Rolls-Royce Retirement Savings Trust

Trustee's annual report and financial statements for the year ended 5 April 2022

Pensions Scheme Registration Number: 10249659

Contents

Trustee and advisors

Trustee	Rolls-Royce Retirement Savings Trust Limited
Directors	Company-appointed directors Mark Porter – Chairperson (appointed as Chairperson on 6 April 2021) Fiona Brown Rebecca Hodgson Nick Sloan (appointed on 1 April 2022) Teresa Waine
	Member-nominated directors Nicholas Halliday Matthew Hill Kevin Wright (appointed on 14 October 2021)
Secretary	Richard Hill, Rolls-Royce Pensions Department
Sponsoring employer	Rolls-Royce plc, Kings Place, 90 York Way, London, N1 9FX
Advisor	Rolls-Royce plc Pensions Department Moor Lane (ML-90), PO Box 31, Derby, DE24 8BJ
Administrator	Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR
Banker	National Westminster Bank plc 15 Bishopsgate, London EC2P 2AP
Investment managers	Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR
	The Prudential Assurance Company Limited Craigforth, Stirling, FK9 4UE
Legal advisors	Gowling WLG (UK) Limited Two Snowhill, Birmingham, B4 6WR
Auditor	Deloitte LLP Four Brindleyplace, Birmingham, B1 2HZ
Investment consultant	Mercer Limited Tower Place West, London EC3R 5BU
Life assurance provider	Met Life, Invicta House, Trafalgar Place, Brighton BN1 4FR
	Aviva Life and Pensions UK Limited, Group Protection, Norwich, NR1 3ZF

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 Her 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 seven directors comprising four directors appointed by the Company (including a Chairperson) 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 (appointed to role on 6 April 2021)	4	4
Fiona Brown	4	4
Matthew Hill	3	4
Rebecca Hodgson	4	4
Nicholas Halliday	3	4
Nick Sloan (appointed on 1 April 2022)	0	0
Teresa Waine	4	4
Kevin Wright (appointed on 14 October 2021)	2	2

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 Ian Farnsworth had resigned as Chairperson in the previous Trust year on 5 April 2021. The Company appointed an existing director, Mr Mark Porter, to succeed him as Chairperson on 6 April 2021. The Trustee would like to place on record its thanks to Mr Farnsworth for his service to the Trust. Following Mr Porter's appointment as Chairperson his existing position as member-nominated director became vacant. Following the Trustee's member-nominated director selection process, Mr Kevin Wright was appointed to fill this vacancy on 14 October 2021. Mr Nick Sloan was appointed to fill an existing company-appointed Trustee director vacancy on 1 April 2022.

Trust deeds

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

- 7 May 2021 to admit a group company, ITP Aero UK Limited, as a participating employer.
- 5 November 2021 to admit a group company, Rolls-Royce SMR Limited, as a participating employer.
- 31 December 2021 to admit a group company, Rolls-Royce Solutions UK Limited, as a participating employer.

Membership

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

Active Members[1]		
Members at 6 April 2021		27,760
Add:	New joiners	863
	Members re-joining from deferred status[1]	44
	Members re-joining from another status[1]	2
Less:	Active members retiring	(49)
	Active members leaving service[3]	(9,922)
	Deaths	(19)
	Transfers out	(253)
	Account closed[2]	(120)
Members at 5 April 2022		**18,306**

Deferred Members		
Members at 6 April 2021		6,421
Add:	Active members leaving service[3]	9,922
	Members re-joining from another status[1]	10
Less:	Members re-joining active status[1]	(44)
	Deferred members retiring	(175)
	Deaths	(17)
	Transfers out	(869)
	Account closed[2]	(314)
Members at 5 April 2022		**14,934**

[1]Ocsacionally 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.
[2]Accounts might be closed when an account is created for a new joiner who subsequently leaves employment with the Company without making any contributions.
[3]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 Fund during the Fund 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 Fund 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 Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund 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 Fund 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 Fund's website. Legislation in the United Kingdom governing the preparation and dissemination of non-statutory financial statements may differ from legislation in other jurisdictions.

Trustees 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 2022, 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:

	2022	2021
	£'000	£'000
Member related income	177,852	143,250
Member related payments	(45,097)	(40,805)
Net additions from dealings with members	**132,755**	**102,445**
Net returns on investments	34,813	137,328
Net increase in the Trust	**167,568**	**239,773**
Net assets at start of year	690,875	451,102
Net assets at end of year	**858,443**	**690,875**

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 are:

- 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 2022 and the value of members' investments in them at the same date are shown on page 10. Where funds are used as part of the predetermined investment programmes they are shown in bold.

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.

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).

		1 year performance		3 year performance	
		Fund	Benchmark	Fund	Benchmark
	£'000s	%	%	%	%
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund	384,056	6.3	6.2	10.7	10.9
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	21,160	11.5	13.0	4.8	5.3
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	4,819	18.7	19.3	18.2	18.5
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	987	6.4	6.5	9.7	9.8
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	562	(2.8)	(2.3)	6.5	6.7
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	834	2.0	2.2	8.2	5.1
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	1,615	(7.7)	(7.4)	5.1	5.4
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF)[2] Growth Fund	145,151	(1.2)	0.1	2.2	0.3
Aviva My Money Legal & General (PMC) Diversified Fund[1]	132,605	6.2	14.6	6.7	15.4
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	55,049	3.8	0.2	5.2	0.3
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	8,112	4.6	4.9	3.2	3.3
Aviva My Money BlackRock Over 15 Year Gilt Index Tracker Fund[1]	22	-	-	-	-
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquilla Connect) Fund	398	(5.0)	(5.2)	1.1	1.0
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	9,442	(6.8)	(7.0)	0.5	0.5
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	4,242	18.5	17.2	16.9	16.1
Aviva My Money Legal & General Investment Management Future World Fund[1]	408	-	-	-	-
Aviva My Money HSBC Islamic Global Equity Index Fund	12,921	19.7	20.1	20.2	20.7
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	24,388	0.2	0.1	0.4	0.3
Aviva My Money Three Year Transition Fund[3]	51,167	5.6	5.6	7.7	7.7
Prudential With Profits Fund	79	-	-	-	-
	858,017				

Value of investments and performance net of fees to 31 March 2022.
Sources: Aviva, Prudential and Mercer.
[1]New funds available during the year. Performance net of fees unavailable.
[2]GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.
[3]As part of the review of the investment options available to members described in the Chairperson's annual governance statement, some members are being transferred to the new investment programmes over a three-year period by making a partial allocation to this fund.

