to risk. The members are responsible for their own investment decisions based on their individual circumstances. However, the Trustee recognises that members may not believe themselves qualified to take investment decisions.

The following encapsulates the Trustee's objectives:

- To make available a range of investment funds and strategies that should enable members to tailor their own investment strategy to meet their own individual needs.
- Offer funds and strategies which facilitate diversification and long-term capital growth.
- Offer funds and strategies that enable members to reduce risk in their investments as they approach retirement.
- Offer funds which mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of providing benefits at retirement (cash, annuity purchase or drawdown).
- To structure the range of funds and strategies, to provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.
- To provide a default investment option for members until they make their own investment decisions.

The Trustee is responsible for deciding the range of funds and strategies to offer to members. In determining what types of funds and strategies are offered, the Trustee has taken investment advice regarding the suitability of investment vehicles considering factors such as the asset class (or classes), the level of diversification and the nature of the investment objectives.

However, the Trustee has no influence over the investment aims of each fund used or how the investment managers choose the underlying investments within each fund. The assets are pooled with many other investors to obtain economies of scale. Nevertheless, notwithstanding how the assets of each fund are managed, the Trustee regularly obtains professional advice to monitor and review the suitability of the funds provided and from time to time may change the managers or investment options.

The Trustee takes account of what it considers 'financially material considerations'. The above, as well Section 4.3 (Risk), sets out the Trustee's policies in relation to financially material considerations. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

#### **4.2 Environmental, Social and Corporate Governance (ESG) including Climate Change**

The following encapsulates the Trustee's ESG beliefs:

- The Trustee believes that environmental, social, and corporate governance factors can have a material impact on investment risk and return outcomes and that good stewardship can create and preserve value for companies and markets as a whole.
- The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration within the investment decision-making process.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers are also expected to be signatories to the United Nations-supported Principle for Responsible Investment (PRI) unless a suitable reason is provided for not being. As the assets of the Trust are invested in wholly insured arrangements with investments in pooled vehicles, the Trustee accepts that the assets are subject to the investment fund managers' own policies in this area.

The investment managers are also required to provide periodic written reports to the Trustee regarding their exercise of voting rights on the Trustee's behalf.

The Trustee believes its key themes and priorities in relation to ESG and sustainability risks are in relation to:

- **Environmental:** Climate Change

- **Governance: Board Diversity**

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022, updated guidance was produced which is effective for all scheme year-ends on or after 1 October 2022. The updated guidance requires trustees to include a description of what they believe to be a significant vote within the Implementation Statement. The Trustee will disclose relevant voting information in their SIP Implementation Statement in connection with these two key themes.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes when appointing new investment managers and monitoring existing investment managers. The Trustee has set a target that all equity investment managers be highly rated by Mercer for ESG integration and active ownership with a minimum rating of ESG3 or better, where possible. Monitoring is undertaken on a regular basis and is documented at least annually. The Trustee does not take into account ethical views when choosing the funds available to members and in the investment strategies. However, the Trustee does offer specific funds in the self-select fund range that are aimed at integrating ESG matters.

The Trustee will engage with the provider and the investment managers as appropriate, and will ask investment managers to include appropriate risk metrics within their portfolio reporting within the framework of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

The Trustee also periodically reviews the appropriateness of offering individual ESG or sustainable investment choices available to members.

## **4.3 Implementation and Engagement Policy**

### **4.3.1 Aligning Manager Investments Strategy and Decisions with Trustee's policies**

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustee will seek guidance from the Investment Consultant, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Trust offers to its members. The Investment Consultant's manager research ratings assist with due diligence and are used in decisions around selection, retention and realisation of manager appointments. The manager ratings are incorporated into the Trustee's monitoring reports.

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

For the default option, the Trustee has set out specific risk and return guidelines for the strategy and the selected manager is contractually obliged to adhere to these guidelines.

For the self-select range, the Trustee invests in pooled investment vehicles so accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustee accesses funds via a platform, the chosen investment managers' continued appointments are based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review the appointment.

#### **4.3.2 Evaluating Investment Manager Performance**

The Trustee receives investment performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and 5 years (where available). The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark and against the manager's stated target performance objective for both active and passive managers (over the relevant time period) on a net of fees basis.

The Trustee focuses on long-term performance but as noted above, may review a manager's appointment if:

- The strategic guidelines for the default investment option are not adhered to;
- There are sustained periods of underperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the Investment Consultant's rating of the manager; or
- There is a material change to the process used by the managers that will impact on its ability to meet the objectives set.

The investment manager is remunerated by way of a fee calculated as a percentage of assets under management.

#### **4.3.3 Portfolio Turnover Costs**

The Trustee receives some Markets in Financial Instruments Directive (MiFID II) reporting from the investment manager. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover cost, assessing this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

The Trustee considers portfolio turnover costs as part of the transaction cost charges disclosures provided for the annual Value for Members' assessment.

#### 4.3.4 Manager Turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. For open-ended funds, there is no set duration for the manager selections. The Trustee will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was selected changes materially (e.g. manager fees or investment process); or
- The manager selected has been reviewed in line with 4.3.2 and the Trustee decides to terminate the mandate.
- The approach and guidelines agreed with the selected manager for the default investment option is not adhered to by that manager.

