

## **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 2024. 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<sup>1</sup>](https://www.raytheonpensions.co.uk/uploaded/documents/rsmps-sip-2024_432928_391329.pdf).

### **Review of the SIP**

The Trustees reviewed and amended the SIP in March 2024 in order to reflect the purchase of a bulk annuity “buy-in” policy with Just Group, securing the Scheme’s full liabilities.

Under the policy, Just Group are obligated to make payments to the Trustees in order to meet the Scheme’s liabilities to the beneficiaries insured under the policy. The Trustees invest the Scheme’s residual assets not invested in the bulk annuity policy in closed-ended private market funds. Cash is also held in the Trustee Bank Account. As part of the review process, the Trustees received professional investment advice, and also consulted with the Company.

### **Policy on environmental, social and governance (ESG) issues, stewardship and climate change, and Policy on asset manager arrangements**

The SIP includes the Trustees’ policy on ESG issues, stewardship and climate change. This policy sets out the Trustees’ beliefs, and the processes followed by the Trustees in relation to voting rights and stewardship. The policy was reviewed as part of the Trustees’ review of the SIP in March 2024, and no changes were made to the overarching policy. To establish these beliefs and produce the policy, the Trustees have undertaken training provided by the Scheme’s advisers which covered ESG factors, stewardship and climate change.

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 their policies on ESG issues and asset manager arrangements 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 and climate change.

<b>Activity</b>	<b>Date(s)</b>	<b>Details</b>
Implementation Statement	7 September 2023	<p>At the September Trustee board meeting, the Trustees reviewed the Scheme’s draft Engagement Policy Implementation Statement, covering the period to 5 April 2023.</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. The Trustees were satisfied that the stewardship activities were consistent with our policies in this area.</p>

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<sup>1</sup> [https://www.raytheonpensions.co.uk/uploaded/documents/rsmps-sip-2024\\_432928\\_391329.pdf](https://www.raytheonpensions.co.uk/uploaded/documents/rsmps-sip-2024_432928_391329.pdf)

## Raytheon Systems Limited Pension Scheme (the “Scheme”)

Activity	Date(s)	Details
Trustee training – climate change and stewardship within the General Code	27 February 2024	<p>The Trustees received training on the Pensions Regulator’s General Code of Practice, with a focus on the new modules in the Code, which include climate change and stewardship. The Trustees spent time with its professional advisers to understand the expectations of Trustees in these areas.</p> <p>For example, the Code highlights the role of stewardship within an effective system of governance. The Trustees seek to do this by identifying any voting rights attached to the Scheme’s investments (see later in this Statement), and to ensure that the exercise of such rights is in line with the Trustee’s policies.</p> <p>While the Scheme’s strategy is such that no new investments are being selected, when the Trustees selected an insurer to provide the bulk annuity policy, in meetings with the insurer 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, such as by working with charities including Age UK.</p>
SIP review	March 2024	The Trustees reviewed the SIP in March 2024, which included a review of the Scheme’s policies relating to ESG and stewardship. This ensures that our policies remain appropriate, aligned with regulatory requirements, and up-to-date.
Risk register review	Quarterly	<p>The Trustees review the Scheme’s risk register at each quarterly Trustee meeting.</p> <p>The risk register includes a specific area relating to the management of ESG risks and opportunities, including climate change, and documents the controls and mitigations in place to ensure these risks are managed.</p>
Topical ESG learning	Throughout the year	<p>The Trustees receive “current topics” papers on pension scheme matters every quarter, provided by the investment adviser, actuary, and legal adviser.</p> <p>These papers often include items relating to ESG topics, given the pace of developments in this area. During the year ESG-related items covered included biodiversity, the Pensions Regulator’s guidance on equality, diversity and inclusion, and climate related financial reporting.</p>

## Voting and Engagement Activity During the Year

### Voting

Significant votes are those relating to one or more of the Trustees’ stewardship priorities, which are:

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

The Scheme does not use the services of a proxy voter.

In practice, during the year covered by this Statement, the Scheme did not invest in any listed equities (the asset class where voting rights are typically attached). No votes were identified by the investment managers of the remaining assets. As such, there are no votes to report that met the Trustees’ definition of a most significant vote.

