BAE SYSTEMS

This **Implementation Statement** has been prepared by the Trustee of the **BAE Systems Executive Pension Scheme** ("the Scheme") and it covers **the period 1 April 2025 to 31 March 2026** (the "Scheme year").

The Implementation Statement:

- sets out the changes made to the Scheme's Statement of Investment Principles ("SIP") document over the Scheme year;
- describes how the Trustee's policies on exercising rights (including voting rights) and engagements in relation to Scheme investments have been followed over the Scheme year;
- describes the voting behaviour by, or on behalf of, the Trustee during the Scheme year; and
- describes the engagement activity in respect of the Scheme's investments during the Scheme year.

The Scheme operates a single SIP in relation to its Defined Benefit ("DB") Section.

In July 2023, the majority of the Scheme's defined contribution assets were transferred to the BAE Systems Retirement Savings Plan, a section of the Mercer Master Trust, with the remaining members subsequently bought out in early 2024.

Therefore, the only SIP applicable to the Scheme during the Scheme year is the DB Section SIP.

1. What changes have been made to the DB Section SIP over the Scheme year?

By way of background, the SIP details the policies and principles governing how decisions about investments are made in relation to the Scheme.

You will find the Scheme's SIP on the BAE Systems pensions website at:
baesystems.com/disclosableinformation

The SIP was last updated in the previous Scheme year to reflect the Trustee's decision to permit Goldman Sachs Asset Management International ("GSAM"), the Scheme's Outsourced Chief Investment Officer ("OCIO"), to use derivatives for liability hedging purposes.

No updates were made to the SIP over the Scheme year.

The Trustee reviews the SIP at least every three years, or more frequently where required, including following any significant change to the Scheme's investment strategy.

2. What are the Trustee's policies on exercising voting rights and engagements?

- The Trustee has delegated the management of the Scheme's assets to GSAM. In selecting new investment managers, GSAM, on the Trustee's behalf, considers potential managers' approaches to responsible investment ("RI") as a factor in their decision making.
- The Trustee recognises that stewardship encompasses the exercise of voting rights and engagement with investee companies (directly or via investment managers) in relation to matters relevant to the long-term performance of an investment. It recognises that good corporate governance creates the framework within which a company should be managed. The ultimate purpose of the Trustee's duty of stewardship is to preserve and enhance long-term investor value and to reduce the risks underlying these investments. The Trustee's belief is that actively engaging on financially material factors, which include ESG issues, contributes to identifying both investment opportunities and risks.

© 2026 BAE Systems. All Rights Reserved
BAE SYSTEMS PROPRIETARY

- As set out in its stewardship policy, the Trustee has chosen to identify one key stewardship theme from each category within ESG. These are:
    - **Environmental:** Climate change
    - **Social:** Societal Risks
    - **Governance:** Business ethics
- GSAM supports the Trustee with managing stewardship and voting policies in relation to its equity holdings, where applicable. The exercise of voting rights is therefore delegated to GSAM. Their role is to vote in accordance with GSAM's stated policy, endorsed by the Trustee, and to engage with companies to ensure that companies follow the adopted policies.
- However, during the Scheme year covered by this Implementation Statement, none of the assets held by the Scheme had voting rights attached. The assets held were comprised of government bonds, public and private corporate bonds, and other private assets (including private equity, property and infrastructure equity) which do not have voting rights attached. As a result, no votes were cast during the Scheme year.
- The Trustee delegates engagement activities with issuers of debt and private market investments to GSAM where appropriate and expects managers to engage with issuers. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and encourages its managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge.
- Leading direct engagement with issuers is a minimum stewardship expectation of the Trustee. The Trustee expects its managers to use letter writing, phone calls, participation and attendance at annual and other shareholder meetings, and focused engagement dialogues with both management teams and non-executive directors. The Trustee monitors at what level GSAM engages to ensure that they are able to access the right engagement counterparts and influence company behaviour where appropriate. The Trustee will challenge GSAM if it feels their engagements are not sufficiently focused on decision-makers such as management or board-level executives.

3. Evidence of these policies being met over the Scheme year:

Policy	Evidence that the policy has been followed over the Scheme year
The Trustee considers the risk that ESG factors can have a significant effect on the long-term performance of the assets held.	The Trustee expects GSAM and any external fund managers to take account of RI and ESG, including climate-related risks, as financially material considerations. GSAM is employed as the Scheme's specialist stewardship service provider to help ensure that active engagement is delivered with professionalism and due care across the Scheme's assets. Details of this are included in the Appendix to this statement. The Trustee continues to receive an annual "Stewardship Monitoring Report" designed by its investment advisor and populated by GSAM. This report monitors GSAM's engagement activities against the Trustee's chosen stewardship themes and ensures GSAM meets the requirements set out in the Trustee's stewardship policy. Historically, this report has only included public assets given the greater transparency and availability of data. Following work undertaken between GSAM and the Trustee's investment adviser, Gallagher, the scope of assets captured within the Stewardship Monitoring Report