#### 4.4 Risk and Return

The Trustee has considered risk from a number of perspectives. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The risks considered include:

- **Risk of capital loss in nominal terms.** The protection of capital, in the approach to retirement, in supporting the provision of benefits from the members' individual accounts is considered important and is managed by offering lifestyle options that naturally reduce risk over time and giving members access to options where loss of capital might be low.
- **Risk of erosion by inflation.** If investment returns lag inflation over the period of membership, the real (i.e.net of inflation) value of the members' individual accounts will decrease. The Trustee acknowledges that unexpectedly high future inflation is likely to cause a reduction in the real value of members' accounts. Members are provided with a choice of funds with a number expected to protect the real value of their savings. The impact is measured by considering long term performance trends.
- **Risk of returns from day-to-day management not meeting expectations.** This will lead to lower than expected returns to members. The Trustee recognises that the use of active investment management involves such a risk and offer a range of passive options to manage this risk. Manager performance is measured in the quarterly performance reports
- **Market risk.** The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, the Trustee realises that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash. The market risk experienced is considered within the triennial investment strategy reviews, which is an appropriate timeframe.
- **Liquidity risk.** Members are able to switch between investments on short notice, and may withdraw assets from the Trust when leaving employment, retiring or opting out

of the Trust. The Trustee has been mindful of these liquidity requirements when selecting the range of fund options available to members and all options are daily dealing to mitigate this risk.

- **Default risk.** The value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments. The Trustee offers options to members that offer investment grade or above bond investments to manage this risk
- **Conversion risk.** The costs of converting a member's accumulated defined contribution account into pension benefits at retirement is influenced by a number of factors and depends on how the member intends to take their benefits at retirement.
- **Environmental, social and corporate governance (ESG) risks.** ESG factors present financially material risks for companies and investors. These risks can take many forms but are often operational and/or reputational in nature. The Trustee's policy on managing these risks is provided in 4.2
- **Climate change risk.** Climate change is a systemic risk which may materially affect the financial performance of certain asset classes, sectors and companies.

The Trustee recognises that all forms of investment carry some degree of risk. The Trustee has considered these risks when setting the investment strategy and ultimately the choice of funds and strategies made available to members. Fund selections are also based on the Investment Managers' perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for. The Trustee understands that the list is not exhaustive of all the risks that the Trust faces.

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age and allowing for any changes to retirement age beyond State Pension Age

## **5. Investment Strategy**

### **5.1 Range of Funds**

The Trustee believes, having taken expert advice, that it is appropriate to offer a range of investment funds and strategies to allow members to tailor their own investment strategy. The Trustee will determine the range of funds and lifestyle strategies to be made available to meet a range of member needs taking into account the risks set out above. Members can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.

A range of asset classes has been made available, including: developed market equities, emerging market equities, money market investments, gilts, index-linked gilts, diversified growth funds and pre-retirement funds. Details of the range of funds available, including fees, benchmark and objectives are set out in the Appendix to the SIP.

Following an investment strategy review carried out in 2022/23, the Trustee decided to change the drawdown-targeting default investment option from a lifestyle arrangement to a Target Date Fund solution and make the two other lifestyle options (targeting annuity purchase and a cash lump sum at retirement respectively) only available to members that are already invested in them and are within three years away from retirement as at June 2023.

## 5.2 Default Investment Options

### 5.2.1 Current Defaults

The Trustee recognises that the Trust has three distinct groups of members:

- **Top-up members** - who have a Defined Benefit entitlement through a separate occupational pension arrangement with the Sponsoring Company.
  - The Default Investment Option for these members who are within three years of retirement (as at June 2023) remains as the Cash Lifestyle.
- **AVC members** - who have a Defined Benefit entitlement through a separate occupational pension arrangement with the Sponsoring Company and whose money purchase AVCs were transferred into the Trust in late 2016; and
- **2008, Energy and Standard (“2008”) members** - who have only DC benefits.
  - The Default Investment Option for these two cohorts is the Target Date Fund arrangement.

The aims of the Default Investment Options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate long term growth during the accumulation phase of the strategies whilst mitigating downside risk.

*The default investment options’ growth phase invests in equities and other growth-seeking assets (through multi-asset diversified growth funds) to reduce the risk of poor investment outcomes.*

- To provide strategies that reduce investment risk for members as they approach retirement.

*As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.*

### 2008, Energy and Standard and AVC Members

Based on the Trustee's understanding of 2008 and AVC members' circumstances, and having regard to likely future developments, the Trustee believes that an investment strategy that targets income drawdown at retirement is likely to reflect a typical member's choice of how they take benefits at retirement.

These aims are achieved using a range of Target Date Funds that are deployed as the main default investment option. This strategy will begin to de-risk 15 years from a member's target retirement date. Investments are gradually switched from the Growth Fund, which aims to maximise members' returns by providing exposure to growth-seeking assets, to the Retirement Fund, which aims to preserve capital by protecting against risks.

### Top-Up members

Based on the Trustee's understanding of Top-Up members' circumstances, the Trustee believes that an investment strategy that targets full cash withdrawal at retirement is likely to reflect a typical member's choice of how they take benefits at retirement.

These aims are achieved via automated lifestyle switches over the 10 year period to a member's target retirement date. Investments are gradually switched from the growth investment with a significant equity basis into Cash, for capital preservation purposes, at retirement.

This strategy is only available to members that are already invested within it that are less than 3 years away from retirement as at June 2023.

Further details of the Cash Lifestyle option are set out in the Appendix to the SIP.

## **5.2.2 Legacy Defaults**

Historic changes from previous strategies and moving members to new strategies without member consent results in these strategies also being determined as 'default investment options' according to legislation and as such, requires additional disclosures. The Annuity Lifestyle strategy is therefore classed as a legacy default investment option.

