

Raytheon Systems Limited Pension Scheme (the “Scheme”)

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 5 April 2023. This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, and guidance published by the Pensions Regulator. The SIP is enclosed within this annual report and can be found online at [RSLPS SIP](#).

Review of the SIP

The Trustees reviewed and updated the SIP at the 9 February 2023 Trustee meeting. As part of the review process, the Trustees received professional investment advice, and also consulted with the Company. The changes made to the SIP reflected the adoption of a revised investment strategy, with lower risk. The main changes included:

- Documenting the role of the Scheme’s Joint Working Group (JWG), which was established during the year in order to facilitate a collaborative working approach to integrated risk management between the Trustees and the Company.
- Updating the Scheme’s strategic asset allocation target to reflect the lower risk strategy that has been adopted.
- Amending the names of some of the Scheme’s legacy Additional Voluntary Contribution (AVC) providers, owing to insurance company mergers / acquisitions.

Policy on environmental, social and governance issues, stewardship and climate change

The SIP includes the Trustees’ policy on environmental, social and governance (ESG) issues, stewardship and climate change. This policy sets out the Trustee’s beliefs in this regard, and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed as part of the Trustees’ review of the SIP in February 2023.

To establish these beliefs and produce this policy, the Trustees have undertaken training provided by the Scheme’s advisers which covered ESG factors, stewardship and climate change. In 2021, the Trustees also participated in a beliefs survey designed to assist the Trustees with further evolving its policies in this area. The Trustees keep the policies under regular review.

Policy on asset manager arrangements

Section 9 of the SIP details the Trustees’ policies in relation to the Scheme’s asset manager arrangements. The Trustees are pleased to confirm that our policies on these issues have been followed during the year.

Engagement activity during the year

The following work was undertaken during the year relating to the Trustees’ engagement activity on ESG factors, stewardship (including voting) and climate change. This summary also documents how the Trustees’ engagement and voting policies were followed and implemented during the year.

Raytheon Systems Limited Pension Scheme (the “Scheme”)

Activity	Date(s)	Details
Investment manager meeting	17 June 2022	<p>The Scheme’s Investment Sub-Committee (ISC) met with the investment manager appointed to manage the Scheme’s Liability Driven Investment portfolio.</p> <p>At the meeting, the following areas relating to ESG were considered by the ISC, through reviewing materials provided by the manager in advance, and in discussions at the meeting:</p> <ul style="list-style-type: none"> - How the investment manager integrates consideration of ESG factors in their investment process. - Engagement activity undertaken with the counterparty banks used within the portfolio. Common topics for engagement included climate change, social risks and opportunities, and matters relating to corporate governance such as executive pay. - Climate change risk and opportunity management, including reporting of carbon emissions. - The manager’s approach to industry-wide engagements and public policy advocacy, with examples given of the impact this activity has had. - Opportunities in “green gilts” (bonds issued by the UK Government to finance projects with clearly defined environmental benefits).
Risk register review	16 September 2022	<p>The Trustees review the Scheme’s risk register at each quarterly Trustee meeting.</p> <p>In 2022, having identified ESG matters as growing risks, the risk register was updated to add a specific risk relating to ESG considerations.</p> <p>Controls and mitigations were considered and documented in the risk register.</p>
Implementation Statement	October 2022	<p>In October 2022, the Trustees reviewed the Scheme’s draft annual Report and Accounts, including the annual Engagement Policy Implementation Statement, covering the period to 5 April 2022.</p> <p>As part of this review, the Trustees considered the stewardship (voting and engagement) activities that had been carried out by the investment managers on the Trustees’ behalf.</p> <p>The Trustees were satisfied that the stewardship activities were consistent with our policies in this area.</p>
Training day	24 November 2022	<p>The Trustees attended a training day, at which a range of topics were considered.</p> <p>One of the sessions was provided by an insurance company, who delivered training on pension scheme buy-ins and buy-outs. Within the materials and information provided by the insurer, management of climate change risk was covered. For example, details were given regarding the insurer’s climate policy and its commitment to reach “net zero” emissions by 2050. The insurer also provided an overview of how they support society through working with charities including Age UK.</p>

Raytheon Systems Limited Pension Scheme (the “Scheme”)

Activity	Date(s)	Details
		By embedding ESG considerations in “business as usual” Scheme activity such as Trustee training plans, the Trustees aim to ensure there is an integrated approach in place, and that engagement takes place with advisers, investment managers, and other service providers.
SIP review	10 March 2023	The Trustee reviewed the SIP at the March Trustee meeting, by considering a revised draft prepared by the investment adviser. This included a review of the Scheme’s policies relating to ESG, engagement, and voting.
ESG monitoring	Quarterly throughout the year	The Scheme’s quarterly investment performance report is reviewed each quarter and includes ratings (both general and specific to ESG) from the investment adviser. Where managers may not be highly rated from an ESG perspective the ISC continues to monitor and engage with the managers (including via discussion at meetings, as described above).
Topical ESG learning	Throughout the year	<p>The Trustees receive a presentation on investment-related topical matters and regulatory developments every quarter at relevant meetings, provided by the investment adviser.</p> <p>The presentations often include items relating to ESG topics, given the pace of developments in this area. During the year ESG-related topics covered included:</p> <ul style="list-style-type: none"> • Integration of ESG factors in corporate bond mandates • Opportunities in UK social and affordable Housing • The Taskforce on Climate Related Financial Disclosures (TCFD) framework • Natural capital and biodiversity.

