BAE SYSTEMS

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

This Implementation Statement:

- sets out the changes made to the Scheme's Statement of Investment Principles ("SIP") documents 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 has two segregated defined benefit ("DB") sections, the BAE Systems Section and the Airbus Section (together the "Sections" and each a "Section"). The Scheme has a separate SIP in relation to the investment of assets held for the DB liabilities for each of the BAE Systems Section and the Airbus Section (referred to in this Implementation Statement as the "DB SIPs").

For statutory purposes, these two SIPs together constitute the Scheme's Statement of Investment Principles.

In July 2023, the majority of the Scheme's defined contribution ("DC") assets were transferred to the BAE Systems Retirement Savings Plan, a section of the Mercer Master Trust ("MMT"), with the remaining members subsequently bought out in early 2024. As a result, the only DC assets that remain in the Scheme are certain assets attributable to Additional Voluntary Contributions ("AVCs"). The only AVC attributable assets that remain within the Scheme are insured with profits funds and direct investments under the Scheme. No new investments are available, but members can add to these investments under their existing AVC arrangements.

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

By way of background, the SIPs detail the policies and principles governing how decisions about investments are made. The Scheme operates separate SIPs in relation to the investment of assets held in relation to the DB liabilities in each of the BAE Systems Section and the Airbus Section of the Scheme. This Implementation Statement covers both the BAE Systems Section and the Airbus Section SIPs.

You will find the two SIPs on the BAE Systems pensions website at:
baesystems.com/disclosableinformation

No changes were made to either SIP during the Scheme year.

Before the start of the Scheme year, both SIPs were last updated on 11 July 2024 to reflect the appointment of Goldman Sachs Asset Management International ("GSAM"), the Scheme's Outsourced Chief Investment Officer ("OCIO"), and the related changes to the Scheme's governance arrangements. The updates also reflected the consolidation of content from the now-discontinued Investment Policy Implementation Document ("IPID"), minor changes relating to GSAM's voting and engagement responsibilities, and updates to the AVC sections following the transfer of the vast majority of the remaining DC assets to the MMT.

For the Airbus Section, the SIP was also updated to reflect the move to a cashflow matching strategy, aligning it with the strategy followed by the BAE Systems Section.

© 2025 BAE Systems. All Rights Reserved

Following the Scheme year-end, the SIPs were updated to reflect changes to the investment strategy of each Section, namely the creation of the Public Future Pensioner Portfolio ("FPP"). Further detail on these changes will be provided in next year's Implementation Statement.

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 each Section's assets to GSAM. In selecting new investment managers for the Section, 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 includes the exercise of voting rights and engagement with investee companies (directly or via investment managers) on 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 Environmental, Social and Governance ("ESG") issues, contributes to identifying both investment opportunities and risks.
- As set out in its stewardship policy, to optimise the impact the Scheme can make, the Trustee has chosen to identify one key stewardship theme from each category within ESG. These are:
    - **Environmental:** Climate change
    - **Social:** Human rights
    - **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 either Section had voting rights attached. This is because, for liquidity purposes, before the Scheme year in question began the Scheme's listed equity holdings were restructured from physical equities to synthetic equities. Synthetic equities do not have voting rights. The other assets held comprised 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:

Please note that, unless otherwise specified, the evidence applies to both Sections.

© 2026 BAE Systems. All Rights Reserved

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 Sections' 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 adviser 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, the Stewardship Monitoring 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 has been expanded to include a portion of the Scheme's private assets. The latest iteration of the Stewardship Monitoring Report has been updated to include a summary of GSAM's stewardship of Private Placements and Property assets. The report will continue to be updated over time and presented at least annually. The Trustee published its fourth annual TCFD report during the Scheme year (covering the period 1 April 2024 to 31 March 2025) and will publish its fifth report in October 2026 (covering the period 1 April 2025 to 31 March 2026), which aids the Trustee in reviewing the extent to which the Scheme is exposed to climate risk and opportunities. The Trustee, with assistance from its advisers, maintains a risk register monitoring the risks deemed most material to the Scheme. Responsible Investment risks are included on this register and their likelihood and potential impact to the Scheme both pre and post-mitigation are monitored quarterly. The risk register is reviewed quarterly to ensure the risks contained remain the most material to the Scheme, with a formal more thorough review undertaken annually.
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. 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

© 2025 BAE Systems. All Rights Reserved

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.	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.

4. Stewardship of investments of the Scheme

As stated previously, the day-to-day management of the Scheme's investments is 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, which uses its internal services to pursue stewardship activities in respect of the DB assets. Given the assets held in each Section'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 SIPs policies regarding voting and engagement activities

The DB SIPs include 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 IMAs for ensuring that the assets of the Scheme are invested in line with the Trustee's policies and the relevant SIPs. Gallagher, as the appointed investment adviser for the Scheme, advise and support the Trustee in making sure that the policies and the SIPs 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 advisers provide regular feedback, allowing the Trustee to review how the investments have met these policies (which, as noted, are detailed in the respective SIPs) during the Scheme year. Further detail on the DB SIPs, 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 DB SIPs 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 Pension Scheme

Chair of the Trustee of the BAE Systems Pension Scheme

© 2026 BAE Systems. All Rights Reserved

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 IMAs.