### **Annuity Lifestyle**

The Annuity Lifestyle aims to protect members' investments against annuity price fluctuations in the run up to retirement and is suitable for members considering taking a level or fixed annuity in retirement. These aims are achieved via automated lifestyle switches over the ten year period to a member's target retirement date. Investments are gradually switched from the growth investment with significant equity content to the Pre-Retirement Fund (a fund whose aim is to match ongoing changes in annuity prices) and Cash, for capital preservation purposes and in the expectation that members will typically want to take the maximum permitted tax-free cash at retirement.

Further details of the Annuity Lifestyle option are set out in the Appendix to the SIP.



The Trustee will continue to review the Default Investment Options over time, taking into consideration retirement experience and changes in member demographics and apply the necessary governance actions for default investment options.

### **5.2.3 Default Policies**

The Trustee's policies in relation to the Default Investment Options are detailed below:

- The Default Investment Options manage investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default Investment Options, the Trustee has explicitly considered the trade-off between risk and expected returns. All the risks outlined in Section 4.3 are also considered as part of designing the Default Investment Options.
- Assets in the Default Investment Options take into account the objectives in section 4.1 and the policies in relation to risk in 4.4 and are considered together to ensure that assets are invested in the best interests of members, taking into account the profile of members and which investment option would be suitable for them. In particular, the Trustee considered the make-up of the Trust's membership when deciding on the Default Investment Options.
- Members are supported by clear communications regarding the aims of the Default Investment Options and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the Default Investment Options; the target benefits are merely used to determine the investment strategy held pre-retirement.
- Assets in the Default Investment Options are invested in daily traded pooled funds which hold liquid assets. The pooled funds are commingled investment vehicles that are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are managed by the respective Investment Managers in line with the mandates of the funds. Likewise, the Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. The Trustee's full policies on social, environmental or ethical considerations are detailed in Section 4.2 of this statement.

Taking into account the demographics of the Trust's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current Default Investment Options are appropriate and will continue to review these over time, at least triennially, or after significant changes to the Trust's demographic, if sooner. The Trustee does not take into account member views when choosing the funds available to members and in the investment strategies.

In time, members that are invested in some of the default investment options will fall to none. The Trustee is expected to remove these options from the Trust at the appropriate time.

Further details of the Default Investment Options are set out in the Appendix to the SIP.

**6. Day-to-Day Management of the Assets**

The Trustee delegates the day-to-day administration and management of the assets to the Provider and the underlying investment managers. The Trustee has taken steps to satisfy themselves that the Provider and underlying fund managers have the appropriate knowledge and experience for managing the Trust's investments and they are carrying out their work competently.

The Trustee regularly reviews the continuing suitability of the Trust's investments including the appointed Provider and the funds and lifestyle strategies utilised, and these may be amended from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with that targeted.

**7. Realisation of assets**

The Investment Managers have responsibility for the realisation and trading of the underlying assets. The day-to-day activities, which the Investment Managers carry out for the Trustee, are governed by the arrangements between the Investment Managers and the Provider. All funds available are daily priced and trade daily.

**8. Compliance**

The Trustee will monitor compliance with this Statement regularly, and in any event will review this Statement at least once every three years or sooner if there is any significant change in investment strategy. The Statement will also be reviewed in response to any material changes to any aspects of the Trust and its finances, which are judged to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Trustee and Sponsoring Company.

**9. Legacy Additional Voluntary Contributions ("AVCs")**

In addition to the current investment arrangements, the Trust also has legacy AVC investments (which are closed to future contributions) in With Profits Funds through policies with Prudential.

**Approved by the Trustee on 22 June 2023**

## **Appendix 3 – Statement of Investment Principles: Appendix**

# STATEMENT OF INVESTMENT PRINCIPLES: APPENDIX – JUNE 2023

## ROLLS-ROYCE RETIREMENT SAVINGS TRUST

### 1. Introduction

This Appendix to the Statement of Investment Principles (“SIP”) has been prepared by the Trustee of the Rolls-Royce Retirement Savings Trust (the “Trust”) and sets out the detail of the Trust’s investment arrangements, based on the principles documented in the Statement of Investment Principles (the “Statement”).

### 2. Fund Range

2.1 The Trustee has selected the Provider to manage and administer the Trust’s assets on its behalf.

2.2 The fund benchmark and performance objectives of the current fund range are set out below:

Fund	Mandate Benchmark	Performance Objectives	Fund Type	Risk Rating
BlackRock Growth	Composite	To provide long-term investment growth through exposure to a diversified range of asset classes	Growth	Medium to Higher
BlackRock Retirement	Composite	This fund is designed for members who wish to stay invested post-retirement and draw down an income	Defensive	Lower to Medium
Aviva Pension MyM BlackRock (10:80:10) Currency Hedged Global Equity	10% FTSE All Share, 80% Developed Overseas Equities (Hedged to Sterling), 10% MSCI Emerging Markets Index	To provide returns consistent with the markets in which it invests. This includes the performance of developed overseas equity markets in local terms (i.e. without the impact of changes in Sterling exchange rates)	Growth	Medium to Higher
Aviva Pension MyM BlackRock UK Equity Index	FTSE All-Share Index	To match benchmark performance.	Growth	Medium to Higher