© 2026 BAE Systems. All Rights Reserved
BAE SYSTEMS PROPRIETARY

	has been expanded to include a portion of the Scheme's private assets. The latest iteration of the report has been updated to include a summary of GSAM's stewardship of Private Placement assets. The report will be updated over time and presented at least annually. The Trustee, with assistance from its advisers, maintains a risk register monitoring the risks deemed most material to the Scheme. RI risks are included on this register and their likelihood and potential impact to the Scheme both pre and post-mitigation are monitored. A formal deep dive review of the risk register is undertaken annually with the most recent review taking place in Q1 2026.
The ultimate purpose of the Trustee's duty of stewardship is to preserve and enhance the long-term investor value and to reduce the risks underlying these investments. The Trustee's belief is that actively engaging on financially material factors, which include ESG issues, contributes to identifying both investment opportunities and risks.	GSAM, on behalf of the Trustee, has engaged with the managers of the Scheme's investments over the year, and examples of this are provided in the Appendix to this statement. As mentioned above, the Trustee receives an annual Stewardship Monitoring Report. The report will continue to be updated over time and presented at least annually, with meaningful updates provided at more regular intervals as required. Over the year, Gallagher worked with GSAM to incorporate the stewardship of certain private assets held by the Scheme into the latest iteration of the report. To do so, a questionnaire was designed, and shared with underlying issuers, that covered key areas including governance, risk management, ESG integration, engagement activity, case studies and portfolio-level data. An example of the output from this questionnaire is included in the Appendix.
Where possible, the Trustee will use its influence to encourage responsible long-term behaviour through its own activities and its asset managers' compliance with its RI policy and the Stewardship Code principles.	

4. Stewardship of investments of the Scheme

As stated previously, the day-to-day management of the Scheme's investments is currently carried out by GSAM, the Scheme's OCIO. The Trustee, through GSAM, assesses the delivery of effective engagement by its fund managers and looks to hold them to account for the effective delivery of engagement with assets in which the Trustee, through GSAM, invests.

The Trustee also delegates stewardship matters to GSAM who utilise their internal services in respect of the stewardship activities in respect of the DB assets. Given the assets held in the Scheme's portfolios during this Scheme year did not come with associated voting rights, no votes were cast over the course of the Scheme year. Details of the stewardship activities undertaken throughout the year are included in the Appendix.

5. Conclusion on compliance with the SIP's policies regarding voting and engagement activities

The SIP includes the Trustee's policies in relation to the exercise of rights (including voting rights) attaching to Scheme investments and undertaking engagement activities in respect of such investments. These policies are described in section 2 above.

GSAM is responsible under the IMA for ensuring that the assets of the Scheme are invested in line with the Trustee's policies and the SIP. Gallagher, as the appointed investment adviser for the Scheme,

© 2026 BAE Systems. All Rights Reserved
BAE SYSTEMS PROPRIETARY

advise and support the Trustee in making sure that the policies and the SIP are appropriate and up to date. Both GSAM and Gallagher therefore support the Trustee in following the SIP policies relating to the exercise of rights attaching to investments and undertaking engagement activities. These advisors provide regular feedback, allowing the Trustee to review how the investments have met these policies (which, as noted, are detailed in the SIP) during the Scheme year. Further detail on the SIP, and on how these policies have been met during the Scheme year, is set out above.

In the Trustee's opinion, the voting and engagement policies in the SIP were followed during the Scheme year to the extent applicable to the assets held. No voting rights were exercisable during the year. Engagement was undertaken across public debt and selected private assets, although the availability and nature of engagement varied by asset class.

Signed on behalf of the Trustee, BAE Systems Executive Pension Scheme

Chair of the Trustee of the BAE Systems Executive Pension Scheme

© 2026 BAE Systems. All Rights Reserved

BAE SYSTEMS PROPRIETARY

Appendix: Detailed Stewardship Activities

Day-to-day investment decisions have been delegated to GSAM and a number of external investment managers, managed through GSAM, in accordance with guidelines agreed with the Trustee in the IMA.

The data provided covers the Scheme year. No voting data has been provided as, during the Scheme year, none of the assets held by the Scheme had voting rights attached.

Engagement:

During the period, 36 engagements have been carried out (39% of which were thematic engagements) across 27 issuers, representing 33% of the Scheme's portfolio by weight. 7 of the top 10 largest emitters in the Scheme's public asset portfolio were also engaged with over the Scheme year.

A summary of engagements in relation to the Trustee's chosen themes are included below:

- Climate change – 10 engagements
- Societal Risks – 3 engagements
- Business ethics – 2 engagements

Examples of the manager's engagement with investee companies in relation to the Trustee's chosen stewardship themes are provided below:

Engagement example 1 – A large energy company

Theme: Climate Change

Context: In September 2025, members of the manager's Global Stewardship Team, Fixed Income, and Fundamental Equity investment teams engaged with the Investor Relations team of an energy company. Based on the manager's screening tool, the following areas were identified for engagement: interim targets, decarbonisation strategy, and capital allocation alignment.