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
Moor Lane (ML-90)
PO Box 31
Derby
DE24 8BJ

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent voluntary organisation that provides free, impartial guidance to members and beneficiaries of pension schemes on a range of issues. TPAS can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU

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
Mail Handling Site A
Wolverhampton
WV98 1LU

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:

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Information to members

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

The Trustee Secretary
Pensions Department
Rolls-Royce plc
Moor Lane (ML-90)
PO Box 31
Derby
DE24 8JY

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.

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 22 September 2022.

Signed on behalf of the Trustee

Director

Independent auditor's report to the Trustee of the Rolls-Royce Retirement Savings Trust for the year ended 5 April 2022

Report on the audit of the financial statements

Opinion

In our opinion the non-statutory financial statements of the 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 2022 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 Schemes (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 (available for benefits); 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 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.

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 Trustee

As explained more fully in the Statement of Trustee’s responsibilities, 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 non-statutory financial statements is located on the FRC’s website at: 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, their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework 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 the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (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. These included the 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.

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, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating 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 indicate risks of material misstatement due to fraud;

- enquiring of the Trustee and 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 meetings.

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 Schemes (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

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date: 22 September 2022

Financial statements

Fund account for the year ended 5 April 2022

	Note	2022	2021
		£'000	£'000
Contributions and benefits			
Employer contributions	4	143,739	98,132
Employee contributions	4	24,285	38,455
Transfers in	5	7,420	4,891
Other income	6	2,408	1,772
		177,852	**143,250**
Benefits payable	7	(9,668)	(7,170)
Payments to and on account of leavers	8	(32,786)	(30,853)
Other payments	9	(2,457)	(2,646)
Administrative expenses	10	(186)	(136)
		(45,097)	**(40,805)**
Net additions from dealings with members		**132,755**	**102,445**
Returns on investments			
Change in market value of investments	13	35,792	138,298
Investment management expenses		(979)	(970)
Net returns on investments		**34,813**	**137,328**
Net increase in the Trust during the year		**167,568**	**239,773**
Net assets of the Trust at 6 April 2021/6 April 2020		690,875	451,102
Net assets of the Trust at 5 April 2022/5 April 2021		**858,443**	**690,875**

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

Statement of net assets (available for benefits) as at 5 April 2022

	Note	2022	2021
		£'000	£'000
Investment assets			
Pooled investment vehicles	13	858,017	689,418
Cash	13	450	1,502
		858,467	**690,920**
Current assets	20	1,899	1,398
Current liabilities	21	(1,923)	(1,443)
Total net assets of the Trust as 5 April 2022/2021		**858,443**	**690,875**

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 23 September 2021.

Signed on behalf of the Trustee

Director

Director

22 September 2022

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 2022 half-year results published on 4 August 2022. This concluded that under "base case" and "stressed downside" scenarios the Group expects to continue as a going concern until 28 February 2024. 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 (£858.4 million) almost entirely comprise investments (£858.5 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 2022 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 2022 determined as follows:

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

(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

	2022	2021
	£'000	£'000
Employer:		
Normal	141,075	95,375
Life assurance premiums	2,457	2,646
Expenses	207	111
	143,739	**98,132**
Members:		
Normal	3,765	2,922
Additional Voluntary Contributions	20,520	35,533
	24,285	**38,455**
	168,024	**136,587**

5. Transfers in

	2022	2021
	£'000	£'000
Individual transfers	7,420	4,891
	7,420	**4,891**

6. Other Income

	2022	2021
	£'000	£'000
Claims on life assurance policies	2,408	1,772
	2,408	**1,772**

7. Benefits Payable

	2022	2021
	£'000	£'000
Lump sum commutations	(5,955)	(5,065)
Taxation where lifetime or annual allowance exceeded	-	(29)
Death benefits	(3,713)	(2,076)
	(9,668)	**(7,170)**

8. Payments to and on account of leavers

	2022	2021
	£'000	£'000
Individual transfers out to other schemes	(32,783)	(30,849)
Opt-outs	(3)	(4)
	(32,786)	**(30,853)**

9. Other Payments

	2022	2021
	£'000	£'000
Life assurance premiums	(2,457)	(2,646)
	(2,457)	**(2,646)**

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

10. Administration expenses

	2022	2021
	£'000	£'000
Administration and processing	(24)	(14)
Audit fee	(15)	(19)
Legal and other professional fees	(15)	(40)
IT Costs	(5)	(4)
Investment advisory costs	(82)	(33)
Pensions Regulator levy	(45)	(26)
	(186)	**(136)**

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 2021	Purchases at cost	Sales proceeds	Change in market value	Market value at 5 April 2022
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	689,418	174,358	(41,551)	35,792	858,017
Cash deposit	1,502				450
	690,920				**858,467**

There are no investments that are not allocated to members.

14. Pooled investment vehicles (PIVs)

The market value of investments at 5 April 2022 can be analysed as follows:

	2022	2021
	£'000	£'000
Equity funds		
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund	384,056	306,193
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	21,160	19,335
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	4,819	2,387
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	987	550
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	562	429
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	834	461
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	1,615	1,263
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	4,242	2,200
Aviva My Money Legal & General Investment Management Future World Fund[2]	408	-
Aviva My Money HSBC Islamic Global Equity Index	12,921	8,439
Fixed income funds		
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	8,112	7,603
Aviva My Money BlackRock Over 15 Year Gilt Index Tracker Fund[2]	22	-
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	398	545
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	9,442	9,939
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	24,388	22,835
Utmost Life Secure Cash Fund	-	8
Multi-asset funds		
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF)[1] Growth Fund	145,151	116,838
Aviva My Money Legal & General (PMC) Diversified Fund	132,605	101,051
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	55,049	44,316
Aviva My Money Three Year Transition Fund	51,167	44,941
With profits funds		
Prudential With Profits Fund	79	85
	858,017	**689,418**

[1]GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.
[2]New funds available during the year.