<b>Fund</b>	<b>Mandate Benchmark</b>	<b>Performance Objectives</b>	<b>Fund Type</b>	<b>Risk Rating</b>
Aviva Pension MyM BlackRock European Equity Index	FTSE Developed Europe ex UK Index	To match benchmark performance.	Growth	Highest
Aviva Pension MyM BlackRock Japanese Equity Index	FTSE All-World Japan Index	To match benchmark performance.	Growth	High
Aviva Pension MyM BlackRock Pacific Rim Equity Index	FTSE Developed Asia Pacific ex Japan Index	To match benchmark performance.	Growth	High
Aviva Pension MyM BlackRock US Equity Index	FTSE All-World USA Index	To match benchmark performance.	Growth	Medium to Higher
Aviva Pension MyM BlackRock Emerging Markets Equity Index	MSCI Emerging Market Index	To match benchmark performance.	Growth	Highest
Aviva Pension MyM Blended Diversified Growth (50:50 ASI GARS /Insight BOF)	50% Sterling Overnight Index Average + 4.5%, 50% SONIA + 5%	To provide an absolute return, in excess of that available from an investment in cash, over the long term by investing in a broad range of traditional and alternative asset classes. The fund aims to achieve long-term investment growth, with less risk than is associated with equity funds.	Growth	Medium
Aviva Pension MyM Legal & General Diversified*	FTSE Developed TR in GB 50%, FTSE Developed Hedged GBP TR in GB 50%	To provide long-term investment growth through exposure to a diversified range of asset classes.	Growth	Medium
Aviva Pension MyM HSBC Islamic Global Equity Index	Dow Jones Titans 100 Index	To match benchmark performance.	Growth	Medium to Higher

<b>Fund</b>	<b>Mandate Benchmark</b>	<b>Performance Objectives</b>	<b>Fund Type</b>	<b>Risk Rating</b>
Aviva Pension MyM Legal & General Ethical Global Equity Index	FTSE4Good Global Equity Index	To match benchmark performance.	Growth	Medium to Higher
Aviva Pension MyM Legal & General Future World Global Equity Hedged	FTSE All-World ex CW Climate Balanced Factor index GBP Hedged	To match benchmark performance.	Growth	Medium to Higher
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index	FTSE UK Index-Linked Gilts Over 5 Years Index	To match benchmark performance.	Defensive	Lower to Medium
Aviva Pension MyM BlackRock Corporate Bond All Stocks Index	iBoxx £ Non-Gilts Index	To match benchmark performance.	Defensive	Lower to Medium
Aviva Pension MyM Legal & General (PMC) Future World Annuity Aware	FTSE Annuities Index (comparator)	To provide diversified exposure to assets that reflect the broad characteristics of investments underlying a typical traditional level annuity product, incorporating ESG considerations as part of the investment strategy.	Defensive	Lower to Medium
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	Sterling Overnight Index Average	To maximise the income generated on an investment consistent with maintaining capital and ensuring its underlying assets can easily be bought or sold in the market in normal market conditions.	Defensive	Lowest
Aviva Pension MyM Legal & General (PMC) Retirement Income Multi-Asset ("RIMA")	Bank of England base rate + 3.5% TR in GBP	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. To maintain a risk level of less than half of the volatility of a global developed equity portfolio, over the long term.	Defensive	Medium

<b>Fund</b>	<b>Mandate Benchmark</b>	<b>Performance Objectives</b>	<b>Fund Type</b>	<b>Risk Rating</b>
Aviva Pension MyM BlackRock Over 15 Year Gilt Index Fund	FTSE UK Gilts Over 15 Years	To match benchmark performance.	Defensive	Lower to Medium

### 3. Target Date Fund Investment Strategies

#### 3.1 This strategy was introduced in June 2023.

##### 3.1.1 Target Date Fund (default for 2008, Energy and Standard and AVC members and member previously invested in the Transition Lifestyles before June 2023)

Years to Retirement Date	BlackRock Growth Fund	BlackRock Retirement Fund
Over 15	100.0	0.0
15	100.0	0.0
14	93.3	6.7
13	86.7	13.3
12	80.0	20.0
11	73.3	26.7
10	66.7	33.3
9	60.0	40.0
8	53.3	46.7
7	46.7	53.3
6	40.0	60.0
5	33.3	66.7
4	26.7	73.3
3	20.0	80.0
2	13.3	86.7
1	6.7	93.3
0 (and into post-retirement)	0.0	100.0

This strategy may be suitable for members who are prepared to take higher risk in the growth phase (with the aim of higher return) and who are considering taking benefits through income drawdown at retirement.



#### 4. Lifestyle Investment Strategies

4.1 The switching periods for the lifestyle strategies available to members are outlined in the tables that follow:

##### 4.1.1 Cash Lifestyle (default for Top Up members within 3 years from retirement at June 2023)

Years to Retirement Date	Aviva Pension MyM Diversified Growth (50:50 ASI GARS /Insight BOF)	Aviva Pension MyM Legal & General Diversified	Aviva Pension MyM BlackRock (10:80:10) Currency Hedged Global Eq (Aq C)	Aviva Pension MyM BlackRock Institutional Sterling Liquidity
Over 30	0.00	0.00	100.00	0.00
30 – 20*	0.00 - 33.30	0.00 – 33.40	100.00 – 33.30	0.00
20 - 10	33.30	33.40	33.30	0.00
9	33.30	33.40	28.30	5.00
8	33.30	33.40	23.30	10.00
7	33.30	33.40	18.30	15.00
6	33.30	33.40	13.30	20.00
5	33.30	33.40	8.30	25.00
4	30.00	30.00	0.00	40.00
3	22.50	22.50	0.00	55.00
2	15.00	15.00	0.00	70.00
1	7.50	7.50	0.00	85.00
0	0.0	0.0	0.0	100.0

*\*De-risks linearly to this allocation over 10 years.*

This lifestyle strategy may be suitable for members who are considering the full value of their retirement savings as a cash lump sum (25% tax free, 75% taxable) at or near retirement.