The manager has been engaging with the company since 2022 on this topic.

Action: In the recent engagement, the company highlighted that investment return remains a critical factor in decision-making. The company has evolved its decarbonisation strategy since 2024, now focusing on hydrogen and carbon capture technologies. Renewables remain a focus, particularly in Asia and European offshore wind, alongside significant involvement in US biogas.

Outcome: The company is adopting a capital-light model for its climate transition initiatives, primarily through joint ventures, particularly in Japan and in the UK, which enables significant project involvement and aims to foster competitive advantages. Significant progress has been made in reducing methane emissions, with the company comfortably achieving its target of below 0.02% through investments in detection technologies, integrating this into its broader net-zero operational goal. The company acknowledged concerns regarding the disclosure of capital allocation decisions for low carbon spend, particularly from the US, and highlighted its strategic approach to managing exposure in uncertain areas like US offshore wind.

The manager considers this an ongoing engagement and will continue to monitor progress.

Engagement example 2 – A consumer discretionary company

Theme: Societal Risks

Context: In May 2025, members of the manager's Global Stewardship Team and Fixed Income investment team engaged with the Investor Relations team of a consumer discretionary company to discuss allegations of forced labour practices within its factories in the Xinjiang region. The manager

© 2026 BAE Systems. All Rights Reserved
BAE SYSTEMS PROPRIETARY

identified the company for engagement under its company conduct - global norms engagement initiative due to concerns around human and labour rights issues.

Action: In August 2023, the manager encouraged the company to finalise the third-party audit and publish the results. The manager engaged in December 2023 following the publication of the audit, which did not find evidence of forced labour practices. In May 2024, the manager again discussed the company's allegations. During the May 2025 engagement, the manager followed up on the publication and the company's steps to address public criticism.

Outcome: The company confirmed that it had followed up on the areas flagged by the article and did not find outstanding concern areas. The manager additionally discussed the company's sale of its plant in the Xinjiang region, which was concluded in January 2025. The company shared information around the process undertaken to determine the appropriate buyer and ensure there was a robust handover process. The company outlined an internal sustainability ratings system it has in place to evaluate a third party's environmental, social, and integrity practices. The company shared information about discussions with third party ratings providers on developments and highlighted the sale of its plant in the region as a key driver of the updated rating.

The manager considers this engagement completed.

Engagement example 3 – A utilities company

Theme: Business Ethics

Context: In March 2026, members of the manager's Global Stewardship Team engaged with the Investor Relations team of a utilities company. The manager identified the company for engagement under its company conduct - incidents engagement initiative due to concerns regarding a wind farm project in Oaxaca, Mexico, and its alleged impact on local indigenous communities.

Action: This dialogue built upon the manager's November 2025 engagement, when the company clarified that although the project is effectively halted, third-party research reports continue to flag the project because the company is still involved in active litigation in the Paris Court of Appeal under the French Duty of Vigilance Law. In the March 2026 engagement, the company confirmed the project's official termination. While its third-party controversy rating remains due to the pending litigation, the company has proactively shared termination data with rating providers.

Outcome: Regarding a responsible exit, the company noted that since construction never commenced, physical dismantling is unnecessary; impact is limited to the loss of potential employment and lease terminations, though contractual obligations to local landowners continue to be honoured. Lessons learned have led to a refined risk assessment framework with increased senior management oversight.

The manager considers this engagement completed.

Private Placements case study – Social housing covenant relief

Theme: Climate Change and Societal Risks

Context: Social housing borrowers required significant investment in fire safety, decent homes standards, and energy efficiency, creating short-term pressure on financial covenants.

Action: The manager's private placement team provided temporary covenant flexibility for three to five years, allowing borrowers to fund these improvements and access government grants.

Outcome: This balanced short-term covenant risk against the potentially greater financial and regulatory risks associated with non-compliance.

The manager considers this an ongoing action, borrowers will be monitored against agreed investment plans and their path back to full covenant compliance. This supports the Trustee's priorities on climate change through energy-efficiency upgrades and societal risks through improvements to tenant safety and housing standards.

© 2026 BAE Systems. All Rights Reserved

BAE SYSTEMS PROPRIETARY

Conflicts of interest

The arrangements put in place by GSAM to seek to manage its conflicts of interests include:

- Information barriers / separation of functions
- Policies and procedures (building on regulatory requirements)
- Governance and control oversight
- Compensation / rewards structure
- Disclosure / client understanding

Whilst the Scheme does not currently hold any assets with associated voting rights, to mitigate perceived or potential conflicts of interest when a proxy is appointed for shares of The Goldman Sachs Group Inc. or a GSAM managed fund, GSAM will generally instruct that such shares be voted in the same proportion as other shares are voted with respect to a proposal, subject to applicable legal, regulatory and operational requirements.

GSAM has not encountered any material conflicts of interest in relation to its stewardship activities over the period.

© 2026 BAE Systems. All Rights Reserved

BAE SYSTEMS PROPRIETARY