

Royal Ordnance Senior Staff Pension Scheme (“the Scheme”)

Annual Engagement Policy Implementation Statement

Year Ending 31 March 2025

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 31 March 2025. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, the subsequent amendment in the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The main objective of the Scheme included in the SIP is to hold sufficient and appropriate assets to meet the Scheme’s liabilities and statutory obligations as and when they fall due.

Over time the Scheme’s membership and liabilities are projected to 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. As such, the Trustee has purchased a whole of Scheme buy-in with Legal & General. The policy was not structured with expected return in mind, instead it aims to largely match the Scheme’s benefit obligations in relation to the known pensioners at the time the policy was effected.

Although a significant proportion of the Scheme’s assets are represented by the whole of Scheme buy-in, the Trustee retains a small holding in index-linked gilts and cash (together the “Additional Assets”).

This statement refers to the activity of the Trustee in respect of the Additional Assets only as all investment activities underlying the buy-in policy are delegated to Legal & General and the asset is the insurance policy that wraps around the underlying assets.

Review of the SIP

The SIP remained appropriate and was not updated by the Trustee over the Scheme year.

Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the policy of the Trustee in respect of Environmental, Social and Governance (“ESG”) factors, stewardship and sustainability (including climate risk) for the Additional Assets only. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the year relating to the policy of the Trustee in these areas:

- The Trustee has confirmed the investment manager were a signatories to the most recent version of the UK Stewardship code as at 11 February 2025.
- The Trustee has taken into consideration the Mercer research ratings (both general and specific to ESG) assigned to the mandates held by the Scheme, being made aware of any changes to these and of any relevant news that may impact the managers and funds.
- During the year under review, the Trustee has not engaged with its Manager on matters pertaining to ESG, stewardship or climate change. However, as part of the wider review of the Additional Assets, the Trustee considered the extent to which ESG factors had been integrated into the cash and index-linked gilt fund before agreeing to implement the revised investment strategy for the Additional Assets in April 2022.

Voting Activity

As the Scheme invests in pooled vehicles, the appointed investment manager will exercise voting rights in line with their stated policies.

Given that the Scheme did not hold any assets with voting rights over the year to 31 March 2025, the Trustee do not monitor the action of the investment manager in this area. If this situation were to change, the Trustee would monitor the voting and engagement activities of the investment manager on an annual basis.

Prepared by the Trustee of the Royal Ordnance Senior Staff Pension Scheme in May 2024.