

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 2024 to 31 March 2025** (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 previous years the Implementation Statement covered the DB SIP as well as the defined contribution ("DC") SIP. However, the DC Section was transferred to the Mercer Master Trust on 1 July 2023, with the exception of a small number of members that were 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 this Implementation Statement?

In previous years the Implementation Statement covered both the DB SIP and the DC SIP.

In July 2023, the majority of the remaining DC assets of the Scheme were transferred to the BAE Systems Retirement Savings Plan - a section of the Mercer Master Trust ("MMT"). The MMT is a separate pension scheme from the Scheme and is administered by Scottish Widows. As a separate scheme, the MMT produces its own SIPs and corresponding Implementation Statements. The DC assets not transferred to the MMT in 2023 belonged to a small portion of members and were subsequently bought out in early 2024, before the beginning of the Scheme year in question.

As the Scheme no longer holds any DC assets, the requirements for what the Scheme's Implementation Statement must include have changed. The statement is now required, as a minimum, to:

- set out how, and the extent to which, in the opinion of the Trustee, the policies in the DB SIP relate to:
 - the exercise of the rights (including voting rights) attaching to the investments; and
 - undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee will monitor and engage with investment managers, issuers of shares and debt, and other relevant stakeholders about matters relevant to the investment, including a company's strategy, performance, corporate governance and management of risks), have been followed during the Scheme year; and
- describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the Scheme year and state any use of the services of a proxy voter during that year.

2. What changes have been made to the DB 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 (titled 'SIP – BAE Systems Executive Pension Scheme (2024)') on the BAE Systems pensions website at: pensions.baesystems.com/more-information/disclosure-of-information

During the previous Scheme year, the Trustee appointed Goldman Sachs Asset Management International ("GSAM") to be its Outsourced Chief Investment Officer ("OCIO"). GSAM also undertakes stewardship and engagement activities on behalf of the Trustee.

Over the year, the SIP was updated in July 2024 and March 2025, with the key changes summarised below:

Changes to the SIP over the Scheme year:

The SIP was updated in July 2024 to incorporate content previously held in the Investment Policy Implementation Document ("IPID"), which has now been retired. Historically, the IPID served as the Trustee's instruction to the Scheme's in-house investment manager BAE Systems Pension Fund Investment Management ("BAPFIM"). However, under the new governance model with GSAM, these instructions are now captured in the "Investment Guidelines" within the Scheme's investment management agreement ("IMA") pursuant to which GSAM provides its services. To avoid duplication and potential conflict, the Trustee, following legal advice, consolidated the relevant IPID content into the SIP and Investment Guidelines.

Additional updates to the SIP include the addition of excerpts from the Trustee's stewardship policy around GSAM's voting responsibility and the Trustee's engagement policies, as well as updating the AVC Section following the transfer of the remaining DC assets to the MMT.

Additionally, the Scheme's SIP was also updated in March 2025 to reflect a decision from the Trustee to permit GSAM to use derivatives for liability hedging purposes. This update only included very minor wording changes.

3. 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.
- 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.

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

Policy	Evidence that the policy has been followed over the Scheme year
<p>The Trustee considers the risk that ESG factors can have a significant effect on the long-term performance of the assets held.</p>	<p>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.</p> <p>The Trustee continues to receive an annual “Stewardship Monitoring Report” designed by their 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. The report will be updated over time and presented at least annually.</p>
<p>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.</p>	<p>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.</p> <p>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. A current focus is to begin to incorporate the stewardship of certain private assets held by the Scheme into the next iteration of the report in 2026.</p>
<p>Where possible, the Trustee will use its influence to encourage responsible long-term behaviour through its own activities</p>	<p>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. A current focus is to begin to incorporate the stewardship of certain private assets held by the Scheme into the next iteration of the report in 2026.</p>

and its asset managers' compliance with its RI policy and the Stewardship Code principles.

5. 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.

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

The DB 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 3 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. Redington, as the appointed investment adviser for the Scheme, advise and support the Trustee in making sure that the policies and the SIP are appropriate and up to date. Both GSAM and Redington 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, based on this document, the Scheme has followed these policies set out in the SIP during the Scheme year.