## Raytheon Systems Limited Pension Scheme (the “Scheme”)

### Engagement

The following case studies provide details of engagement activities undertaken by the Scheme’s remaining three investment managers (Blackstone Group, Intermediate Capital Group, and Lexington Partners), and the insurance policy provider (Just Group) during the year, aligned to the Scheme’s stewardship priorities.

In relation to the legacy mandates that were in place for only a part of the year, the opportunity for significant engagements relating to the Trustees’ stewardship priorities (with impact on long term outcomes for the Scheme) were limited given the short period of investment and the nature of these mandates (liability driven investments and fixed income).

Investment manager	Blackstone Group (“Blackstone”) – Real Estate
Stewardship Priority	Climate Change
Company / asset	Nexus Malls, the largest retail real estate platform in India. The entity has 17 malls spread across 14 cities.
Issue	<p>As the largest owner of commercial real estate in the world, Blackstone seeks to improve outcomes for investors through sustainability efforts in relation to the buildings it owns an interest in, including aiming to reduce exposure to physical and transition climate risks.</p> <p>For Nexus, Blackstone looked to understand the company’s strategy for reducing costs and emissions by enhancing energy efficiency and expanding renewable energy capacity across its malls.</p>
Engagement Undertaken	<p>Blackstone engages with portfolio companies such as Nexus to develop three-year strategic roadmaps in support of relevant ESG goals based on material ESG priorities. For in-scope portfolio companies, Blackstone designate an ESG lead and review their progress regularly with the relevant leadership teams.</p> <p>In respect of Nexus, the focus has been on use of technology and renewable energies, in order to drive a reduction in carbon emissions, as well as biodiversity initiatives such as the use of water.</p>
Outcome	<p>By installing LED fittings, motion sensors and timers, and by optimising HVAC (Heating, Ventilation, and Air Conditioning) facilities, Nexus has been able to reduce carbon emissions materially, and Blackstone note that renewables now account for around 29% of the portfolio’s total energy consumption, coming from 30+ megawatts of capacity spread across building rooftops, offsite solar and purchased wind power.</p> <p>Additionally, a “Lakes of Happyness” initiative has been launched, focused on enhancing biodiversity, improving water quality and clearing waste and silt. This helped to restore a lake in Bangalore, and a lake near Pune.</p>

## Raytheon Systems Limited Pension Scheme (the “Scheme”)

Investment manager	Intermediate Capital Group (ICG) – Private Credit
<b>Stewardship Priority</b>	Social and people related issues, including diversity, equity, and inclusion.
<b>Company / asset</b>	Visma, a leading provider of business management software in the Nordic and Benelux region, with operations expanding into other targeted European markets.
<b>Issue</b>	ICG aims to promote and encourage greater diversity within the companies it invests in, particularly at strategic decision-making levels. This is to ensure that diversity and inclusion policies are in place, and that related initiatives are implemented and achieved.
<b>Engagement Undertaken</b>	As a private markets investment manager, ICG engages closely with portfolio companies, through regular dialogue with management on a range of topics. This engagement continued during the year, and included ESG related matters including diversity and inclusion.
<b>Outcome</b>	<p>Following multi-year engagements, in 2022 Visma launched its first Diversity &amp; Inclusion Strategy, which ICG see as moving the business closer to its goal to be an inspiring and engaging place to work.</p> <p>The company has also now become a signatory to the UN Global Compact and has begun embedding its 10 Principles into how it manages its business, and has enhanced the way that knowledge is shared on sustainability issues among the 170+ Group companies in its portfolio.</p> <p>ICG considers Visma to now be low risk from an ESG perspective.</p>