Raytheon Systems Limited Pension Scheme (the “Scheme”)

Voting Activity During the Year

The Scheme does not hold securities directly. It instead invests in pooled investment funds whereby voting activities are delegated to the investment managers. The Scheme does not use the direct services of a proxy voter. Most voting activity arises in respect of publicly listed equities, and the Trustees have received data relating to funds that invest in these assets.

The investment strategy was reviewed during the year, resulting in the adoption of a lower risk strategy. Accordingly, all of the mandates that invested in public equities (where voting activity arises) were terminated during the period covered by this statement, as summarised below. Funds highlighted in blue rows invest in publicly listed equities.

Manager	Asset Class	Strategic Asset Allocation at 5.4.2022	Strategic Asset Allocation at 5.4.2023
Longview	Global Equity	4.0	-
Schroders	Diversified Growth Fund (DGF)	5.0	-
Blackstone	Fund of Hedge Funds	2.0	-
CQS	Multi-Asset Credit	12.5	15.0
Apollo	Total Return Credit	-	9.0
Lexington	Private Equity		
Blackstone	Real Estate	9.0	6.0
ICG	Private Debt		
BlackRock	Liability Driven Investment	27.5	30.0
AXA	Buy & Maintain Corporate Bonds	40.0	40.0

Overview of voting activity carried out on behalf of the Trustees

The Trustees have been provided with voting disclosures relating to the funds used during the year that invest in equities (marked in blue in the table above). These are summarised in the following table. Note that as the Blackstone Fund of Hedge Funds mandate is a “Fund of Funds”, the manager does not vote directly and therefore no voting data is published.

Voting data	Longview Global Equity	Schroder Diversified Growth
No. meetings eligible to vote	27	1,066
No. resolutions eligible to vote	423	13,765
% resolutions voted on where eligible	100.0%	95.5%
Of resolutions voted, % with management	90.8%	89.1%
Of resolutions voted, % against management	9.2%	10.9%
Of resolutions voted, % abstained	0.0%	0.6%

Longview: data covers 6 April 2022 - 5 October 2022 (the final day that the Scheme was invested)

Schroders: data covers 1 April 2022 to 30 September 2022 (only monthly reporting is available, but this period broadly covers the time over which the Scheme was invested during the year).

Significant votes

During the year, the Scheme continued to invest in pooled funds, rather than investing in companies directly. As such, the investment managers exercised the Scheme’s voting rights at the pooled fund level.

Given the large number of votes that are considered by investment managers at every Annual General Meeting (AGM), for every company in every fund / portfolio, along with the

Raytheon Systems Limited Pension Scheme (the “Scheme”)

timescales over which voting takes place and the resource and expertise required, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have (with the support of the investment adviser) retrospectively reviewed the voting records of the investment managers, in order to identify significant votes in the context of the Trustee’s stewardship priorities, which are:

- Climate change
- Social and people related issues, including diversity, equity, and inclusion
- Responsible governance, including company board quality and independence.

As voting rights only apply to equity investments, these significant votes are provided only for the funds used by the Scheme during the year that invested in equities.

Longview Global Equity Fund	
Company	HCA Healthcare Inc
Item	Shareholder proposal regarding political contributions and expenditures
Date	21 April 2022
Criteria for assessing as significant	Relates to responsible governance, which is one of the Trustees’ stewardship priorities. The holding in this company was also one of the larger positions in the portfolio, and the vote was against management.
Vote	Against management (for the shareholder proposal).
Rationale	HCA Healthcare is a US headquartered provider of health care services. This was a proposal from a group of shareholders requesting more transparency on the company’s political donations and lobbying activities. Longview supported the proposal on the grounds that increased disclosure and transparency would allow shareholders to more fully assess the risks presented by the Company’s political spending.
Outcome	The resolution did not pass, but a relatively high proportion of shareholders voted against management by supporting the proposal.

Schroders Diversified Growth	
Company	Rio Tinto
Item	Approve the company’s Climate Action Plan
Date	8 April 2022
Criteria for assessing as significant	Relates to climate change, which is one of the Trustees’ stewardship priorities. The vote was also against management.
Vote	Against management.
Rationale	The company was seeking approval of its Climate Action Plan. The investment manager voted against this item, owing to concerns around whether the company is engaging sufficiently with both its customers and other stakeholders such as suppliers on its “Scope 3” greenhouse gas emissions (broadly speaking, Scope 3 emissions are <i>indirect</i> emissions that occur in the value chain of a company, including both upstream and downstream activities).
Outcome	The vote passed, in favour of management, though there was considerable shareholder dissent, and questioning of the company’s management at the AGM.