

Implementation Statement

Introduction

This Implementation Statement has been prepared by Rolls-Royce & Bentley Pension Trustee Limited ("the Trustee") and relates to the Rolls-Royce & Bentley Pension Fund ("the Fund").

Under regulatory requirements in force, the Trustee is required to produce an annual Implementation Statement setting out how the policies described in the Fund's Statement of Investment Principles ("the SIP") have been followed. This statement covers the period from 1 April 2023 to 31 March 2024.

During the reporting period, the Trustee accelerated progress towards a bulk annuity transaction following continued improvements in the Fund's funding level. This resulted in significant changes to the investment strategy in preparation for a transaction. Following the year end, the Fund completed a full buy-in with Standard Life in June 2024, securing the benefits of 6,008 members.

The Fund's investment allocation was altered significantly during the period in preparation for a bulk annuity transaction. In January 2024, the Fund removed 100% of its synthetic equity exposure. In March 2024, the majority of the liquid return seeking funds (TwentyFour Dynamic Bond Fund, PGIM Absolute Return Bond Fund, GMO Global Real Return Fund, and AQR Diversified Risk Premia Fund) were fully redeemed from with all proceeds invested with BlackRock into the portfolio of government bonds and cash. As at 31 March 2024, the Fund held a significant allocation to assets in government bonds and cash, with the remainder of the portfolio in one liquid return seeking fund and residual investments in a number of illiquid holdings.

Following the end of the reporting period, the remaining liquid credit fund (Schroders Alternative Securitised Income Fund) and the BlackRock property allocation (BlackRock UK Property Fund) were fully disinvested from with the proceeds also invested into the government bond and cash portfolio. These assets were subsequently transferred to the insurance company (Standard Life) in June 2024 and the Fund's Longevity Swap was also novated to Standard Life. This bulk annuity contract is a Fund asset. The remaining assets retained in the Fund are a number of illiquid holdings which the Fund was not able to redeem prior to the end of the reporting period or the transaction date with Standard Life. These funds are all in the later stages of their life and are in the process of returning capital to the Fund or the Trustee has submitted redemption forms to fully redeem from them.

The statement aims to set out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Considering the bulk annuity contract and the minimal assets left within the Fund, opportunities to practice good stewardship and engagement will be limited. Disclosed is also the Trustee's opinion on the outcome of voting activity for managers that hold listed equities and engagement activity for managers.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This Statement aligns with the latest guidance and with the DWP's updated stewardship expectations, given the context of the bulk annuity insurance contract purchase shortly after the year end in June 2024.

Changes to the SIP over the period

The Fund's SIP was updated in January 2024 to include an updated stewardship policy for the Fund.

This includes updated wording to be compliant with DWP guidance set out in June 2022 on stewardship and engagement. The updated policy sets out the Trustee's expectations with regards to the

engagement and voting practices undertaken by its investment managers, as well as referencing the Scheme's chosen stewardship theme of climate change.

A copy of the SIP can be found online here: [RRBPF SIP Update - Jan 2024.pdf\(myworkpension.co.uk\)](https://myworkpension.co.uk/RRBPF_SIP_Update_-_Jan_2024.pdf)

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the policies set out in the SIP have been followed throughout the Fund year. The rest of this statement sets out how, in its opinion, the Trustee has followed those policies during the relevant period.

How is the Fund governed?

The Trustee is appointed as the sole Trustee of the Fund. The Trustee oversees the governance of the Fund.

Trustee's policy on stewardship, engagement and voting behaviour

Given the Trustee's preference of investing in pooled funds, direct engagement with underlying companies (as well as other relevant persons) in respect of shares and debt is carried out by the Fund's investment managers.

This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations. Where relevant, the Trustee expects its managers to use voting rights to effect the best possible long-term outcomes.

The Trustee expects all its investment managers to practice good stewardship and has selected climate change as the key stewardship theme to channel stewardship efforts and against which the Trustee will hold the Fund's managers to account. Though the Trustee chooses managers that align with its beliefs on stewardship where possible, there are instances where the Trustee has less direct influence over the managers' policies on the exercise of investment rights. For example, where assets are held in pooled funds, due to the collective nature of these investments. The Trustee monitors and discloses the voting behaviour carried out on its behalf. If the Trustee deems this behaviour inadequate, it will engage with the relevant manager and seek to better align the behaviour of the manager with the Trustee's policy.