Members with more than three years to retirement (as at June 2023) invested in the legacy lifestyles were mapped to the new Target Date Fund default investment option.

Please note, this lifestyle will only continue to be available for members who are within 3 years to retirement (as at June 2023) and will be removed after 3 years.

#### 4.1.2 Annuity Lifestyle

Years to Retirement Date	Aviva Pension MyM Diversified Growth (50:50 ASI GARS /Insight BOF)	Aviva Pension MyM Legal & General Diversified	Aviva Pension MyM BlackRock (10:80:10) Currency Hedged Global Eq (Aq C)	Aviva Pension MyM Legal & General (PMC) Pre-Retirement	Aviva Pension MyM BlackRock Institutional Sterling Liquidity
Over 30	0.00	0.00	100.00	0.00	0.00
30 – 20*	0.00 - 33.30	0.00 – 33.40	100.00 - 33.30	0.00	0.00
20 - 10	33.30	33.40	33.30	0.00	0.00
9	33.30	33.40	23.30	10.00	0.00
8	33.30	33.40	13.30	20.00	0.00
7	33.30	33.40	3.30	30.00	0.00
6	30.00	30.00	0.00	40.00	0.00
5	25.00	25.00	0.00	50.00	0.00
4	20.00	20.00	0.00	60.00	0.00
3	15.00	15.00	0.00	70.00	0.00
2	10.00	10.00	0.00	75.00	5.00
1	5.00	5.00	0.00	75.00	15.00
0	0.00	0.00	0.00	75.00	25.00

*\*De-risks linearly to this allocation over 10 years.*

This lifestyle strategy may be suitable for members who are considering taking a level or fixed increasing annuity in retirement.

Members with more than three years to retirement (as at June 2023) invested in the legacy lifestyles were mapped to the new Target Date Fund default investment option.

Please note, this lifestyle will only continue to be available for members who are within 3 years to retirement (as at June 2023) and will be removed after 3 years.

## 5. Legacy Lifestyle Strategies

### 5.1 There are three legacy lifestyle strategies that remain, which are closed to new members. These lifestyle strategies are the Higher Risk Cash Lifestyle, Medium Risk Cash Lifestyle and Medium Risk Drawdown Lifestyle.

Members with more than three years to retirement (as at June 2023) invested in the legacy lifestyles were mapped to the new Target Date Fund default investment option. All members in the Higher Risk Drawdown Lifestyle, the Higher Risk Annuity Lifestyle and the Medium Risk Annuity Lifestyle were more than 3 years to retirement and therefore were removed (as at June 2023).

The three remaining lifestyle will only continue to be available for members who are within 3 years to retirement (as at June 2023) and will be removed after 3 years.

## 6. Fees

Fund Option	Total Expense Ratio (% p.a.)
BlackRock Growth	0.145
BlackRock Retirement	0.145
Aviva Pension MyM BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C)	0.250
Aviva Pension MyM BlackRock UK Equity Index (Aquila C)	0.180
Aviva Pension MyM BlackRock European Equity Index	0.180
Aviva Pension MyM BlackRock Japanese Equity Index	0.170
Aviva Pension MyM BlackRock Pacific Rim Equity Index	0.180
Aviva Pension MyM BlackRock US Equity Index	0.170
Aviva Pension MyM BlackRock Emerging Markets Equity Index	0.420
Aviva Pension MyM Diversified Growth (50:50 ASI GARS /Insight BOF)	0.800
Aviva Pension MyM Legal & General Diversified	0.350

<b>Fund Option</b>	<b>Total Expense Ratio (% p.a.)</b>
Aviva Pension MyM HSBC Islamic Global Equity Index	0.460
Aviva Pension MyM Legal & General Ethical Global Equity Index	0.310
Aviva Pension MyM Legal & General Future World Fund	0.440
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	0.160
Aviva Pension MyM BlackRock Corporate Bond All Stocks Index	0.160
Aviva Pension MyM Legal & General (PMC) Future World Annuity Aware	0.230
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.160
Aviva Pension MyM Legal & General (PMC) Retirement Income Multi-Asset	0.460
Aviva Pension MyM BlackRock Over 15 Year Gilt Index	0.160

*Source: Aviva, as at 31 March 2023.*

## **7. Investment Restrictions**

- 7.1** The Trustee acknowledges that they have no ability to restrict the holdings within the underlying funds. The Trustee has considered the investment restrictions attaching to the pooled funds prior to investing in the pooled funds and is comfortable with these.
- 7.2** The governing documents of the pooled funds contain the restrictions under which the investment managers operate.

## **Appendix 4 – Annual implementation statement**

# Rolls Royce Retirement Savings Trust

## Annual Implementation Statement 2023

### Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 5 April 2023. This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. The table later in the document sets out the how, and the extent to which, the policies in the Trust's SIP have been followed.

A copy of the SIP is available in the Help and resources tab at [www.rolls-roycepensions.com](http://www.rolls-roycepensions.com).

### Investment Objectives of the Trust

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives of the Trust included in the SIP are as follows:

- To make available a range of investment funds and lifestyle strategies that should enable members to tailor their own investment strategy to meet their own individual needs.
- Offer funds and lifestyle strategies which facilitate diversification and long term capital growth.
- Offer funds and lifestyle strategies that enable members to reduce risk in their investments as they approach retirement.
- Offer funds which mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of providing benefits at retirement (cash, annuity purchase or drawdown).
- To structure the range of funds and lifestyle strategies, to provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.

