

This **Implementation Statement** has been prepared by the Trustee of the **BAE Systems Executive Pension Scheme** ("the Scheme") and it covers the year to **31 March 2024**.

The Implementation Statement sets out how the Trustee has followed and acted on the principles outlined in the Scheme's Statement of Investment Principles ("SIP"), with a focus on stewardship activities, implementation of the main investment principles and Environmental, Social and Governance ("ESG") factors.

The Implementation Statement focuses on

- The role of the Trustee.
- The changes that have been made to the Defined Benefit ("DB") Section and/or Defined Contribution ("DC") Section SIPs.
- The Trustee's investment principles and policies for the DB and DC Sections of the Scheme and how these have been met over the year.
- The stewardship of the Scheme's investments, including the voting decisions made by, or on behalf of, the Trustee.

For statutory purposes, the DB Section SIP (and the DC Section SIP, for the part of the Scheme year during which defined contribution assets remained in the Scheme) together constitute the Scheme's Statement of Investment Principles.

The DC Section was transferred to the Mercer Master Trust on 1st July 2023, with the exception of a small number of members that were bought-out in early 2024.

Introduction – The role of the Trustee

The role of the Trustee is to ensure that the DB Section (also known as "the Scheme") is well run in accordance with the Scheme's Rules, relevant legislation and regulation and in the best interest of the members of the Scheme within the constraints of relevant rules, laws, and regulations. Half of the four Trustee Directors on the Board are directly selected and appointed by the Employers and the other half are selected by a panel (which includes at least one employer and one member-nominated Trustee Director) having first been nominated by the Scheme's active and pensioner membership.

The Board has four scheduled meetings per year to discuss the management of the Scheme, also meeting on an ad-hoc basis when necessary. Meetings are held in person or by video, as appropriate, with members sometimes joining by phone if necessary.

As a Board the vital importance of good governance is recognised, and great emphasis is placed on the expertise and skills that are required to ensure the effective oversight of the Scheme. The members of the Board have relevant skills and experience ranging across pensions, finance, law and audit, amongst other disciplines. On appointment all Trustee Directors complete the 'Trustee tool kit', developed by the Pensions Regulator and the entire Board is involved in a regime of continual professional development. There are formal training sessions and discussions of any ad-hoc topics at the regular Board meetings.

What changes have been made to the SIPs and/or strategy over the year to 31 March 2024?

By way of background, the SIPs detail the policies and principles which control how a pension scheme invests and it sets out the principles governing how decisions about investments are made. The Scheme operates a SIP for the DB Section. For a portion of the Scheme year, there was a separate SIP in relation to defined contribution members. During the Scheme year, the DC members (and assets) were transferred out of the Scheme to the Mercer Master Trust meaning the DC Section SIP was no longer required. This Implementation Statement covers the DB Section SIP. It also includes the voting data for the DC Section for the period in which it was in place. You will find the Scheme's SIP on the BAE Systems pensions website at:

baesystems.com/disclosableinformation.

DB Section SIP

During the reporting period, the Trustee appointed Goldman Sachs Asset Management International ("GSAM") to be its Outsourced Chief Investment Officer ("OCIO"). Additionally, GSAM was also appointed to undertake both Sections' stewardship and engagement activities on behalf of the Trustee, which was undertaken by Hermes EOS previously. The DB Section SIP was therefore updated to reflect these changes in December 2023.

DC Section SIP

In July 2023, all of the remaining DC assets of the Scheme were transferred to the BAE Systems Retirement Savings Plan, a section of the Mercer Master Trust. As a result of this transfer, the DC Section is now covered by the Mercer Master Trust SIP. The Trustee has therefore taken a proportionate approach to reporting in relation to the DC Section SIP and can confirm that all of the policies in the DC Section SIP were followed by the Trustee while the funds were still held by the Scheme.

Strategy changes over the year to 31 March 2024.

DB Section

During the Scheme year in question, the Trustee undertook a hedging strategy review to review the hedging target and to analyse the assets that contribute to the Scheme's interest rate and inflation hedge. The Trustee agreed with the conclusion of the review that the current target hedge ratio of 100% liabilities on a gilts flat basis remained appropriate, but that infrastructure equity, infrastructure debt, and property should be excluded from the assets that counted towards the hedge. This is due to the lack of empirical evidence that the value of these assets moves in the same way as the value of the liabilities.

DC Section

There were no strategy changes in the DC Section over the Scheme year to 31 March 2024.

What are the Trustee's investment principles for the DB Section of the Scheme?

DB Section SIP principles on governance

As part of its governance framework, the Trustee has appointed strategic investment advisors, a legal advisor, and a Scheme actuary. Their roles include making recommendations to the Trustee on the Scheme's investment strategy and are also involved in the review process to ensure the Scheme meets with the Trustee's principles and policies as contained in the SIP.