The data provided in this Appendix covers the Scheme year.

Voting:

No voting data has been provided as, during the Scheme year, none of the assets held by either Section had voting rights attached. As no voting rights were exercisable on behalf of the Trustee during the Scheme year, no proxy voting service was used in relation to the Scheme's assets.

Engagement:

During the period, 66 engagements across the Scheme's public asset portfolio have been carried out (36% of which were thematic engagements) across 46 issuers, representing 32% of the Scheme's portfolio by value. 8 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 – 19 engagements
- Human rights – 4 engagements
- Business ethics – 4 engagements

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

Engagement example 1 – A materials company

Theme: Climate Change

Context: In March 2026, members of the manager's Global Stewardship Team engaged with the Investor Relations and the Head of ESG Engagement of a Swiss materials company, to discuss the company's climate transition strategy. The manager identified the company for engagement under its climate transition engagement initiative in which the manager seeks to engage with select companies on the implementation of a robust and quantifiable climate transition strategy. Based on the manager's screening tool, the following areas were identified for engagement: targets, emissions, decarbonisation strategy, capital allocation alignment.

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

Action: In March, the company detailed its shift toward sustainable building materials, featuring two low-carbon product lines with at least 30% CO_2 reduction and a 5% pricing premium. The company shared that demand has grown organically, aided by cost savings from alternative fuels and recycled inputs.

Outcome: The company reaffirmed Science Based Targets initiative ("SBTi")-validated 1.5°C targets, aiming for below 400 kg CO_2 per tonne of cement by 2030. Reductions will come from formulation / energy (80%) and Carbon Capture, Utilisation and Storage ("CCUS") (20%). Planned CCUS capital expenditure ("CAPEX") is €1.5 billion across seven projects, supported by EU and government subsidies. Discussions also covered nature strategy, physical climate risks, just transition, and support for a carbon price corridor.

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

Engagement example 2 – A consumer discretionary company

Theme: Human Rights

© 2025 BAE Systems. All Rights Reserved

Context: In May 2025, members of the manager's Global Stewardship Team and Fundamental Equity engaged with the Investor Relations team of a Japanese consumer discretionary company to discuss the company's approach to workforce diversity. The manager identified the company for engagement under its board and workforce diversity engagement initiative.

The manager has been engaging with the company on this topic for the past five years.

Action: The company has shown progress in several areas. In particular, it is working to increase its pipeline of women leaders. It mentioned it is on track to develop women in middle management levels to triple its 2014 figure by 2025, and it is targeting 5x by 2030.

Outcome: Additionally, the company has improved their paternity leave rate from less than 20% several years ago, to now above 65%, and it is targeting above 85%. The company has targets to recruit women in 40% of administrative positions and 10% of technical positions, and has been achieving these goals. The basis for the lower target in technical positions is that only around 10% of students in engineering majors in Japan are female.

The manager considers this engagement complete.

Engagement example 3 – A financial company

Theme: Business Ethics

Context: In July 2025, members of the manager's Global Stewardship Team engaged with the Global Head of Financial Crime Risk Management and Investor Relations team of a Canadian financial company. The manager identified the company for engagement under its company conduct - global norms engagement initiative due to allegations of the company's compliance failures surrounding its anti-money laundering controls.

Action: The company highlighted enhancing its financial crime and risk management program, including appointing a new Head of Financial Crime Risk Management, establishing a dedicated leadership team, and hiring new resources across the first line of defence with experience in risk management. The company is utilising data analytics and leveraging new technologies to detect financial risk and mitigate the impact from transactions that could be nefarious.

Outcome: The company described efforts to strengthen the oversight structure including the establishment of dedicated board committees focused on remediation efforts and recent board refreshment which added directors with relevant experience. The company's goal is to implement most of the remediation efforts by the end of 2025, and to complete the implementation in 2027.

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

Private Placements case study – Social housing covenant relief

Theme: Climate Change and Human Rights

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 human rights through improvements to tenant safety and housing standards.

© 2026 BAE Systems. All Rights Reserved

Property case study – Solar panels and green lease

Theme: Climate change

Issue: An industrial unit had an EPC rating of C51 and presented an opportunity to improve sustainability and long-term value during a lease re-gear.

Process: The manager approved a lease assignment, extended the lease by 10 years and provided a rent-free period to support solar panel installation. The new lease included green clauses and a minimum EPC B requirement.

Achievement: Tenant-led renewable energy and efficiency improvements increased the EPC rating from C51 to A16, enhanced the asset valuation and introduced enforceable sustainability obligations.

Follow-up: The asset has since been sold, but the case demonstrates the manager's approach to using lease events as leverage for ESG improvements. The green lease clauses and minimum EPC requirements set a precedent for future re-gears across the portfolio.

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

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 our stewardship activities over the period.

© 2025 BAE Systems. All Rights Reserved