- To provide a default investment option for members until they make their own investment decisions.

### **Review of the SIP**

As part of the SIP annual review in place, the SIP was updated during the Trust Year. We note the regulatory requirements had not changed but updated the SIP to reflect the latest fund charges.

The revised SIP was signed in September 2022, following formal advice from its Investment Consultant.

### **Assessment of how the policies in the SIP have been followed for the year to 5 April 2023**

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the Trust as a whole and the default investment arrangement. The SIP is attached as an Appendix and sets out the policies referenced below.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the year to 5 April 2023.

	Requirement	Policy	In the year to 5 April 2023
1	Securing compliance with the legal requirements about choosing investments	As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 1 of the SIP.	<p>The Default Investment Options are monitored quarterly, with the Trustee reviewing investment reports at Trustee meetings to ensure the net of fees returns are consistent with the aims of the strategy. The investment consultant attends all meetings to provide advice as required.</p> <p>During the Trust year, no changes to the investment arrangements have been implemented. We note that the investment strategy review was conducted during the Trust year with any resulting changes to be implemented in the next Trust year.</p> <p>In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitably-qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).</p> <p>During the Trust year, the Trustee also reviewed and updated Mercer's Investment Consultant objectives. These objectives cover the following areas: support on investment strategy, implementation, investment reporting, Trustee knowledge and understanding and climate-related risks and opportunities.</p>
2	Kinds of investments to be held, the balance between different kinds of investments and expected return on investments	<p>Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of risk. This is outlined in Section 5 of the SIP.</p> <p>Within the Default Investment Options, the strategic asset allocation is set to achieve the expected return required, taking into consideration the risk, to meet the objective of the defaults.</p>	<p>The Trustee believes that the currently available range of funds/types of investments available to members continue to be appropriate and provided members with options across the risk/return spectrum to implement the policy.</p> <p>The Trustee recognises that the Default Investment Options will not meet the needs of all members and as such, alternative investment options are available for members to choose from. Investment performance reports are reviewed by the Trustee on a quarterly basis – this includes the risk and return characteristics of the Default Investment Options and the actively managed additional investment fund choices.</p>



			<p>The review of the Default Investment Option was completed in the most recent Trust year, which took into account ESG considerations and the ongoing appropriateness of the strategy based on projected pot sizes for members. The Trustee has made the following decisions:</p> <ul style="list-style-type: none"> <li>• The Trustee Directors have agreed in principle to use a range of Target Date Funds (“TDFs”) managed by BlackRock via Aviva’s platform as the default investment strategy, replacing the current default lifestyle arrangement.</li> <li>• The Trust’s current default investment strategy is a lifestyle option with a 30 year de-risking glidepath into the “at retirement” point.</li> <li>• As part of the strategy review, the Trustee Directors have agreed to a 15 year de-risking glidepath, with members invested in global equities (or assets with a similar level of expected return) before this period.</li> <li>• The Trustee Directors have also agreed to maintain income drawdown as the objective for the default strategy.</li> </ul> <p>These changes are due to be implemented in Q2 2023.</p> <p>In addition, during Q3 2022, the Legal &amp; General Investment Management (‘LGIM’) Pre-Retirement Fund made a number of changes. While there were no changes to the aim or investment objective of the Fund, LGIM implemented changes relating to the structure of the Fund, the introduction of ESG tilts and a new fund description – with the fund now named the LGIM Future World Annuity Aware Fund.</p> <p>The investment performance report includes how each investment manager is delivering against their specific mandates. No actions were taken by the Trustee over the prior year in respect of manager appointments, pending wider changes in the next Trust year.</p>
	Requirement	Policy	In the year to 5 April 2023
3	Realisation of investments	The Trustee’s policy is that there should be sufficient liquidity within the Trust’s assets to meet short term liquidity requirements in the majority of	All funds are daily dealt pooled investment vehicles, accessed by an insurance contract.

		foreseeable circumstances, so that realisation of assets will not disrupt the Trust's overall investment policy. Further details of the Trustee's investment objectives are set out in the Section 4 in the SIP and Section 7 outlines their policy for the realisation of investments.	
4	Risks, including the ways in which risks are to be measured and managed	The Trustee recognises risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the Default Investment Options. The risks the Trustee considers are set out in Section 4.4 of the SIP.	<p>As detailed in the SIP, the Trustee considers various risks when setting the investment strategy for the Trust.</p> <p>The Trust maintained a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.</p> <p>ESG risk was also managed throughout the year, with considerations given to the climate-related disclosures as requested by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations – although we note these regulations (part of the Task Force for Climate Change Financial Disclosures ('TCFD') requirements) do not currently apply to the Trust.</p> <p>The Trustee undertook climate scenario analysis and climate metric analysis on its funds range during the Trust year and work is underway to produce TCFD statement to be published in the next Trust year.</p>