As stated above, the Trustee has appointed GSAM to be its OCIO. 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. The investment managers are authorised and regulated by the Financial Conduct Authority or an equivalent regulatory authority and are responsible for the management of the underlying investments. The arrangements require GSAM (and any external investment manager to whom investment discretion is delegated) to have regard to the requirements contained in Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005, the requirements of the SIP (where applicable) and section 36 of the Pensions Act 1995 when selecting investments.

Each of the investment managers' fees, are related to the amount of assets managed within their portfolio and in certain cases, the amount of performance generated relative to a benchmark. Minimum fees may also apply in some cases.

The Custodian, an institution acting as guardian of the Scheme's assets, is responsible for the safekeeping of these assets – with the exception of holdings in collective vehicles, for which appointment of the Custodian is the responsibility of the Investment Manager, and illiquid assets (such as limited partnerships), private placements, certain loans etc.

An actuarial valuation of the Scheme is performed at least every three years, in accordance with statutory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme. Full details of the current funding strategy and contributions payable can be found in the Statement of Funding Principles and Schedule of Contributions respectively.

DB Section SIP principles on objectives and strategy

The objective of the Scheme is to hold sufficient and appropriate assets to meet the Scheme's liabilities as and when they fall due. Over time the Scheme's membership and liabilities will mature with the average period to payment of the liabilities decreasing and the requirement for investment income to pay ongoing pensions becoming an increasing priority.

The Trustee has therefore adopted a maturity driven approach to investments one of the aims of which, is to maximise the probability that pension payments will be met in full and on time. This approach aims to achieve a return on the assets which, taken in conjunction with contributions, is sufficient over time to meet the Scheme's liabilities. The Trustee and its advisors use Asset Liability Modelling ("ALM") and considers expected returns to assist in setting investment policy.

The Trustee is required to set the overall investment strategy and has chosen to adopt a maturity driven approach to manage the Scheme's investments.

The Trustee's policy is that, where practicable, there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments. The Trustee, together with GSAM and the Scheme administrators, have a cash flow management policy in place and will also hold a balance of cash to help meet unanticipated benefit and other payment obligations.

DB Section SIP principles on risk

The Trustee regards risk as any factor that may render the Scheme unable to meet its obligation to pay benefits as they fall due and/or its ongoing statutory funding obligations.

The Trustee has identified examples of its key risks, which include investment risk, demographic risk, liquidity risk, collateral risk, operational risk, sponsor risk, ESG risk, inflation risk and interest rate risk. The Trustee also maintains a detailed risk register.

DB Section SIP principles on Socially Responsible Investment

The Trustee recognises that the consideration of financially material factors, including ESG factors, needs to be assessed in the context of the long-term nature of the Scheme's investments and is relevant at different stages of the investment process. Furthermore, the Trustee expects that GSAM and external Investment Managers take account of all the relevant financially material factors, including the potential impact of ESG factors, in the implementation of the investment mandate and in the selection, retention and realisation of investments.

One of these factors is the risks/ opportunities resulting from climate-change. Given the inherent uncertainty in how climate-change will materialise, the Trustee has not made explicit allowance for these risks in setting the Scheme's strategic benchmark. However, they are considered alongside the Scheme's wider risk management framework.

The Trustee has delegated responsibility for the management of the Scheme assets to GSAM. In selecting new investment managers for the Scheme, GSAM, on the Trustee's behalf, considers potential managers' approaches to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

For Private Markets and unquoted assets, as part of the selection process, GSAM, on behalf of the Trustee, ask the fund manager relationships to confirm adherence to the UK Bribery Act. Background checks on key principals are carried out utilising a specialist third party provider. The Trustee has not imposed any restrictions or exclusions in the investment arrangements based on non-financial factors including member views.

The Trustee believes the climate change risk is a financial risk to the Scheme which could affect the investments in the portfolio to some degree. Whilst the Trustee will not fundamentally alter their investment strategy as a result, due to the nature of the Scheme and the current strategic asset allocation, they will include and consider climate risk metrics alongside the wider risk-management framework, and decision-making process, of the Scheme. This includes investing time and resources to measure the carbon footprint of the portfolio.

The Trustee believes that alignment of Scheme's and Sponsor's climate change objectives is important. The Trustee will therefore seek to align with the Sponsor's climate change objectives wherever it is deemed appropriate.

The Trustee 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 maximise the benefits accruing to the Scheme's members and the Trustee understands that by actively engaging with financially material factors, which include ESG issues, this contributes to identifying both investment opportunities and risks.

Please note: During the Scheme year the Trustee produced a Stewardship Policy. The key principles contained within were incorporated into the SIP following the end of the Scheme year in question. However, the Trustee adopted the principles within the Stewardship Policy during the Scheme year and therefore, these are detailed below.