When monitoring asset managers, the Trustee expects them to engage with issuers on relevant matters to the appropriate level for the specific asset class in question. In addition, the Trustee meets with its investment managers as required and questions the manager on their activities with respect to stewardship and engagement.

How have the Trustee's stewardship, engagement and voting policies been followed?

Historically, the Fund's stewardship and engagement practices have been focused on the sections of the portfolio where physical equities are held, namely in the AQR Diversified Premia Fund and GMO Global Real Return Fund, through examining voting behaviour. However, as these assets were sold over the year, the Trustee was no longer able to monitor voting activities other than in relation to the period during the year for which investments were held. The Trustee expects all the Fund's managers to engage with underlying investee companies, through ongoing dialogue with investee companies, voting and other available methods.

Each investment manager is expected to exercise voting rights in accordance with their guidelines. The investment consultant, on behalf of the Trustee, encourages the Fund's managers to engage with investee companies and promote adherence to best practice. The Trustee has been notified whether

there have been any changes to the investment consultant's overall ratings of Fund's investment managers. These manager ratings factor in an ESG integration and stewardship assessment.

The following investment managers the Fund had assets invested in over the year are signatories to the UK Stewardship Code: BlackRock, GMO, PGIM, TwentyFour Asset Management LLP, Henderson Global Investors and Schroders. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value, of which the Trustee is supportive. None of the Fund's managers have raised non-compliances with the principles of the code. The Trustee is comfortable each manager provides good quality and transparent reporting of their approach to stewardship.

ESG considerations were also used as a factor in the selection of a bulk annuity insurer prior to the bulk annuity purchase post year end.

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments has been followed over the year, to year end March 2024.

Looking ahead

As at year end, the Fund held assets in government bonds and cash, one liquid return seeking fund and residual investments in a few illiquid holdings. As this liquid return seeking fund was fully divested from shortly after year end and there are no remaining assets with direct voting rights attached, there is now limited scope for the Trustee to engage on the residual assets.

Summary of voting over the year

Below is the voting activity over the period for the Fund's asset managers which held listed equities over the period. Although the Fund had no holdings in either Fund as at 31 March 2024, we have included the information below as Trustee held these assets for the majority of the Fund year i.e. from 1 April 2023 to when the Fund disinvested on 25 March 2024. The Trustee is not aware of any material departures from the managers' stated voting policies and is comfortable with these details.

Significant votes have been defined as votes which meet one or more of the following criteria:

- Votes relating to the key stewardship theme;
- Votes relating to an issuer to which the Fund has a large £ exposure;
- Votes which may be inconsistent between investment managers; and
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

Key Voting Statistics (Apr 2023 – Mar 2024)	AQR Diversified Premia Fund	GMO Global Real Return Fund
Value of Trustee's Assets as at 31 March 2024	£0m	£0m
Number of meetings eligible to vote during the period	803	1,502
Number of resolutions eligible to vote during the period	11,333	17,774
% of resolutions voted	90.0%	93.7%
% of resolutions voted with management	92.0%	88.8%
% of resolutions voted against management	8.0%	11.0%
% of resolutions abstained	0.0%	0.2%
% of meetings with at least one vote against management	33.0%	48.4%
% of resolutions where manager voted contrary to recommendation of proxy adviser	0.0%	0.4%
Any use of proxy voting services during the period	AQR utilises ISS' Sustainable proxy voting policy for all of their private commingled funds and for their default vote-handling program, but they also leverage internal proprietary research on proxy issues related to significant corporate actions and in making individual voting decisions. As of 2021, AQR also retained Glass Lewis for proxy voting research and recommendations.	GMO has engaged ISS as its proxy voting agent to research and make voting recommendations or, for matters for which GMO has so delegated, to make the voting determinations.

Summary of Significant votes over the period

A significant vote for AQR is shown below:

	AQR Diversified Premia Fund
Meeting Date	09/05/2023
Company name	Valero Energy Corporation

Summary of resolution	Shareholder Proposal Regarding Report on Climate Transition Plan and GHG Targets
Company Management's Vote	Against
Rationale of decision	AQR voted for the resolution. Additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change-related risks.
Outcome	The proposal was ultimately rejected, as it did not garner majority support.

GMO did not provide details upon request for a voting example over the period.