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 2022:

Fund	Allocation
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila Connect) Fund	44.74%
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF)[1] Growth Fund	16.91%
Aviva My Money Legal & General PMC) Diversified Fund	15.45%
Aviva MyMoney Legal & General (PMC) Retirement Income Multi-Asset Fund	6.41%
Aviva My Money Three Year Transition Fund	5.96%

[1]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 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**

At 5 April 2021	Level (1)	Level (2)	Level (3)	Total
	£'000	*£'000*	*£'000*	*£'000*
Pooled investment vehicles	-	689,333	85	689,418
Cash	1,502	-	-	1,502
Total	**1,502**	**689,333**	**85**	**690,920**

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:

	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 Standard Life GARS/Insight BOF)[1] 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) Pre-Retirement 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	✓	✓	✓	✓
Prudential With Profits Fund	✓	-	✓	-
Utmost Life Secure Cash Fund	✓	-	✓	-

[1]GARS – Global Absolute Return Strategies, BOF – Broad Opportunities 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

	2022	2021
	£'000	£'000
Bank balances	1,609	915
Other debtors	290	483
	1,899	**1,398**

Included in the bank balance is £17,546 (5 April 2021: £17,639) which is not allocated to members. Included in other debtors are contributions payable by the Company amounting to £135,642 (5 April 2021: £126,000).

21. Current liabilities

	2022	2021
	£'000	£'000
Other creditors and accruals	(1,923)	(1,443)
	(1,923)	**(1,443)**

Included in other creditors and accruals are benefit payments due of £1,593,111 (5 April 2021: £889,253) which are allocated to members. The remaining other creditors and accruals are not allocated to members.

22. Related parties

At 5 April 2022:

- 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. There were no contributions due from the Company at the end of the Trust Year. There were no other disclosable related party transactions during the year.

Summary of contributions payable under the Payment Schedule

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 Schedule dated 31 January 2021 in respect of the Trust year ended 5 April 2022.

Contributions payable under the Payment Schedule in respect of the Trust year	£'000
Employer:	
Normal contributions	141,075
Contributions in respect of life assurance premiums	2,457
Contributions in respect of expenses	207
Member:	
Normal contributions	3,765
Contributions payable under the Payment Schedule (as reported by the Trust auditor)	**147,504**

Reconciliation of contributions	£'000
Reconciliation to contributions payable under the Payment Schedule reported in the non-statutory financial statements in respect of the Trust year:	
Contributions payable under the Payment Schedule (as above)	147,504
Contributions payable in addition to those due under the Payment Schedule (and not reported on by the Trust auditor):	
Member additional voluntary contributions	20,520
Total contributions reported in the non-statutory financial statements	**168,024**

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 2022 which is set out on page 27.

Statement about contributions payable under the Payment Schedule

In our opinion contributions for the Trust year ended 5 April 2022 as reported in the summary of contributions and payable under the Payment Schedule have in all material respects been paid at least in accordance with the Payment Schedule dated 31 January 2021.

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 Schedule. 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 Schedule.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Trust's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Payment Schedule and for monitoring whether contributions are made to the Trust by the employer in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid under the Payment Schedule 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 Schemes (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

Deloitte LLP
Statutory Auditor,
Birmingham, United Kingdom
Date: 22 September 2022

Appendix 1 – Chairperson’s annual governance statement

Chairperson's annual governance statement

Governance requirements apply to Defined Contribution ("DC") pension arrangements to help members achieve a good outcome 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 describe how the following governance requirements have been met for inclusion in the Trustee's annual report:

- Which investment options 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 particular annual governance statement covers the period 6 April 2021 to 5 April 2022 and will again be made available to members through the Aviva Trustee microsite at https://vfm.aviva.co.uk/rolls-royce/ and 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 be Rolls-Royce's "Qualifying Scheme" for auto-enrolment. Members who join the Trust, but do not make any investment choices, automatically enter the default investment programme. A "three-year transition fund" is also classified as a default arrangement for some members following past investment changes where members' funds have been transferred without them expressing a choice.

The Trustee remains 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 included in the Trustee's annual report.

The aims and objectives of the default arrangements, as stated in the SIP, are as follows:

- To make available a number 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 last significant changes to the default investment strategy were made following a review by the Trustee in January 2019. The changes were implemented by Aviva Life and Pensions UK Limited ("Aviva), who act as the Trustee's administrator and investment manager.

The Trustee regularly reviews the appropriateness and performance of the default investment programme with the support of its investment consultant Mercer Limited ("Mercer"). This forms part of a quarterly review of investment performance and an annual review against the aims, objectives, and policies of the Trust's SIP. The quarterly review includes an analysis of fund performance and member activity to check that the risk and return levels still meet these 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. During the current scheme year, these reviews indicated that there were no significant concerns over the appropriateness and performance of the default investment strategy, and that the default investment programmes were performing broadly as expected and consistent with the aims and objectives of the default arrangements stated in the SIP. Despite this, the Trustee formally reviews the investment strategy at least every three years and the latest review commenced in December 2021 and is due to be completed by the end of 2022.

Finally, in respect of the self-select range of investments, a longer-term gilt index fund and an equity fund specifically focusing on managing the risks and taking advantages of opportunities associated with climate change were added during the year.

Requirements for processing core financial transactions

The Trustee has appointed Aviva as its administrator and has a non-contractual service level agreement ("SLA") in place with the administrator, which covers the timeliness and accuracy of all "core" financial transactions, as well as the adequacy of its internal controls. This includes the investment of contributions into the Trust, processing of the transfer of member assets into and out of the Trust, the transfers of assets between different investments within 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, agreed with the Trustee, who review Aviva's performance each quarter against those service levels.

During the period of this annual statement, Aviva provided the Trustee with comprehensive quarterly governance reports and continued to measure customer satisfaction by providing 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 traditional service levels, which is to process 95% of cases within five working days, Aviva achieved this service level in around 89% of cases. The Trustee has continued to monitor Aviva's progress through regular quarterly service reports and monthly administration meetings. A review of the key administration processes is now underway to help Aviva improve this performance, which saw the SLA improve to an average of 91.6% in the final quarter of the scheme year. This ongoing focus has also seen a reduction in the "end to end" service times, with the average case completion time reduced from around 13 to 11 working days during the corresponding period.