The Trustee understands that in order to best channel its stewardship efforts it should focus on a selection of key themes. The Trustee has therefore chosen to identify one key stewardship theme from each category within ESG. These are:

- **Environmental:** Climate change
- **Social:** Societal risks
- **Governance:** Business ethics

The Trustee has also designed engagement and escalation policies, respectively, which are outlined in detail in the Scheme's Stewardship Policy.

In relation to engagement activities, which are delegated to GSAM, the Trustee expects managers to engage with issuers to maintain or enhance the long-term value of its investments and thus limit

negative externalities on the planet and society. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages its managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other aspect. Leading direct engagement with issuers is a minimum stewardship expectation of the Trustee. The Trustee expects its managers' engagement to include 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 to achieve this. 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 challenges GSAM when it feels their engagements are not sufficiently focused on decision-makers such as management or board-level executives.

The Scheme's Stewardship Policy will be reviewed and updated as and when appropriate. 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 Responsible Investment ("RI") policy and the Stewardship Code principles. The Trustee generally prefers engagement over divestment as a way of instigating change.

Evidence of the DB Section investment principles being met over the Scheme year to 31 March 2024:

Principle	Has the principle been followed?	Evidence
Governance		
The Trustee is satisfied that its governance structure and committees are appropriate for ensuring that the objectives of the Scheme are met, with suitable risk processes.		
Objectives		
The objective of the Scheme is to hold sufficient and appropriate assets to meet the Scheme's liabilities as and when they fall due.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee has therefore adopted a maturity driven approach to investments given one of the aims is to maximise the probability that pension payments will be met in full and on time. This approach aims to achieve a return on the assets which, taken in conjunction with contributions, is sufficient over time to meet the Scheme's liabilities.
The Trustee uses Asset Liability Modelling ("ALM") and considers expected returns to assist in setting investment policy.	Yes, the Trustee is satisfied that this principle has been followed.	ALM has continued to be used to deliver any investment advice, and to aid the decision-making of the Trustee. The Trustee undertook a liability hedging review and reconfirmed the current hedging target, as well as the removal of infrastructure equity, infrastructure debt and property were removed from assets that contribute towards the hedge. ALM was and continues to be used throughout the review.
Strategy		
The Trustee agreed a journey plan to reduce investment in Growth assets and increase investment in Matching and Matching Plus as the Scheme matures, targeting holding 80% in Matching and 20% in Matching Plus by 2032.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee continues to target the agreed investment split.
The Trustee's principle is that, where practicable, there will be sufficient investments in	Yes, the Trustee is satisfied that this	The Trustee, together with GSAM and the Scheme administrators, have a cash flow management policy in

liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances.	principle has been followed.	place and will also hold a balance of cash to help meet unanticipated benefit and other payment obligations.
The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the performance of all strategies.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee receives reporting at each quarterly meeting which details Scheme performance across a range of return and risk metrics. This ensures the Trustee understands the latest position of the Scheme against its objectives and are able to discuss the strategy's appropriateness. During the Scheme year, the quarterly reporting was redesigned in conjunction with the Trustee's Investment Advisor to ensure it remained as decision-useful as possible.
Risk		
The Trustee considers the risk that the Scheme assets fail to deliver the returns expected.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee has set risk tolerances around the strategic asset allocation to provide sufficient flexibility to the investment manager/(s). The Trustee receives quarterly reporting at each meeting they attend which provides updates on the DB Section's risk metrics.
The Trustee considers the risk that longevity improves, and other demographic factor change increasing the costs of the Scheme benefits.	Yes, the Trustee is satisfied that this principle has been followed.	Mortality and other demographic assumptions are kept under review and considered/ revised as appropriate explicitly at each formal valuation, with the last valuation taking place as at 31 March 2023 and agreed shortly after the end of the Scheme year in question.
The Trustee considers the risk that the Scheme will not have sufficient liquid assets to meet benefit payments as they fall due.	Yes, the Trustee is satisfied that this principle has been followed.	All benefit payments were made on time throughout the Scheme year. Through quarterly reporting, the Trustee considered the level of transfer value and other benefit activities that may impact cashflow levels. The Trustee seeks to avoid the need to sell any assets at an inopportune time by ensuring an appropriate amount of liquid assets are held. This is done through regular reviews of the asset value and the portfolio components, ensuring that an appropriate amount of assets are liquid.
The Trustee considers the risk of mismanagement of the Scheme assets either with intent or due to lack of knowledge.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee uses global custodians for the physical custody of assets and are not the managers of assets. The Trustee also takes professional advice and is considering the appointment of specialist transition managers to help manage any transition risk and is insured against losses resulting from third party errors.
The Trustee considers the risk of the Principal Employer being unable to make the necessary level of contributions in future.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee uses a specialist covenant adviser to carry out regular reviews of the Principal Employer. The Principal Employer reports on its financial results to the Trustee Board twice a year. The covenant is considered alongside the wider funding and investment strategy. Additionally, there are restriction on employer related investments in BAE Systems Plc.
The Trustee considers the risk that ESG factors can have a significant effect on the long-term performance of the assets held.	Yes, the Trustee is satisfied that this principle has been followed.	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 also employed as the Scheme's specialist stewardship service provider to help ensure that voting and active engagement are delivered with professionalism and due care across the Scheme's assets. Details of this are included in the Appendix to this statement. During the Scheme year, a Stewardship Monitoring Report was designed by the Trustee's investment advisor and populated by GSAM. This report will

