

Royal Ordnance Pension Scheme

Implementation Statement

April 2021

Royal Ordnance Pension Scheme

- Implementation Statement

Statement of Compliance with the Royal Ordnance Pension Scheme's Stewardship Policy for the year ending 31 March 2021.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship and Engagement Policy during the period from 1 April 2020 to 31 March 2021.

Stewardship and Engagement policy

The Trustee's Stewardship and Engagement Policy (as stated in the Statement of Investment Principles) sets out how the Trustee will behave as an active owner of the Scheme's assets, which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship and Engagement Policy is reviewed periodically in conjunction with the Scheme's Statement of Investment Principles (SIP).

The SIP was updated during the year ending 31 March 2021 to reflect new regulations that require the Trustee to frame policies on how it engages with investment managers.

The Scheme's Stewardship and Engagement Policy can be found within the Scheme's Statement of Investment Principles, at baesystems.com/disclosableinformation

How the Scheme's investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has established a funding and investment committee ('FIC') which focuses

on investment issues and makes recommendations to the whole Trustee Board.

The Trustee has delegated day-to-day investment decisions, such as decisions on which investments to buy and sell, to the investment managers. This also includes delegation of engagement activity in respect of the underlying assets.

As the Scheme does not currently hold listed equity, voting and engagement activities related directly to the Scheme's underlying assets is limited. Nonetheless, the Trustee expects its managers to use their influence proactively in managing ESG risks in underlying portfolios over time.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The advisers monitor the development of managers' engagement policies and report on this to the Trustee. When the Trustee meets with managers, they are asked to report on engagement activity that is relevant to the portfolios held.

The Trustee also monitors its own compliance with the Stewardship and Engagement Policy on a regular basis and is satisfied that it has complied with the Scheme's Policy over the last year.

As the Scheme does not currently hold any listed equity investments (either directly or through multi-asset mandates), this statement does not include details of any votes cast on the Trustee's behalf.

Review of policies

The Trustee has committed to reviewing the managers' responsible investment policies on an annual basis, with the last review undertaken in March 2020. The review considered managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year.