	Requirement	Policy	In the year to 5 April 2023
5	Financially and non-financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p>The Trustee considers financially material considerations in the selection, retention and realisation of investments. Section 4.2 of the SIP outlines the Trustee's beliefs on ESG factors (including climate change). The Trustee keeps its policies under regular review.</p> <p>Non-financial matters, such as member views, are not taken into consideration.</p>	<p>The investment performance report was reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers (with the exception of Abridn GARS) remained highly rated during the year and the Trustee retains the view that these managers are appropriate to meet the strategic objectives for the current strategy (noting this will change when the new strategy is implemented and be focused on a single TDF manager).</p> <p>When implementing a new manager, the Trustee considers the ESG rating of the manager as well as any ratings in relation to expected performance – these were considered for the funds proposed in the formal investment strategy review undertaken during the year and as part of BlackRock's appointment for the TDF mandate.</p> <p>The Trustee acknowledges that certain asset classes, such as fixed income do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.</p> <p>The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change. As part of the TCFD report, the Trust is required to disclose the processes in place for effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities by 5 November 2024. During the Trust year, the Trustee has been working through the TCFD disclosures and intends to issue a voluntary TCFD statement 12 months in advance of the 5 November 2024 statutory deadline.</p> <p>The Trustee does not take into account ethical views when choosing the funds available to members but is very mindful to take ESG factors into consideration. The Trustee does offer a specific ethical fund in the self-select fund range.</p>

6	<p>The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)</p>	<p>The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Trust's investments to the investment managers.</p> <p>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</p> <p>Further details are set out in Section 4.2 in the SIP. It is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.</p>	<p>The Trustee has delegated voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy.</p> <p>Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 updated guidance was produced which is effective for all scheme year-ends on or after 1 October 2022.</p> <p>The updated guidance requires trustees to include a description of what they believe to be a significant vote within the Implementation Statement. The voting information should also include details explaining why each vote has been categorised as most significant, what the vote was, and why the manager voted in the way it did. The Trustee agreed to the items below of focus for the Trust:</p> <ul style="list-style-type: none"> <li>• Environmental: Climate change</li> <li>• Governance: Board Diversity</li> </ul> <p>Over the period, the Trustee had equity exposure through the following funds:</p> <ul style="list-style-type: none"> <li>- Abdn GARS</li> <li>- BlackRock (10:80:10) Currency Hedged Global Equity</li> <li>- BlackRock Emerging Market Equity</li> <li>- BlackRock European Equity Index</li> <li>- BlackRock Japanese Equity Index</li> <li>- BlackRock Pacific Rim Equity Index</li> <li>- BlackRock US Equity Index</li> <li>- BlackRock UK Equity Index</li> <li>- HSBC Islamic Global Equity Index</li> <li>- Insight Broad Opportunities Fund</li> <li>- LGIM Ethical Global Equity Index</li> <li>- LGIM Retirement Income Multi-Asset</li> <li>- LGIM Diversified Growth</li> <li>- LGIM Future World</li> </ul>
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			The key voting activity on behalf of the Trustee for the last 12 months is summarised in the Appendix.
7	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees policies, make decisions based on assessments about medium to long-term financial and non-financial performance.	The Trustee's policy is set out in Section 4.3.1 (Aligning Investment Manager Appointments with the Trustee's Investment Strategy) of the SIP.	<p>As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.</p> <p>Over the year, the Trustee remained satisfied that the contractual arrangement in place with Aviva and the various investment managers remained appropriate.</p>
8	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies.	The Trustee recognises their time horizon is long. The Trustee's policy is set out in Section 4.3.2 (Evaluating Investment Manager Performance) of the SIP.	<p>The performance of each of the Trust's funds were reviewed by the Trustee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.</p> <p>The charges paid to Aviva for their services were analysed as part of the annual Value for Members assessment.</p>

	Requirement	Policy	In the year to 5 April 2023
9	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	The Trustee's policy is set out in Section 4.3.3 (Portfolio Turnover Costs) of the SIP.	Transaction costs were reviewed by the Trustee and were disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.
10	The duration of the arrangement with the asset manager	The Trustee's policy is set out in Section 4.3.4 (Manager Turnover) of the SIP.	No mandates were terminated during the year in relation to the DC and AVC assets.

## **Voting Activity and Engagement Policy Statement**

Section 4.2 of the SIP sets out the Trustee's policy on Environmental, Social and Governance (ESG) factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

Following the DWP's requirements, which came into force on 1 October 2019, the Trustee reviewed the SIP setting out how they take account of financially material considerations, including ESG considerations, and explicitly climate change. In addition, in line with the requirements, the SIP also includes the approach to the stewardship of the investments and how the Trustee take account (if at all) of member views on 'non-financial matters'.

### **Voting Activity during the Trust year**

The Trustee has delegated their voting rights to the investment managers. The SIP states "The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".

New guidance from the Department of Work and Pensions (DWP) came into effect for schemes with a reporting period on or after 1 October 2022. This guidance requires specific details around why Trustees consider votes to be significant, the size of the holdings and next steps on developing well-informed and precise objectives for engagement. The Trustee has requested key voting activities from their managers during the period under assessment to reflect this new guidance. In particular, focus has been given on the stewardship priorities that the Trustee believes constitutes a "significant" vote. Further details and the information received is summarised in the voting section that follows.

It is the Trustee's view that the policy has been followed during the Trust year. The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. The Trustee has only received information relating to public equity funds this year. The assets of the Trust are invested via the Aviva platform.

### Overview of voting activity, on behalf of the Trustee, for the funds containing equity for the 12 months to 31 March 2023

Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 31 March 2023 is summarised in the table below.