Aviva also provides an annual report on its internal controls provided by an independent business assurance specialist. The last report produced was for the year to 31 December 2021, 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), cyber security and business continuity as well as annual data checks. The latest report did not highlight any significant concerns.

As a result of these checks and the annual external audit, the Trustee is satisfied that over the period of 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. Further reassurance is provided by a quarterly compliance report, which covers various activities the Trustee must undertake involving governance, administration, regulatory reporting, data protection and cyber security, as well as funding and investment.

Member-borne charges and transaction costs

The Trustee is also required to set out in this 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	Annual estimated Transaction cost
BlackRock	(10:80:10) Currency Hedged Global Equity*	0.25% p.a.	-0.0127%
BlackRock	Institutional Sterling Liquidity*	0.16% p.a.	0.0157%
ASI [1]/ Insight	Diversified Growth (50:50 AS GARS / IBOF[2])*	0.80% p.a.	0.3527%
LGIM	Retirement Income Multi Asset*	0.44% p.a.	0.0000%
Aviva	Three Year Transition*	0.28% p.a.	-0.0298%
BlackRock	Over 5 Year Index-Linked Gilt Index	0.16% p.a.	0.0537%
BlackRock	Over 15 Year Gilt Index	0.16% p.a.	0.0000%
BlackRock	UK Equity Index	0.17% p.a.	0.1188%
BlackRock	US Equity Index	0.17% p.a.	0.0285%
BlackRock	European Equity Index	0.18% p.a.	-0.0310%
BlackRock	Japanese Equity Index	0.18% p.a.	-0.0093%
BlackRock	Pacific Rim Equity Index	0.18% p.a.	0.0000%
BlackRock	Emerging Markets Equity Index	0.39% p.a.	-0.0113%
BlackRock	Corporate Bond All Stocks Index	0.18% p.a.	0.0000%
HSBC	Islamic Global Equity Index	0.46% p.a.	0.0172%
LGIM	Pre-Retirement	0.23% p.a.	0.0250%
LGIM	Ethical Global Equity Index	0.31% p.a.	0.0000%
LGIM	Future World	0.44% p.a.	0.1961%
LGIM	Diversified	0.34% p.a.	0.0000%

[1] Aberdeen Standard Investments / [2] 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. The Aviva "three-year transition" fund is a temporary fund being used to implement the 2019 changes to the default investment programmes gradually over a three-year transition period for some members. The components of this fund itself change gradually over the three-year transition period and therefore the TER will gradually change. The maximum TER applicable to this fund during the year is 0.28% p.a. with an annual estimated transaction cost of -0.0298%.

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. Whilst the TER of two individual funds exceeded 0.75% a year during the year, their weighting in the asset allocation of the investment programmes ensures that the aggregate TER will not exceed the charge cap.

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 illustration are based on those provided by the managers over the past five years.

Fund **Growth** **Costs**	**BlackRock (10:80:10) *Currency Hedged Global Equity*** **4.5% a year** **0.24% a year**		**BlackRock Institutional Sterling Liquidity*** **0.5% a year** **0.18% a year**		**Aberdeen Standard/Insight Diversified Growth*** **3.0% a year** **1.21% a year**	
At end of year	Projected value **without** costs.	Projected value **with** costs.	Projected value **without** costs.	Projected value **with** costs.	Projected value **without** costs.	Projected value **with** costs.
1	£1,200	£1,200	£1,170	£1,170	£1,190	£1,180
2	£2,420	£2,420	£2,320	£2,320	£2,390	£2,360
3	£3,670	£3,650	£3,450	£3,440	£3,590	£3,520
4	£4,940	£4,910	£4,560	£4,540	£4,790	£4,680
5	£6,230	£6,200	£5,640	£5,620	£6,010	£5,830
10	£13,100	£12,900	£10,800	£10,700	£12,200	£11,400
15	£20,700	£20,300	£15,400	£15,200	£18,500	£16,900
20	£29,000	£28,300	£19,600	£19,300	£24,900	£21,900
25	£38,200	£36,900	£23,400	£22,900	£31,500	£27,100
30	£48,300	£46,400	£26,900	£26,200	£38,300	£32,000
35	£59,400	£56,700	£30,000	£29,200	£45,300	£36,700
40	£71,700	£67,900	£32,800	£31,800	£52,400	£41,200
45	£85,200	£80,100	£35,400	£34,200	£59,700	£45,600
50	£100,000	£92,300	£37,700	£36,400	£67,200	£49,800

Fund	LGIM Retirement Income Multi Asset*		BlackRock Over 15 Year Gilt Index		HSBC Islamic Global Equity Index	
Growth	3.0% a year		1.5% a year		4.5% a year	
Costs	0.47% a year		0.17% a year		0.48% a year	
At end of year	Projected value **without** costs.	Projected value **with** costs.	Projected value **without** costs.	Projected value **with** costs.	Projected value **without** costs.	Projected value **with** costs.
1	£1,190	£1,190	£1,180	£1,180	£1,200	£1,200
2	£2,390	£2,370	£2,350	£2,340	£2,420	£2,410
3	£3,590	£3,560	£3,510	£3,500	£3,670	£3,640
4	£4,790	£4,750	£4,650	£4,640	£4,940	£4,890
5	£6,010	£5,930	£5,790	£5,760	£6,230	£6,160
10	£12,200	£11,900	£11,300	£11,200	£13,100	£12,800
15	£18,500	£17,800	£16,500	£16,300	£20,700	£19,900
20	£24,900	£23,800	£21,500	£21,200	£29,000	£27,500
25	£31,500	£29,700	£26,300	£25,800	£38,200	£35,800
30	£38,300	£35,700	£30,800	£30,100	£48,300	£44,600
35	£45,300	£41,600	£35,100	£34,100	£59,400	£54,100
40	£52,400	£47,600	£39,200	£38,000	£71,700	£64,400
45	£59,700	£53,600	£43,200	£41,600	£85,200	£75,400
50	£67,200	£59,600	£46,900	£45,100	£100,00	£87,200

Values shown are estimates and are not guaranteed, with the funds used in the default investment programmes marked with an asterisk in the illustrations above, 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 all 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:

Drawdown Lifestyle Investment Strategy Age of member at start of period	1 Year % pa	5 years % pa
25	6.73% p.a.	8.73%
45	3.87% p.a.	5.43%
55	3.88% p.a.	5.18%

Cash Lifestyle Investment Strategy Age of member at start of period	1 Year % pa	5 years % pa
25	6.73% p.a.	8.73%
45	3.87% p.a.	5.43%
55	3.85% p.a.	4.25%

Annuity Lifestyle Investment Strategy Age of member at start of period	1 Year % pa	5 years % pa
25	6.73% p.a.	8.73%
45	3.87% p.a.	5.43%
55	2.99% p.a.	2.97%

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

Fund	1 Year % pa	5 years % pa
BlackRock (10:80:10) Currency Hedged Global Equity*	6.73%	8.73%
BlackRock Institutional Sterling Liquidity*	0.00%	0.30%
ASI / Insight Diversified Growth (50;50 AS GARS / IBOF*	-1.10%	1.87%
LGIM Retirement Income Multi Asset*	3.64%	4.45%
BlackRock Over 5 Year Index-Linked Gilt Index	2.56%	Data unavailable
BlackRock Over 15 Year Gilt Index	-8.01%	0.78%
BlackRock UK Equity Index	11.31%	Data unavailable
BlackRock US Equity Index	20.08%	Data unavailable
BlackRock European Equity Index	6.73%	Data unavailable
BlackRock Japanese Equity Index	-2.94%	Data unavailable
BlackRock Pacific Rim Equity Index	1.80%	Data unavailable
BlackRock Emerging Markets Equity Index	-7.58%	4.11%
BlackRock Corporate Bonds All Stocks Index	-5.52%	Data unavailable
HSBC Islamic Global Equity Index	19.45%	15.81%
LGIM Pre-Retirement	-6.92%	1.39%
LGIM Ethical Global Equity Index	18.35%	12.21%
LGIM Future World	10.67%	Data unavailable
LGIM Diversified	6.05%	5.46%

Funds used in the default investment programmes are marked with an asterisk. The investment returns shown above are net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance. Where the term "data unavailable" is provided, Aviva has confirmed that this will potentially be due to a number of reasons including funds not being in existence for the whole period stated, historic data not being available and/or the introduction of new funds where there is not enough price history to complete net returns.

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% p.a. in the '5 year' 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

Within this annual statement 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 earlier in this statement as a suitable measure because the TERs include the platform and administrative fees charged by Aviva. Following the close monitoring of Aviva's service levels by the Trustee and Aviva's subsequent improvement, the Trustee, therefore, considers the combination of costs and the quality of what is provided in return for those costs is appropriate for the Trust's membership, when compared to the other options currently available in the market.

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 review 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 Trust. The date of the last review was 16 December 2021. 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. Following the agreement with Aviva in September 2020, the platform charge will automatically be reduced by a further 0.01% when the overall fund value reaches £1bn, which is likely to occur in the near future. 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. 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. Whilst the TER of two individual funds exceeded 0.75% a year during the year, their weighting in the asset allocation of the investment programmes ensures that the aggregate TER will not exceed the charge cap.

Finally, in 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 rebranding of the MyAviva website during the period of this statement and the forthcoming implementation of MyWorkplace, the Trustee is satisfied with the service members receive from both this new web application and the original Aviva website. The Trustee is comfortable with the quality and efficiency of the administration processes and believe the transaction costs provide value for members as the ability to transact 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 value for money for the charges and cost that they incur. The Trustee continues to engage with Aviva regarding improvements to its communications, including the annual benefit statement, to help further improve the member experience.

Trustee knowledge and understanding

The Trustee is required in accordance with sections 247 and 248 of the Pensions Act 2004, to maintain an appropriate level of knowledge and understanding 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 of the Trust and 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 of schemes that 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 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.

- 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 24 March 2022;

- 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 and has also now commenced for a recently appointed Company 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). At the date of this statement, all the Trustee directors are compliant with this requirement and have completed the Pension Regulator's Trustee Toolkit within the required time limit;

- 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 would typically deliver training on such matters at Trustee meetings if they were 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 the Pension Regulator's new single code of practice as part of the annual Trustee strategy event;

- The Trustee undertakes an annual review of the support and advice it has received from its appointed advisors. During the period of this statement, the Trustee commissioned 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 the training plan register. The current Trustee Board has a range of wider skills and experience which benefit the running of the Trust including auditing, project and financial management, technical inspection, service procurement, employee relations and negotiation and regulatory compliance. In addition, a Trustee strategy event was conducted on 7 October 2021, where a series of online questionnaires were used to carry out the annual evaluation of the performance and effectiveness of the Trustee Board, which was combined with an internal Trustee effectiveness exercise. This considered the wider skills, future objectives, and strategy of the Trustee Board alongside other related matters, including investment and current developments in Environmental, Social and Governance (ESG) issues, communications, developments in DC retirement savings, as well as diversity and inclusion. After an analysis of the effectiveness exercise and self-assessment questionnaire, the Trustee will informally invite an external effectiveness adviser to the next strategy event in advance of seeking a formal appointment to assess the Trustee's effectiveness during 2023.

In light of the 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.

Mark Porter
Chairperson

22 September 2022

Appendix 2 – Statement of Investment Principles

STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2022

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, the Trustee 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 they have 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, having reviewed the different options available in 2014 and having received the advice of its Investment Advisors, Mercer, 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 (formerly Friends Life), 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. 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 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.

The Trustee is responsible for deciding the range of funds and lifestyle strategies to offer to members. In determining what types of funds and lifestyle 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, as 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 Trustee considers how ESG, climate change and stewardship is 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 a specific ethical fund in the self-select fund range.

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. These characteristics will differ for each asset class so appointing a single manager is unlikely to be the most appropriate approach.

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 Plan 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.

The Trustee invests in pooled investment vehicles so they accept that they have 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 appointment is 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 manager 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:

- 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; or
- There is a significant change to the Investment Consultant's rating of the manager.
- 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. They may assess 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 has decided to terminate the mandate

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 lifestyle 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 this is not an exhaustive list 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.

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 lifestyle 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.