		monitor GSAM's engagement activates against the Trustee's chosen Stewardship Themes and ensure GSAM meet the requirements set out in the Trustee's Stewardship Policy. The report will be updated over time and presented at least annually, with meaningful updates provided at more regular intervals as required. The final first report will be presented to the Trustee in the next Scheme year.
The Trustee considers the risk that the Scheme's funding level is volatile due to the Scheme's liabilities being sensitive to movements in inflation and interest rates.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee mitigates these risks by aiming to be 100% hedged on a gilts +0% discount basis (with a +/-5% tolerance) against interest rate movements and inflation movements as measured using the funding assumptions agreed as part of the statutory triennial actuarial valuation. This information is monitored by GSAM on behalf of the Trustee and reported at least quarterly.
Socially Responsible Investment and Corporate Governance		
The Trustee recognises that the consideration of financially material factors, including ESG factors, needs to be assessed in the context of the long-term nature of the Scheme's investments and is relevant at different stages of the investment process.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee has selected short, medium, and long-term time horizons over which climate risks and opportunities should be considered. The Trustee also adopted a Stewardship Policy during the year.
Whilst the Trustee will not fundamentally alter their investment strategy as a result, due to the nature of the Scheme and the current strategic asset allocation, they will include and consider climate risk metrics alongside the wider risk-management framework, and decision-making process, of the Scheme.	Yes, the Trustee is satisfied that this principle has been followed.	As mentioned, the Trustee has also set short, medium, and long-time horizons over which client risks and opportunities should be considered.
The Trustee believes that alignment of Scheme's and Sponsor's climate change objectives is important. The Trustee will therefore seek to align with the Sponsor's climate change objectives wherever it is deemed appropriate.	Yes, the Trustee is satisfied that this principle has been followed.	The Scheme is yet to set a climate related objective but will consider the Sponsor should they do so.
The Trustee's duty of stewardship is to maximise the benefits accruing to the Scheme's members and the Trustee understands that by actively engaging with financially material factors, which include ESG issues, contributes to identifying both investment opportunities and risks.	Yes, the Trustee is satisfied that this principle has been followed.	GSAM, on behalf of the Trustee, has engaged with the managers of the Scheme's investments over the year, and we have provided examples of those in the Appendix to this statement. As mentioned above, during the Scheme year, the Trustee agreed to the contents of a Stewardship Monitoring Report designed by their investment advisor and populated by GSAM. The report will be updated over time and presented at least annually, with meaningful updates provided at more regular intervals as required.
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.		
The Trustee meets with GSAM on a periodic basis. Where considered appropriate, GSAM are challenged directly by the Trustee and their advisers on the impact of any significant issues that may affect the prospects for return from the portfolio.	Yes, the Trustee is satisfied that this principle has been followed.	Until the appointment of GSAM, BAPFIM regularly attended and joined discussions at the Trustee meetings. GSAM will attend relevant future meetings to provide the Trustee with investment updates and portfolio training as required.
Arrangements with investment managers		
The Trustee, using detailed quarterly control panels, regularly monitors and reviews the effectiveness of GSAM against these objectives, ensuring that GSAM is incentivised to comply with the Investment Guidelines and the Trustee's objectives.	Yes, the Trustee is satisfied that this principle has been followed.	The Trustee reviews quarterly reporting which details the asset performance over the quarter and longer periods which help the Trustee track GSAM's performance.
GSAM has processes in place to review external managers on behalf of the Trustee, including performance reviews, manager oversight meetings and operational due diligence reviews.	Yes, the Trustee is satisfied that this principle has been followed.	GSAM have sufficient and robust processes in place to review external managers on behalf of the Trustee.

Stewardship of investments for the DB Section of the Scheme

As stated previously, the day-to-day management of the Scheme's DB 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 for the stewardship activities for some of the DB assets.

Stewardship of investments for the DC Section of the Scheme

As mentioned previously, the DC Section was transferred to the Mercer Master Trust on 1st July 2023, meaning the stewardship of investments is now the responsibility of the Mercer Master Trust. However, the Trustee has provided details of voting data relevant to the DC Section for the period in which the DC Section SIP was in place, noting that this was a heightened period of voting activity where many impactful votes were likely cast.