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
<b>Abrdn Global Absolute Return Strategies</b>	283	82.0	82.3	17.7	0.0
<b>BlackRock 10/80/10 Currency Hedged Global Equity Index</b>	62,538	95.0	91.0	8.0	1.0
<b>BlackRock Emerging Markets</b>	25,350	98.0	88.0	11.0	3.0
<b>BlackRock European Equity Index</b>	8,862	86.0	88.0	11.0	1.0
<b>BlackRock Japanese Equity Index</b>	5,974	100.0	97.1	2.9	0.0
<b>BlackRock Pacific Rim Equity Index</b>	3,317	100.0	88.5	11.5	0.0
<b>BlackRock US Equity Index</b>	7,224	99.0	95.1	4.1	0.0
<b>BlackRock UK Equity Index</b>	10,135	99.9	96.0	3.0	0.0
<b>HSBC Islamic Global Equity</b>	1,423	97.0	80.5	19.8	0.0
<b>Insight Broad Opportunities</b>	152	100.0	100.0	0.0	0.0
<b>LGIM Ethical Global Equity</b>	16,602	99.8	82.0	17.8	0.2
<b>LGIM Retirement Income Multi-Asset Fund (RIMA)</b>	104,764	99.8	78.0	21.4	0.7
<b>LGIM Diversified Fund</b>	99,252	99.8	77.4	21.9	0.7
<b>LGIM Future World</b>	25,282	99.8	80.8	18.8	0.4

Source: Investment Managers. Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.



## Sample of the most significant votes




To ensure voting behaviour is consistent with the Trust's investment objectives and stewardship priorities, the Trustee has classified 'significant votes' as those which consider any one of the following factors with relevant (but not exhaustive) examples:




- Environmental: climate change
- Governance: board diversity



The Trustee has reviewed voting records from the managers in each of their priorities listed above. The information in this section has been provided directly by the investment managers. The managers have provided detailed information on their voting. The Trustee has considered this information and disclosed the votes that it seems to be most significant. A "significant vote" is defined as one that is linked to the Trust's stewardship priorities/themes. These priorities are set out above. The Trustee has weighted this analysis towards the funds used in the default strategy, where the majority of members' assets are invested and companies that have the largest holdings within those funds (i.e. significant holdings).

*On the page that follows, the 'Vote' highlights whether the investment manager voted for (✓) or against (✗) the sample proposals shown. The resolution passing is represented by a (✓) in the "Outcome" column or is represented by a (✗) if the resolution did not pass.*

Manager	Fund	Company	Date of vote	% of fund	Engagement Priority	Proposal	Vote	Rationale of vote	Outcome
Abrdn	GARS	The Kroger Co.	23/06/2022	Not provided *	Climate Change	Report on Efforts to Eliminate HFCs in Refrigeration and Reduce GHG Emissions	✓	Steps made by Kroger to reduce GHG emissions by 30 percent by 2030. Given the significance of HFC's to the company Scope 1 emissions and costs associated with moving to gases with lower global warming potential, clear disclosure and plans to achieve this is in the interests of shareholders.	Not provided

	GARS	The Kroger Co.	23/06/2022	Not provided *	Climate Change	Report on Efforts to Reduce Plastic Use	<input checked="" type="checkbox"/>	Good steps made so far in reducing plastic packaging and increasing the recyclability of own brand packaging. However better disclosure of metrics and baselines will allow shareholders to more fully understand company's management of this issue.	Not provided
<b>BlackRock</b>	Global Equity 10/80/10	Alphabet Inc.	01/06/2022	0.44%	Climate Change	Report on Metrics and Efforts to Reduce Water Related Risk	<input checked="" type="checkbox"/>	BlackRock believes it is in the best interests of shareholders to have access to greater disclosure on this issue.	
	Global Equity 10/80/10	Amazon.com Inc.	25/05/2022	0.83%	Climate Change	Report on Efforts to Reduce Plastic Use	<input checked="" type="checkbox"/>	The company does not meet manager's expectations for disclosure of natural capital policies and/or risk.	
<b>LGIM</b>	Diversified	Royal Dutch Shell Plc	24/05/2022	0.28%	Climate Change	Approve the Shell Energy Transition Progress Update	<input checked="" type="checkbox"/>	LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	

Diversified	BP Plc	12/05/2022	0.13%	Climate Change	Approve Net Zero - From Ambition to Action Report	<input checked="" type="checkbox"/>	LGIM believes that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	
Diversified	Rio Tinto Plc	08/04/2022	0.11%	Climate Change	Approve Climate Action Plan	<input checked="" type="checkbox"/>	LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, LGIM remain concerned with the absence of quantifiable targets for Scope 3 emissions, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	
RIMA	American Tower Corporation	18/05/2022	0.12%	Board Diversity	Elect Director Robert D. Hormats	<input checked="" type="checkbox"/>	A vote against is applied as the company has an all-male Executive Committee.	

RIMA	SBA Communications Corporation	12/05/2022	0.12%	Board Diversity/	Elect Director Jack Langer	<input checked="" type="checkbox"/>	A vote against is applied as we expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023.	
RIMA	Getlink SE	27/04/2022	0.10%	Climate Change	Approve Company's Climate Transition Plan (Advisory)	<input checked="" type="checkbox"/>	A vote against is applied due to the lack of clarity around long-term goals and net zero ambitions.	

Source: Investment Managers.

\*Note: The Abrdn GARS strategy makes extensive use of derivatives alongside traditional assets and can take long and short positions. We have not been providing the size of the fund holdings for significant votes by the manager and have therefore provided a selection of significant votes.

Note: Insight Broad Opportunities Fund invests in listed closed-end investment companies with a focus on cash-generative investments in social and public, renewable energy and economic infrastructure sectors. This governance framework that is with an independent board acting on behalf of shareholders generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.