The Trustee has also provided the option for members to select one of three lifestyle strategies targeting an annuity purchase, withdrawing savings in the form of income drawdown and thirdly, a cash lump sum at retirement. Two of these lifestyle strategies are also default investment options (see Section 5.2), where members who do not make their own choices are automatically invested, depending on their categorisation.

Following an investment strategy review carried out in 2018, the Trustee decided to consolidate the lifestyle strategies from six to the three strategies noted above to offer one lifestyle strategy per targeted retirement objective.

In moving members to these new lifestyle strategies, the Trustee decided to introduce a temporary Interim Lifestyle for three years to facilitate the change, specifically for members in the previous Medium Risk Lifestyles with 39 to 20 years to retirement, with the view to avoid an immediate significant change in their equity allocation. Further details of the lifestyle strategies and the interim lifestyle strategy, including the underlying allocations of the lifestyle strategies throughout a member's working life are set out in the Appendix to the SIP. Members within two years from their selected retirement dates at 23

January 2019 i.e. the transition date remained in the legacy lifestyle strategies unless they chose otherwise. These legacy lifestyle strategies are closed to new members but will continue to be monitored by the Trustee until members are no longer invested and are noted under 5.2.2.The Trustee regularly reviews the suitability of the funds provided and from time to time may change funds or introduce additional investment options.

5.2 Default Investment Options

5.2.1 Current Lifestyle Strategies

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;

- **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.

Following the investment strategy review carried out in 2018, the Trustee has chosen default investment options which they believe to be suitable, for each group. The Default Investment Option for AVC and for 2008 members is the Drawdown Lifestyle and for Top-up members is the Cash Lifestyle.

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 two 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.

<u>2008, Energy and Standard and AVC Members</u>

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 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 content into a blend of multi-asset diversified growth funds (that aim to deliver the potential for future investment growth while gradually reducing the level of volatility experienced by members) and Cash, for capital preservation purposes and in the expectation that members will typically want to take maximum permitted tax free cash at retirement.

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.

5.2.2 Interim and Historic Arrangements

The Trustee regularly reviews the lifestyle strategies and self-select fund range and, if deemed appropriate, makes changes to the managers. Making changes within the lifestyle strategies and moving members to these new allocations without member consent results in these funds also being determined to be 'default investment options' according to legislation and as such, requires additional disclosures. Therefore, from 6 April 2018, changes made as a result of the investment strategy review in 2017-8 meant the following lifestyle strategies are considered default investment options:

- Annuity Lifestyle
- Interim Lifestyle

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.

Interim Lifestyle

The Trustee has introduced a temporary Interim Lifestyle over three years, for members in the Medium Risk Lifestyles with 39 to 20 years to retirement, with the view to avoid an immediate significant change in their equity allocation. This however, excluded all members who joined the Trust less than one year before the implementation date.

The interim lifestyle strategy intends to smooth the change in asset allocation of members 39 – 20 years to retirement, over a three year period, on the basis that these members would likely experience the most significant change in fund value due to equity market volatility. The interim lifestyle strategy contains a transition portfolio that would gradually increase its equity allocation over the three years so that members reach the desired new strategy allocation by the start of the fourth year. The shape of the allocation to the Transition Portfolio was designed to minimise (but not completely remove) the short term trades arising due to equities being sold in the interim lifestyle glidepath and bought in the transition portfolio.

Further details of the Interim 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 in 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 or an alternative Lifestyle Fund 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 highly liquid assets. The pooled funds are commingled investment vehicles which 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.

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.

Following the sale of Equitable Life to Utmost, the assets held in the Equitable Life With Profits Fund moved to Utmost in January 2020. These assets were subsequently moved across to Aviva in May 2020. Members' assets were invested in the current Default Investment Option for AVC members, the Drawdown Lifestyle, unless they chose otherwise.

Appendix 3 - Statement of Investment Principles: Appendix

STATEMENT OF INVESTMENT PRINCIPLES: APPENDIX – SEPTEMBER 2022

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
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
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

Fund	Mandate Benchmark	Performance Objectives	Fund Type	Risk Rating
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% 6 Month LIBOR, 50% 3 Month GBP LIBID	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
Aviva Pension MyM Legal & General Ethical Global Equity Index	FTSE4Good Global Equity Index	To match benchmark performance.	Growth	Medium to Higher

Fund	Mandate Benchmark	Performance Objectives	Fund Type	Risk Rating
Aviva Pension MyM Legal & General Future World Fund	FTSE All-World ex CW Climate Balanced Factor index	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) Pre-Retirement	The benchmark asset allocation for the fund is a composite of gilts and corporate bond funds.	To provide diversified exposure to fixed income assets, reflecting the investments underlying a typical traditional level annuity product.	Defensive	Lower to Medium
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	7 Day GBP LIBID	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
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. Lifestyle Investment Strategies

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

3.1.1 Drawdown Lifestyle (default for 2008, Energy and Standard and AVC members)

Years to Retirement Date	Aviva Pension MyM Diversified Growth (50:50 ASI GARS /Insight BOF)	Aviva Pension MyM Legal & General Diversified	Aviva Pension MyM Legal & General (PMC) Retirement Income Multi-Asset	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	0.00	100.00	0.00
30 – 20*	0.00 - 33.30	0.00 - 33.40	0.00	100.00 - 33.30	0.00
20 - 10	33.30	33.40	0.00	33.30	0.00
9	30.83	30.84	7.50	30.83	0.00
8	28.33	28.34	15.00	28.33	0.00
7	25.83	25.84	22.50	25.83	0.00
6	23.33	23.34	30.00	23.33	0.00
5	20.49	20.49	37.50	21.52	0.00
4	16.39	16.39	45.00	17.22	5.00
3	12.29	12.29	52.50	12.92	10.00
2	8.19	8.19	60.00	8.62	15.00
1	4.09	4.09	67.50	4.32	20.00
0	0.00	0.00	75.00	0.00	25.00

De-risks linearly to this allocation over 10 years.

This lifestyle 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.

3.1.2 Cash Lifestyle (default for Top Up members)

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.

3.1.3 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.

3.2 Interim Lifestyle (default for all members who were invested in the Medium Risk Lifestyles between 39 and 20 years to retirement in February 2019)

This lifestyle strategy was used to phase members to the new lifestyle growth phase allocation. It applied to all members in the Medium Risk Lifestyles between 39 and 20 years to retirement, unless they chose differently.