Conclusion on compliance with the SIPs

GSAM has the responsibility to make sure that GSAM and its external managers invest the assets of the DB Section in line with the Trustee's principles and the relevant SIP. Redington as the appointed

investment adviser for the Scheme, advise and support the Trustee in making sure that the principles and the SIP are appropriate and up to date. These advisors provide regular feedback, allowing the Trustee to review how the investments have met the principles detailed in the SIP during the Scheme year. Further detail on the SIP, and on how it has been met during the Scheme year, is set out above.

In the Trustee's opinion, based on this document, the Scheme has followed the investment policies set out in the SIP during the Scheme year.

Signed on behalf of the Trustee, BAE Systems Executive Pension Funds Trustees Limited

Ali Kennedy Chair of the Trustee of the BAE Systems Executive Pension Scheme

Appendix: Detailed Stewardship Activities

DB Fund Managers

BAPFIM

At the start of the Scheme year, BAPFIM was a wholly owned subsidiary of BAE Systems. During the Scheme year, the Scheme appointed GSAM for investment management services. This transition resulted in GSAM assuming the responsibility of managing the Scheme's assets and relationships with external managers on behalf of the Trustee. Therefore, the Trustee has provided engagement data for BAPFIM for the periods in which it was appointed during the Scheme year.

BAPFIM, on behalf of the Trustee, utilised the services of Federated Hermes EOS for the Stewardship and engagement activities for some and corporate bonds prior to the transition to GSAM which took place on 4th December 2023. Following the transition, GSAM adopted these responsibilities and as such, the Trustee has provided the engagement data for Hermes EOS for the period in which it was appointed during the Scheme year.

For the separately managed accounts with whom the Trustee has a discretionary management agreement, giving effect to the SIP is a requirement under pensions law, and is built into the agreements the Trustee has with each manager.

Further details of Hermes EOS's approach to Responsible investing can be found here:

Hermes EOS Stewardship

The voting guidelines can be found here:

Hermes EOS voting guidelines

Private Market investments

BAPFIM on behalf of the Trustee managed stewardship activities in Private Markets, Private Equity and Alternative investments.

The overall Private Market portfolio consists of over 200 individual investments across a diverse range of investment strategies and geographies (UK, Continental Europe, North America and Asia). Scheme investments are predominantly in funds, managed by a General Partner ("GP"), where the Trustee is a Limited Partner ("LP") alongside many other LP's. For reasons of materiality, detailed below, in general terms, the controls in place to ensure good governance and stewardship.

Private Markets, Private Equity and Alternative investments

At the Pre-investment stage

As part of BAPFIM's investment due diligence, it concentrated on evaluating how strong the alignment of interest between a LP/GP is, including but not limited to, the level of GP co-investment made to a fund to ensure the investment team has "skin-in-the-game" alongside investors, key terms and in particular around termination and key-man clauses, and investment scope and limitations.

Additionally, managers typically had a conflict-of-interest policy which was reviewed as part of the investment due diligence. Before completing any investment, the Private Markets team would ensure that the GP had been made aware of the BAE Systems Code of Conduct and was asked to confirm that the Code of Conduct did not differ from their own methods and philosophy of doing business.

Cambridge Associates ("CA") (another one of the Trustee's investment advisors) conducted operational due diligence for all Private Equity investments and covered a number of areas such as management team, organisation structure, compliance oversight and governance, fund administration and accounting, third-party service providers support, systems and technology. CA also assisted with operational due diligence on some Alternative investments – where they did not, a proprietary questionnaire was utilised to evaluate these areas.

Post-investment

Once the Scheme had entered into a contractual relationship in a fund, the Scheme, as a LP, could not participate in day-to-day operations of that fund. LPs ensured that there were mechanisms in place to protect against and manage conflicts of interest or any other deviation from the proposed investment strategy.

If and when conflicts of interest arose, they were disclosed, discussed and consented at the Limited Partner Advisory Committee ("LPAC"). LPACs are typically composed of representatives of the LP community. Senior BAPFIM executives with specific knowledge and expertise of these types of investments were typically members of the LPACs for both Alternative Asset investments and Private Equity Investments.

As part of the regular updates with managers, they provided updates on ESG matters.

Property Investment

BAPFIM, on behalf of the Trustee, would oversee and manage stewardship activities in the Property investments. Property portfolio management was mostly outsourced to specialist investment managers. Each has its own ESG policy. When appointing a new manager these ESG policies were reviewed, interrogated, and form part of any decision-making process, and were then reviewed annually thereafter. BAPFIM also reviewed ESG practices during formal manager meetings, held at least quarterly, and supplemented by regular less formal communication. ESG is an increasingly dominant theme of discussion, due to the rapidly evolving regulatory backdrop and increasing costs of best practice.