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

Chair of the Trustee of the BAE Systems Executive Pension Scheme

Appendix: Detailed Stewardship Activities

GSAM

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, GSAM have carried out 53 engagements (25% of which were thematic engagements) across 36 issuers, representing 47% of the Scheme's portfolio by weight. GSAM also engaged with 8 of the top 10 largest emitters in the Scheme's public asset portfolio over the Scheme year.

Engagements fall into four key categories including:

- Investment Research and Monitoring Engagements Definition: Investment Research and Monitoring engagements are undertaken primarily to seek information or to inform our investment decisions
- Proxy-related Engagements Definition: Proxy-related engagements are intended to help inform our proxy-voting decisions
- Providing Feedback Engagements Definition: Providing Feedback engagements are generally conducted at the request of issuers seeking guidance on reporting or other matters
- Thematic Engagements Definition: Thematic engagements focus on a particular theme and have pre-defined outcomes

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

- Climate change – 8 engagements
- Societal Risks – 4 engagements
- Business ethics – 1 engagement

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

Engagement example 1 – A large consumer discretionary company

Theme: Climate Change

Context: In January 2025, members of GSAM's Global Stewardship Team engaged with the Chief Sustainability Officer, Global Chief Impact Officer, and other sustainability team members of a US consumer discretionary company. GSAM had identified the company for engagement under their Biodiversity and Nature – Plastics engagement initiative in which they seek to engage with consumer goods companies to share their perspectives on disclosure of packaging metrics in line with SASB (Sustainability Accounting Standards Board) standards.

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

Action: During this engagement, GSAM discussed the company's current approach to plastics disclosure. The company explained that data accuracy across its franchised operations and its ongoing CSRD (Corporate Sustainability Reporting Directive)-mandated materiality assessment are affecting its ability to provide comprehensive data.

Outcome: GSAM provided their views on the need for transparency, and the company said it tracks its packaging use in detail. However, it also emphasised the importance of economically viable and scalable solutions that maintain customer satisfaction, highlighting ongoing collaborative efforts within the industry to achieve these goals. The company reiterated that it does not intend to release its full materiality assessment publicly. GSAM considers this an ongoing engagement and will continue to monitor progress.

Engagement example 2 – A multinational utilities company

Theme: Societal Risks

Context: In February 2025, members of GSAM’s Global Stewardship Team engaged with the Investor Relations and Legal teams at a multinational utilities company. GSAM had identified the company for engagement under its Global Norms and Incidents framework, following concerns around worker safety after an explosion at a hydroelectric plant in northern Italy in 2024.

Action: GSAM had previously engaged with the company in April 2024, shortly after the incident occurred. During that initial engagement, the company outlined its remediation efforts, including the launch of an internal review of safety procedures and the commencement of an external investigation. In the most recent engagement, the company provided updates on its response. Authorities ceased monitoring water levels and emissions in the affected area in October 2024.

Outcome: Investigations into the root cause are ongoing, with preliminary findings suggesting the issue may have been mechanical and specific to the site, rather than indicative of a broader systemic problem.

GSAM noted that continued transparency and timely disclosure would be beneficial to stakeholders as the situation evolves. GSAM considers this an ongoing engagement and will continue to monitor progress.

Engagement example 3 – A large energy company

Theme: Business Ethics

Context: In September 2024, members of GSAM’s Global Stewardship Team and Fundamental Equity Investment team engaged with the Investor Relations team of a UK energy company. GSAM had identified the company for engagement under their company conduct – global norms framework due to concerns around impacts to local communities related to its activities in the Niger River Delta region. GSAM has engaged with the company multiple times on both climate and its activities in the Niger River Delta.

Action: In September 2024, GSAM followed up on the company’s decision to exit its onshore operations in Nigeria. The company provided GSAM with an update on its due diligence process for identifying the new consortium of owners. The company shared that the process included assessing the leadership skills of senior individuals, ensuring they had experience in Nigeria and reviewing their financial capabilities to manage potential operational regional challenges. The company noted that operations would continue following the deal given the fulsome terms of the agreement.

Outcome: GSAM discussed the ongoing remediation the company is undertaking with regards to several oil spills that have occurred, with the company noting that remediation remains ongoing. The company also outlined its commitments to future remediation and regional impact. Additionally, a court-approved decommissioning plan for old infrastructure has been agreed upon with new owners. Engagement with the company on these matters will continue. GSAM considers this an ongoing engagement and will continue to monitor progress.

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.