The interim lifestyle strategy contains a transition portfolio that gradually increases its equity allocation over the three years so that members reach the desired new strategy allocation by the start of the fourth year.

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)	Transition Portfolio (changing allocation over three years)*
Over 40	0.00	0.00	100.00	0.00
39	0.00	0.00	90.00	10.00
38	0.00	0.00	87.00	13.00
37	0.00	0.00	84.00	16.00
36	0.00	0.00	80.00	20.00
35	0.00	0.00	75.00	25.00
34	0.00	0.00	70.00	30.00
33	0.00	0.00	65.00	35.00
32	0.00	0.00	60.00	40.00
31	0.00	0.00	55.00	45.00
30	0.00	0.00	50.00	50.00
29	3.30	3.30	48.30	45.00

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)	Transition Portfolio (changing allocation over three years)*
28	6.70	6.70	46.60	40.00
27	10.00	10.00	45.00	35.00
26	13.30	13.30	43.40	30.00
25	16.70	16.70	41.60	25.00
24	20.00	20.00	40.00	20.00
23	23.30	23.30	38.40	15.00
22	26.60	26.60	36.80	10.00
21	30.00	30.00	35.00	5.00
20	33.30	33.40	33.30	0.00

***Transition portfolio allocation over three years**

	T	T+365	T+730	T+1095
Equity	0%	33.3%	66.7%	100%
LG DF	0%	0%	0%	0%
Blended DGF	100%	67.7%	33.3%	0%

4. Legacy Lifestyle Strategies

There are six legacy lifestyle strategies, which are closed to new members. These lifestyle strategies are a Higher and Medium Risk version of each targeted retirement outcomes; purchasing an annuity, cash lump sum and accessing income drawdown. The Higher and Medium Risk versions have different growth phases over 20 years to retirement. Members who were within two years from their selected retirement dates during the investment strategy changes carried out in January 2019, remained in the legacy lifestyle strategies unless they chose otherwise.

5. Fees

Fund Option	Total Expense Ratio (% p.a.)
Aviva Pension MyM BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C)	0.25
Aviva Pension MyM BlackRock UK Equity Index (Aquila C)	0.17
Aviva Pension MyM BlackRock European Equity Index	0.18
Aviva Pension MyM BlackRock Japanese Equity Index	0.18
Aviva Pension MyM BlackRock Pacific Rim Equity Index	0.18
Aviva Pension MyM BlackRock US Equity Index	0.17
Aviva Pension MyM BlackRock Emerging Markets Equity Index	0.40
Aviva Pension MyM Diversified Growth (50:50 ASI GARS /Insight BOF)	0.80
Aviva Pension MyM Legal & General Diversified	0.34
Aviva Pension MyM HSBC Islamic Global Equity Index	0.46
Aviva Pension MyM Legal & General Ethical Global Equity Index	0.31
Aviva Pension MyM Legal & General Future World Fund	0.44
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	0.16
Aviva Pension MyM BlackRock Corporate Bond All Stocks Index	0.16
Aviva Pension MyM Legal & General (PMC) Pre-Retirement	0.23
Aviva Pension MyM BlackRock Institutional Sterling Liquidity	0.16
Aviva Pension MyM Legal & General (PMC) Retirement Income Multi-Asset	0.44
Aviva Pension MyM BlackRock Over 15 Year Gilt Index	0.16

Source: Aviva, as at 30 June 2022.

6. Investment Restrictions

6.1 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.

6.2 The governing documents of the pooled funds contain the restrictions under which the investment managers operate.

Appendix 4 – Annual implementation statement

Mercer

Rolls Royce Retirement Savings Trust

Annual Implementation Statement 2022

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 2022. 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.

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

The most recent SIP was updated in September 2021, with changes made to reflect the addition of two new self-select funds, the BlackRock Over 15 Years Gilt Fund and the LGIM Future World Fund, in June 2021.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2022

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.

	Requirement	Policy	In the year to 5 April 2022
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.	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. In June 2021, the BlackRock Over 15 Years Gilt Fund and LGIM Future World Fund were added to the self-select fund range, following formal written advice from Mercer Limited in line with Section 36 of the Pensions Act 1995.
2	Kinds of investments to be held, the balance between different kinds of investments and expected return on investments	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. 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.	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. 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. The Trustee monitors the underlying risks by quarterly investment reviews. The Trustee will formally review the Default Investment Options at least every three years or immediately following any significant change in investment policy or the Trust's member profile. The previous review of the Default Investment Option was completed in 2019. A formal strategy review is in progress, having started in March 2022, which takes into account ESG considerations and the ongoing appropriateness of the strategy based on projected pot sizes for members. The conclusions and any changes will be finalised and implemented in the next Trust year. 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.

	Requirement	Policy	In the year to 5 April 2022
2			During the Trust year, following Russia's invasion of Ukraine, additional monitoring was produced for the Trust in order to assess the possible impact and exposure within the Trust's investment arrangements.
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 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.	All funds are daily dealt pooled investment vehicles, accessed by an insurance contract.
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.	As detailed in the SIP, the Trustee considers various risks when setting the investment strategy for the Trust. The Trust maintains 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.
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	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. Non-financial matters, such as member views, are not taken into consideration.	The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers remained generally highly rated during the year and the Trustee retains the view that these managers are appropriate to meet the strategic objectives. The Trust's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. Where managers may not be highly rated from an ESG perspective the Trustee continues to monitor and in the past have engaged with managers to ask how they plan to improve their ESG integration (Abrdn and Insight).

	Requirement	Policy	In the year to 5 April 2022
5			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 as part of the introduction of the two new self-select funds, for example. 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. 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 Task Force for Climate Change Financial Disclosures ("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 2023. During the Trust year, the Trustee has been working through the TCFD disclosures and intends to issue a TCFD statement 12 months ahead of the statutory deadline. In June 2021, the LGIM Future World Fund was introduced as part of self-select fund range. The LGIM Future World Fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels or produce a high level of CO_2 in favour of companies which are less carbon intensive or earn 'Green Revenues'. 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.