BAPFIM: Conflicts of Interest

The Trustee believes that on the basis that BAPFIM did not provide services to external clients, it did not conflict with the duties or arrangements in place. The investment strategy and decisions made by BAPFIM aligned with the Trustee's investment policies for the period in which BAPFIM were appointed during the Scheme Year. The Trustee can confirm that in its opinion, BAPFIM acted in line with the Trustee's policies for the period in which they were in place.

Hermes EOS engagement from March 2023 to December 2023 (the period for which Hermes EOS was employed)

Hermes EOS measured engagement progress using a four-stage milestone system:

1. the concern is raised with the company;
2. the company acknowledges the issue;
3. the company develops a credible strategy, and
4. the company implements the strategy.

Each milestone comprises company-specific objectives, which can be qualitative and quantitative. The evaluation against those milestones informs the overall progress of the engagement plan.

Hermes EOS Engagement case study: a major energy company

Hermes EOS led the Climate Action 100+ collaborative engagement group in a meeting with the CEO, CFO and the executive president of sustainability and strategy. They asked whether it was possible to increase the ambition of the company's Scope 1 and 2 emissions reduction targets. They were pleased to hear that new budget has been allocated to this, with a focus on energy efficiency. However, making significant improvements to the ambition of its Scope 1 and 2 targets was challenging, it said, because

this often requires fundamental changes to the asset portfolio, which can have a big impact on local stakeholders.

Hermes EOS then discussed with the energy company how the current period of high profits was impacting the company's climate strategy. The CEO said the increased cashflow was creating optimal conditions to drive the company's transition, and the board had determined that the first priority for extra cashflow was the energy transition strategy.

GSAM

As mentioned previously, 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.

The data provided covers the period between 4th December 2023 and 29th March 2024 (rather than the whole Scheme year), given GSAMs appointment in late 2023.

Engagement:

During the period, GSAM have set 13 thematic engagement goals across 9 issuers, representing 20% of the Scheme's portfolio. A summary of GSAM's engagements in relation to the Trustee's chosen themes are included below:

- Climate change – 4 engagements
- Societal risks – 6 engagements
- Business ethics – 3 engagements

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

Engagement example 1 – McDonalds (Climate Change)

In February 2024, members of the Global Stewardship Team engaged with the Sustainability Officer and General Counsel of a US consumer discretionary company. GSAM had identified the company for engagement under GSAM's Biodiversity and Nature – Plastics engagement initiative in which GSAM seek to engage with consumer goods companies to encourage disclosure of packaging metrics in line with Sustainability Accounting Standards Board (SASB). At the time of the engagement, the company does not disclose the percent of packaging that is recycled, reusable and/or compostable.

GSAM have been engaging with the company since 2021 regarding key sustainability issues, including the company's efforts to reduce plastics usage, improve sustainability in sourcing, and strengthen its point of store recycling programs.

During GSAM's engagement, GSAM discussed the company's lack of packing disclosure. GSAM encouraged the company to expand its' reporting metrics to include the percent of packaging that is recycled, reusable and/or compostable. The company advised that this is not currently tracked due to the complexity of reporting this metric centrally due to the company's franchise model.

GSAM also followed up on the company's progress on its target to source 100% of primary guest packaging from renewable, recycled, or certified materials by end of 2025. The company has achieved 81% of the goal and is actively working with suppliers to innovate more sustainable packaging materials that will ensure customer satisfaction and quality. The company expects to increase disclosure and plans to report any gaps or challenges identified as they approach the 2025 deadline.

GSAM will seek to continue engaging with the company and monitoring for progress on this topic.

Engagement example 2 – Enel (Societal Risks)

In February 2024, members of the Global Stewardship Team, the Fundamental Equity and the Fixed Income Investment teams engaged with the Investor Relations and Corporate Governance teams of an Italian utilities company to discuss various sustainability topics including executive compensation.

GSAM had previously engaged with the company in January 2023 and provided feedback on the compensation plan. GSAM explained GSAM's view that compensation should be clearly aligned to long-term shareholder interests, as well as attract and retain executives. GSAM also believes that sufficient transparency is critical to enable us to evaluate the plan against these criteria.

During GSAM's 2023 engagement, the company highlighted its use of diversity-related metrics in its long-term compensation plan, in alignment with its strategy to increase gender diversity in management. The metric the company had selected for the compensation plan was "percentage of women in the management succession plan". GSAM noted that while building a diverse talent pipeline is important, this particular metric could be strengthened, as it is achievable by adding women to the plan documents without resulting in any change in management diversity levels. GSAM discussed the company's stated diversity and inclusion goals, which are based on the percentage of women in management and that this could be a more concrete measure.

During GSAM's most recent engagement, the company highlighted that based on shareholder feedback, it would be changing its diversity metric in the remuneration plan from women in the succession plan to the percentage of women in management.

Engagement example 3 – Volkswagen (Business Ethics)

In December 2023, members of GSAM's Global Stewardship Team and Fixed Income team engaged with the Investor Relations team at this German consumer discretionary company to discuss allegations of forced labour practices within its factories in the Xinjiang region. We had identified the company for engagement under our Global Norms framework due to concerns around human and labour rights issues.