Summary of engagement from the Scheme's managers over the year

As per the Scheme's SIP, The Trustee expect their investment managers to practice good stewardship. This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

With this in mind, the Trustee has requested its relevant investment managers to provide examples of how they have engaged with underlying companies on the Trustee's behalf in relation to the Trustee's agreed stewardship theme of climate change.

AQR

Company: CDP

Focus of engagement: Environmental data disclosure

Details of engagement: Actively target companies that are not meeting CDP's environmental data disclosure requirements, joining in a collective engagement with other CDP signatories to petition for increased disclosure.

Outcome of engagement: AQR assessed progress based on how many companies successfully submitted disclosures. At the firm-level, just under 20% of the companies they engaged successfully with disclosed their environment-related data to CDP. Among these, 16 companies were held in the portfolio under review as of 31 March 2024. 20% is a lower rate than achieved in prior years and AQR's Stewardship Committee reviewed this outcome to reflect on trends and any potential changes for 2024 when they plan to participate once more.

GMO

Company: Government of Bolivia

Focus of engagement: Disclosure of long-term plans to industrialize economy and shift away from natural gas.

Details of engagement: GMO met with Bolivian Finance Ministers to discuss economic policies, as well as the government's long-term plan to industrialize the economy and shift concentration away from natural gas.

Outcome of engagement: Details during the meeting were sparse. Further engagement is necessary to flesh out the government's plan for decarbonization.

TwentyFour

Company: Petroleos Mexicanos (PEMEX)

Focus of engagement: Following up on prior engagement and concerns surrounding gas flaring (the burning of the natural gas associated with oil extraction).

Details of engagement: TwentyFour held a call with the company to discuss the latest developments on the ESG front given their prior engagement and concerns surrounding gas flaring. During the first quarter of 2024, the company once again had multiple accidents at its refineries that resulted in injuries and in some cases casualties. While management is certainly focused on improving its ESG metrics and notably has now created an ESG committee, which met for the first time in March of this year to begin strategizing and tackling these problems, TwentyFour believe that progress will continue to be slow and it will certainly take some time for Pemex to catch up with its peers. Progress lowering emissions continues to be lacking and gas flaring issues are continuing. The company continues to lag its peers on ESG, and the lack of progress on this front continues to negatively impact the performance of the bonds in the secondary market.

Outcome of engagement: Given the company's lack of progress on the ESG front and issues highlighted above, TwentyFour decided to downgrade Pemex's E, S and G scores. Furthermore, they have decided to reduce their exposure to the name.

PGIM

Company: Marathon Petroleum Corporation ("MPC")

Focus of engagement: Call to discuss ESG strategy.

Details of engagement: PGIM asked about their growing renewable diesel portfolio, specifically, about whether they have analyzed the impact from their renewable diesel feedstocks (i.e., corn and soy) on land use and biodiversity. MPC explained that they don't believe there is a materially negative impact from these feedstocks since they use corn distiller's oil, which has historically been considered a waste product from corn production, and local soybeans, of which ~80% goes to meal and the other ~20% goes towards the soybean oil that becomes their feedstock.

Outcome of engagement: PGIM agreed that they would reach out for a follow up conversation in 6 to 12 months to check in and discuss any updates to MPC's ESG strategy.

Schroders

Company: N/A.

Focus of engagement: Increasing transparency and data standardization for the CLO Market.

Details of engagement: The lack of standardisation in ESG disclosures by CLO managers and leveraged loan borrowers makes relative comparisons very difficult for CLO investors. Schroders are encouraging stronger disclosure and transparency practices across the CLO asset class. They believe their collaboration with the European Leveraged Finance Association ("ELFA") is helping to increase overall data transparency in the underlying loans that make up the CLO transactions. Their role as part of the ELFA ESG working Group helps to identify and recommend solutions around the most pressing

issues faced by the CLO market. The main goals are to establish a data reporting standard for CLO transactions and to help make the process more efficient following recent regulatory and market developments.

Outcome of engagement: The working group will continue engagement with CLO managers and intends to make refinements over time based on CLO manager feedback and to incorporate future changes to investors' disclosure requirements. The plan is to compile a single CLO ESG questionnaire which improves the efficiency and transparency of the market, and streamlines the process by phasing out the prior practice of completing many individual questionnaires at the same time.