

Implementation Statement, covering 1 April 2023 to 31 March 2024

The Trustee of the Rio Tinto 2009 Pension Fund (“RT09” or the “Fund”) is required to produce a yearly Implementation Statement (“Statement”) to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information on the last review of the SIP is provided in Section 1 and on the implementation of the SIP in Sections 2-10 below.

The Statement is also required to include a description of the voting behavior during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. The Fund is wholly invested in fixed income securities and a bulk annuity policy, and does not hold listed equities on which managers can vote. This is noted in Section 11 below.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This Statement is based on and uses the same headings as the Fund’s latest SIP dated December 2023. This Statement should be read in conjunction with the SIP which is available at the website below:

<https://epa.towerswatson.com/doc/RTN/pdf/Rio-Tinto-2009-Pension-Fund-SIP--.pdf>

1. Introduction

The SIP was reviewed and updated during the Fund Year in December 2023 to reflect the Trustee’s purchase of a bulk annuity policy in October 2023 to fully insure all the Fund’s liabilities.

As part of these SIP updates, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the policies in the Fund’s SIP during the year. The following Sections provide detail and commentary about how and the extent to which it did this.

2. Fund Governance

The Trustee established an Investment, Funding and Covenant (“IFC”) Committee. The IFC Committee holds quarterly meetings and considers investment, funding, and covenant factors to enable a more integrated approach to risk management. Details of the IFC Committee’s duties and responsibilities are set out in separate Terms of Reference documents maintained by the Trustee.

3. Investment Objective

The primary objective for the Fund is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, given the Fund has insured all member benefits, the secondary objective is to maintain sufficient liquidity in the Fund to meet any residual liabilities or ongoing expenses.

4. Risk and Return / Diversification of Risks

The Trustee last formally reviewed its investment strategy in October 2023 and took significant de-risking action by insuring all the Fund’s liabilities by purchasing a bulk annuity policy. The Fund sold the majority of its assets in order to fund the bulk annuity policy. An allocation to alternative credit remains.

Although in general the Trustee prefers passive management, these mandates were all disinvested to insure all the Fund’s liabilities. The Fund’s allocations to alternative credit are actively managed as passive management is not possible for illiquid assets such as these. The Trustee continues to assess the appropriateness of these mandates through regular quarterly monitoring.

Finally, the Trustee has appointed investment managers it believes will manage environmental, social and corporate governance (“ESG”) risks appropriately on their behalf. Further details of work done in the year are provided in Section 8.

5. Strategic Management

Details of the Fund's strategic benchmark and tolerance ranges are set out in the Investment Policy Implementation Document ("IPID").

6. Cashflow Management and Rebalancing

The bulk annuity policy provider pays income to meet the benefit payments of the Fund's insured liabilities.

The Trustee has instructed managers to distribute income from the investment portfolios where possible. In relation to the Fund's alternative credit allocation, both of the Fund's portfolios have ended their investment periods and are in the process of returning capital. The Trustee agreed that cash proceeds received will be used to help meet any additional cashflow requirements following the purchase of the bulk annuity policy.

7. Implementation of the investment arrangements

The Trustee intends that negotiated fee structures and termination rights incentivise managers to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of the fund.

The Trustee evaluated individual investment manager performance over both shorter and longer-term periods. State Street, the Performance Measurer, provided investment reports to the Trustee each quarter which shows performance analysis over the quarter, year, three-year and longer-term periods. The Q1 2024 quarterly report showed that all managers have produced performance broadly in line with expectations over the long-term.

The Trustee's investment adviser also provided a quarterly report containing commentary on manager performance and details of any developments at managers that may affect the managers' ability to achieve their investment objectives. This included any significant change to the investment process or key staff for any of the funds the Fund invests in. No actions were taken over the period as a result of the Trustee's monitoring process.

8. Consideration of financially material and non-financial matters

ESG factors are sources of risk to the Fund's investments, which could be financially material, over both the short and longer term. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

There are several steps the Trustee has taken in achieving this, as set out below:

- As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.
- The Trustee considered the buy-in provider's approach to managing climate related risks before entering into the bulk annuity policy and was comfortable it had a suitable approach.
- In March 2024, the Trustee reviewed its investment adviser's responsible investment scores for the Fund's buy-in provider, along with its investment adviser's qualitative responsible investment assessments for ESG integration, stewardship and climate risk. The Trustee was comfortable with the outcome of the review and no further action was taken.

9. Stewardship

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies and exercising voting rights attaching to investments protects and enhances the long-term value of investments. It has given the Investment Managers full discretion in exercising these rights, but encourages them to adopt good stewardship practices, in particular with respect to engaging with investee companies.

The Trustee has set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors, which are as follows:

- **Climate change** – the Trustee believes climate change to be a source of financial risk that could have a material impact on member outcomes over the short-, medium-, and long-term as a result of the impact of the physical and transition risks on markets and, therefore, investors.
- **Corporate transparency** – the Trustee believes that transparency helps to identify risks that could affect company (and ultimately investment fund) performance. A lack of transparency can also mask exposure to

other ESG risks that could have potential reputational consequences for companies and affect company performance.

The Trustee communicates these agreed priorities to the Fund's investment managers annually and last did so during the Fund Year in June 2023. The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

As outlined above, in March 2024 the Trustee reviewed the investment adviser's responsible investment scores for the Fund's buy-in provider, which includes an assessment of the buy-in provider's voting policies.

10. Compliance with the Statement

The Trustee is comfortable that it has complied with the principles set out in the SIP.

11. Description of voting behaviour during the year

The Fund was wholly invested in a bulk annuity policy and fixed income securities during the Fund Year, and does not hold listed equities on which investment managers can exercise voting rights, therefore there are no actions to report on during this period.