GSAM had engaged with the company in August 2023 and encouraged it to undertake an independent third-party audit of labour practices and publish the results as a priority, as well as to enhance whistleblower policies and monitoring of allegations made by third parties.

In December, the company published the results of its third-party audit. The audit did not find evidence of forced labour practices. During their engagement, GSAM discussed the process undertaken, including the selection of the auditor, and how the findings would be used. While the company is part of a Joint Venture in the region, and therefore limited in whether it can exit the region entirely, GSAM encouraged the company to conduct audits annually and to ensure the results are made public.

GSAM will seek to continue engaging to understand ongoing remediation and further discuss the results of any audits.

Conflicts of interest (GSAM)

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 for shares of The Goldman Sachs Group Inc. or a Goldman Sachs Asset Management 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. In 2023 GSAM voted in line with this policy.

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

DC Fund Managers

As mentioned previously, the DC Section was transferred to the Mercer Master Trust on 1st July 2023. The Trustee's belief is that engagement is a long-term exercise, and therefore it has taken a proportionate approach to reporting as the DC holdings were transferred 3 months into the Scheme year. The Trustee has provided details of voting data relevant to the DC Section for the period before the transfer to the Mercer Master Trust.

The most significant votes shown below were selected from a large sample of votes provided by each of the Scheme's managers. The Trustee has disclosed the information which it has available to it, in relation to the votes. The Trustee has made its own assessment of what constituted a most significant votes in line with its stewardship policy, which classifies a vote as most significant where it represents a large portion of the holdings in a particular fund or relates to one of the Trustee's chosen climate themes. Due to the voting arrangements, it was not considered appropriate to share the Trustee's criteria regarding the most significant votes with individual managers in advance.

DC Fund Managers – Voting Figures

Investment Manager	% of resolutions voted on	% of resolutions voted with management	% of resolutions voted against management	% of resolutions voted against proxy adviser recommendation
HSBC	96.0	75.0	24.0	0.0
Invesco	99.0	95.9	4.1	2.8
Liontrust	100.0	98.1	1.9	0.6
Vanguard	98.0	95.0	4.0	0.0
Veritas	95.0	87.0	12.0	14.0
abrdn	44.3	73.5	15.3	3.1
BlackRock	96.2	93.2	5.8	0.1
Schroders	92.4	90.6	9.4	3.3

**Figures may not sum to 100% due to rounding*

Below we have provided the significant votes shared by some of the Scheme's DC Fund Managers that were appointed for a portion of the Scheme year.

abrdn

abrdn provided asset management services for the Scheme's DC members via a number of funds: Annuity Targeting Pension Fund, Corporate Bond Pension Fund, Global Corporate Bond Fund and the Deposit and Treasury Pension Fund. abrdn received a copy of the DC Section SIP. Due to the nature of investments, the manager did not have voting rights attached to the holdings.

Further details of abrdn's approach to Responsible Investing can be found here:

abrdn Stewardship

The Trustee is able to confirm that in its opinion, abrdn acted in line with the Trustee's policies.

HSBC

HSBC ran a self-select Sharia compliant fund for the DC Section. It received a copy of the DC Section SIP.

Further details of HSBC's approach to Responsible Investing can be found here:

HSBC Stewardship

HSBC voting guidelines

A sample of significant votes over the period is below:

Date	Company	Resolution Summary	Vote	Rationale	% holdings	Significance rationale
May 2023	Amazon	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	For (against management)	They believe that the proposal would enhance accountability.	3.0%	Relates to chosen stewardship theme: business ethics
June 2023	Alphabet Inc	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	For (against management)	They believe that the proposal would contribute to the better management of human rights issues.	3.0%	Relates to chosen stewardship theme: societal risks
April 2023	Nestle	Approve Remuneration Report	Against (against management)	They consider the quantum of the total pay excessive.	1.2%	Relates to chosen stewardship theme: business ethics

The Trustee can confirm that in its opinion, HSBC acted in line with the Trustee's policies.

Invesco

Invesco managed assets within the DC Section's Diversified Growth Fund and Multi-Asset Fund. It received a copy of the DC Section SIP.