	Requirement	Policy	In the year to 5 April 2022
6	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)	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. 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. 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.	The Trustee has delegated their 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. Over the period, the Trustee had equity exposure through the following funds: - Abrdn GARS - BlackRock (10:80:10) Currency Hedged Global Equity - BlackRock Emerging Market Equity - BlackRock European Equity Index - BlackRock Japanese Equity Index - BlackRock Pacific Rim Equity Index - BlackRock US Equity Index - BlackRock UK Equity Index - HSBC Islamic Global Equity Index - Insight Broad Opportunities Fund - LGIM Ethical Global Equity Index - LGIM Retirement Income Multi-Asset - LGIM Diversified Growth - LGIM Future World The key voting activity on behalf of the Trustees for the last 12 months is summarised in the Appendix.

	Requirement	Policy	In the year to 5 April 2022
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.	As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. Over the year, the Trustee remained satisfied that the contractual arrangement in place with Aviva remained appropriate.
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.	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. The charges paid to Aviva for their services were analysed as part of the annual Value for Members assessment.
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".

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.

Examples of Manager Engagement

We provide some examples of engagement actions taken by the managers during the year.

- Abrdn engaged with Natwest in December 2021, focusing on climate and in particular their sustainable finance target, financed emissions and initiatives to green their mortgage book. Abrdn encouraged Natwest to increase the frequency that climate is discussed at Board level from every 6 months to a standing agenda item. Abrdn touched on social initiatives too and were impressed by NatWest's targets to support minority business owners with gender, ethnicity and social targets

- BlackRock has engaged with BHP for many years, and in particular met five times over 2021. At these meetings, BlackRock discussed corporate governance issues and also focused on environmental-related risks, including climate risk management. During these engagements, BlackRock sought to further their understanding of BHP's approach to climate risk and its plans to align its business model to net zero by 2050.

Overview of voting activity, on behalf of the Trustee, for the funds containing equity for the 12 months to 31 March 2022

Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 31 March 2022 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?
Abrdn Global Absolute Return Strategies	1,420	99.9	84.1	15.7	0.2
BlackRock 10/80/10 Currency Hedged Global Equity Index Fund	56,628	99.0	91.0	8.0	1.0
BlackRock Emerging Markets Fund	21,938	100.0	89.0	10.0	3.0
BlackRock European Equity Index Fund	7,213	99.0	85.0	14.0	1.0
BlackRock Japanese Equity Index Fund	6,072	100.0	78.7	21.1	0.3
BlackRock Pacific Rim Equity Index Fund	483	99.6	65.9	33.1	1.0
BlackRock US Equity Index Fund	7,329	99.2	53.1	46.6	0.2
BlackRock UK Equity Index Fund	10,778	99.4	92.8	6.0	1.2
HSBC Islamic Global Equity Fund	1,642	94.5	88.5	11.5	0.2
Insight Broad Opportunities Fund	141	100.0	99.3	0.7	0.0
LGIM Ethical Global Equity Fund	15,785	99.9	83.2	16.5	0.3
LGIM Retirement Income Multi-Asset Fund (RIMA)	105,734	99.8	80.0	19.3	0.8

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?
LGIM Diversified Fund	90,252	98.8	78.7	20.5	0.8
LGIM Future World	32,190	99.8	80.8	18.2	1.0

Source: Aviva. 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

There is no official definition of what constitutes a significant vote and therefore is open to interpretation. Managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate.

Details of all the key votes as deemed by the managers have been provided to the Trustee to support their governance of the funds. The table below sets out a sample of the key votes that have been provided by the managers, and the rationale for the votes, across the funds that are available to members and across a number of topics and issues.

Manager	Fund	Company	Date of vote	Topic and How the Manager voted	Rationale of Manager vote
Abrdn	GARS	Microsoft Corporation	30/11/2021	Report on Effectiveness of Workplace Sexual Harassment Policies – *Voted against the Proposal*	In response to allegations of sexual harassment, the company appears to have undertaken a thorough investigation, and now shares data on the number of complaints and outcomes of investigations with its employees annually. During recent engagement, Abrdn also learned that Microsoft has already committed to publicly report on the implementation of its sexual harassment and gender discrimination policies on an annual basis, thus addressing the requests of the shareholder proposal.
BlackRock	Global Equity 10/80/10 Fund	Johnson & Johnson	22/04/2021	Report on Civil Rights Audit – *Voted for the Proposal*	Supportive of company's efforts to date on these issues. Proposal support based on nature of the proposal.
	Emerging Markets Equity Index	JBS SA	28/04/2021	Approve Remuneration of Company's Management and Fiscal Council – *Voted for the Proposal*	Company has not provided justification for the proposed increase in remuneration cap.
	Japanese Equity Index Fund	Sumitomo Corporation	18/06/2021	Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement – *Voted for the Proposal*	BlackRock supported the shareholder proposal because the changes to the company's articles would place market discipline over management for the continued improvement of climate-related disclosure practices and shareholders would be better able to evaluate the company's risk profile.
	US Equity Index Fund	Chevron Corporation	26/05/2021	Reduce Scope 3 Emissions – *Voted for the Proposal*	A vote for this proposal was considered warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow BlackRock / other investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.

	UK Equity Index Fund	Royal Dutch Shell PLC	18/05/2021	Approve the Shell Energy Transition Strategy – *Voted against the Proposal*	While RDS has made substantive progress over the last year, its transition strategy remains unconvincing benchmarked to certain peers. The reasons why are mainly due to a broad range of potential emissions outcomes to 2030 and a plan to become a net zero emissions company that involves decarbonising existing fossil fuel businesses but continuing to invest in them.
HSBC	Islamic Global Equity	Intel Corporation	13/05/2021	Report on Whether Written Policies or Unwritten Norms Reinforce Racism in Company Culture – *Voted for the Proposal*	HSBC favour transparency around gender pay as they believe this can encourage appropriate management of the issue.
LGIM	Diversified Fund	McDonald's Corporation	20/05/2021	Report on Antibiotics and Public Health Costs – *Voted for the Proposal*	LGIM voted in favour as believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. LGIM believe that AMR is a financially material issue for the company and other stakeholders.
	Diversified Fund	Intel Corporation	13/05/2021	Report on Global Median Gender/Racial Pay Gap – *Voted for the Proposal*	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board.

Source: Aviva.