Further details of Invesco's approach to Responsible Investing can be found here:

UK Stewardship Code Report

And its ESG and proxy voting framework can be found here:

Invesco ESG voting and engagement policies

Date	Company	Resolution Summary	Vote	Rationale	Significance rationale
May 2023	Dollarama Inc.	Report on Emissions and Gender Target and its Overall Significance on the Company's ESG Strategy	Against (in line with management)	Under the SLL, the company will reap the full pricing benefit for exceeding the key cooperate ESG targets set out in the 2022 ESG Report; and will suffer a penalty on the loan spread for not meeting the "base scenario". While the company has not disclosed information on the grid-based	Relates to chosen stewardship theme: climate change

				approach or the base scenario set for each financial year during the term of the Credit Facility, Dollarama has provided clear disclosure of its gender diversity targets and its GHG emissions targets that are related to its SLL, allowing shareholders to assess the robustness of the targets.	
May 2023	Ming Yang Smart Energy Group Co., Ltd.	Approve External Guarantee	Against (against management)	A vote against is warranted because there is lack of disclosure on the pertinent details of this loan guarantee request.	Relates to chosen stewardship theme: climate change

The Trustee can confirm that in its opinion, Invesco acted in line with the Trustee’s policies.

Liontrust

Liontrust ran a self-select UK focussed fund for the DC Section and it received a copy of the DC Section SIP. Further details of Liontrust’s approach to Responsible Investing can be found here:

Liontrust Stewardship

A sample of significant votes for the period is below:

Date	Company	Resolution Summary	Vote	Rationale	% holdings	Significance rationale
April 2023	BP Plc	Approve Shareholder Resolution on Climate Change Targets	Against (in line with management)	Liontrust believed that the proposal would represent a change in strategy from the one developed by the Board, which implies a potential constraint on the Board to develop and implement strategy. This should not detract from the merits of the proposal, in particular that the requisitions' argument that intensity metrics are not a substitute for absolute metrics is entirely valid.	1.4%	Relates to chosen stewardship theme: climate change

May 2023	Shell Plc	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Against (in line with management)	The proponents' argument that intensity metrics are not a substitute for absolute metrics is entirely valid and is raised as a concern in our analysis of Shell's progress report above. In this regard, the IIGCC states that "measuring absolute emissions provides a necessary baseline for Paris Alignment." However, the proposal would represent a change in strategy from the one that Shell has adopted. It is also noted that a new transition strategy plan will be presented at the next AGM in 2024, under the stewardship of a new CEO and executive team.	5.7%	Relates to chosen stewardship theme: climate change, and large % of assets
----------	-----------	--	-----------------------------------	---	------	--

The Trustee can confirm that in its opinion, Liontrust acted in line with the Trustee's policies.

Schroders

Schroders manages a self-select Emerging Markets fund for the DC Section. It received a copy of the DC Section SIP.

Further details of Schroders' approach to Responsible Investing can be found here:

Schroders stewardship

And its voting guidelines can be found here:

Schroders ESG guidelines

Date	Company	Resolution Summary	Vote	Rationale	Rationale significance
April 2023	CCR SA	Approve Long-Term Incentive Plan	Against	The proposed plan allows for a significant amount of Board discretion, lack of disclosure regarding performance targets and the plan administrators are eligible for the awards which is a potential conflict of interest. As	Relates to chosen stewardship theme: business ethics

				such, support for this is not warranted.	
May 2023	ENN Energy Holdings Limited	Elect Jin Yongsheng as Director	Against	Independence: Non-independent NED and less than half of the board can be considered independent	Relates to chosen stewardship theme: business ethics

Vanguard

Vanguard ran a self-select ESG focussed fund for the DC Section, and it received a copy of the DC Section SIP.

Further details of Vanguard’s approach to Responsible Investing can be found here:

Vanguard Stewardship

Vanguard Investment Stewardship Report

A sample of significant votes for the period is below:

Date	Company	Resolution Summary	Vote	Rationale	Significance rationale
June 2023	New York Community Bancorp Inc.	Report on Climate Lobbying	For (management vote not disclosed)	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Relates to chosen stewardship theme: climate change
March 2023	Starbucks Corp	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights	Against (management vote not disclosed)	Addresses material risk, but company has already taken sufficient actions and/or has related actions pending to address proponent request.	Relates to chosen stewardship theme: human rights

The Trustee can confirm that in its opinion, Vanguard acted in line with the Trustee’s policies.

Veritas

Veritas ran a self-select global equity fund for the DC Section and it received a copy of the DC Section SIP.

Further details of Veritas’ approach to Responsible Investing can be found here:

Veritas stewardship

And its voting guidelines can be found here:

Veritas voting guidelines

A sample of significant votes for the period is below:

Date	Company	Resolution Summary	Vote	Rationale	% holdings	Significance rationale
May 2023	Unilever Plc	Authorise Issue of Equity without Pre-emptive Rights	Against (against management)	Red Line G15 The resolution requests the disapplication of pre-emptive rights.	3.9%	Relates to chosen stewardship theme: business ethics
May 2023	Amazon.com, Inc.	Report on Climate Lobbying	For (against management)	The request is not considered overly onerous or prescriptive, and shareholders would benefit from greater transparency of the company's direct and indirect climate.	4.7%	Relates to chosen stewardship theme: climate change, and large % of assets

The Trustee can confirm that in its opinion, Veritas acted in line with the Trustee’s policies.