Investment manager	Lexington Partners (Lexington) – Private Equity
<b>Stewardship Priority</b>	Multiple ESG related themes including climate change, diversity and inclusion, and responsible governance
<b>Company / asset</b>	N/a – as Lexington invests in privately held businesses, company level information is not disclosed in the public domain.
<b>Issue</b>	Ongoing ESG activities.
<b>Engagement Undertaken</b>	<p>While Lexington does not disclose company level engagements, the manager reported the following activities during the year:</p> <ul style="list-style-type: none"> <li>• An expansion of their ESG survey to support the collection of meaningful data on ESG related issues.</li> <li>• Enhanced ESG capabilities through a specialist engagement third-party consultant and ESG data provider.</li> <li>• Participation in Franklin Templeton’s Sustainability &amp; Stewardship Council.</li> <li>• Offsetting of firm-level 2022 Scope 1 and 2 greenhouse gas emissions with verified carbon credits</li> <li>• Running internship programmes focused on inclusion, e.g. by partnering with Girls Who Invest.</li> <li>• Joined the Gender Equity Consortium.</li> </ul>
<b>Outcome</b>	N/a

## Raytheon Systems Limited Pension Scheme (the “Scheme”)

Insurer	Just Group
<b>Stewardship Priority</b>	Climate change.
<b>Company / asset</b>	European energy provider (anonymised for confidentiality)
<b>Issue</b>	Just Group identified this company as a bond issuer in its investment portfolio that was one of the largest greenhouse gas emitting issuers.
<b>Engagement Undertaken</b>	<p>The engagement included discussion with the company’s management relating to:</p> <ul style="list-style-type: none"> <li>• Net zero emissions objectives, and the transition plan to reach net zero.</li> <li>• Targets relating to renewable energy capacity expansion.</li> <li>• Longer-term assumptions for increased network capacity needs for electric vehicle usage and electrification of heat</li> <li>• The use of carbon offsets and what role they will play in the company’s transition plan.</li> <li>• Board-level knowledge and expertise in management of climate-related risks and opportunities.</li> </ul> <p>It was noted that the company was progressing well on its decarbonisation strategy. Key drivers for this view included the fact that the issuer had set net zero targets in advance of 2050, reported metrics associated with progress in their Taskforce on Climate-Related Financial Disclosures, and had conducted climate scenario analysis. The company was also identified as leading within their peer group, under the Transition Pathways Initiative assessment.</p>
<b>Outcome</b>	Just Group report that this company has an “amber” status on 6 of the 10 Climate Action 100+ company disclosure framework pillars, meaning they only partially meet the criteria under the initiative's disclosure framework. As such, while Just Group remain invested in this issuer, they are monitoring the issuer and will continue to engage with management to discuss progress and enhancements in their strategy going forward.

## Raytheon Systems Limited Pension Scheme (the “Scheme”)

### Appendix: Further information on Just Group’s approach to sustainability and ESG-related topics

Just Group’s approach to ESG issues and examples of integration within their investment strategy can be found on their website, at: <https://www.justgroupplc.co.uk/sustainability>. Key policy highlights in this area include:

- Just Group were the first UK insurer to sign up to the United Nations Principles for Responsible Investing as an asset owner.
- In August 2021, Just Group formally adopted a carbon emissions reduction target, and is aiming to achieve net zero from its own operations by 2025.
- Just Group is also targeting a reduction to net zero in all its emissions, including its investment’s portfolio, by 2050, with a 50% reduction milestone by 2030, in line with the Association of British Insurers climate change roadmap, published in July 2021.
- During 2020, Just Group formally developed a Sustainable Bond Framework, which received a second party opinion from Sustainalytics on the framework’s environmental and social credentials.

Highlights with respect to the latest updates outlined (at the time of writing) include that:

- ‘Making a positive impact’:
  - In 2020, Just Group became the first UK insurer to issue a Green Bond, resulting in gross issuance proceeds of £250m. They provided a commitment to invest the proceeds in eligible green projects, including investments in renewable energy, and expand into new areas such as green buildings and clean transportation.
  - In 2021, Just Group became the first European and UK insurer to issue a Sustainability RT1 bond, resulting in proceeds of £325m.
  - Just Group have a target to invest £825m in green and social assets by the end of 2025.
- ‘Leaving a responsible footprint’:
  - 99% of purchased electricity is from renewable sources and Renewable Energy Guarantees of Origin (REGO) certified.
  - Market based buildings emissions reduced by 42% in 2023.
  - Just Group expect to plant 50,000 trees each year in partnership with EcoTree – one for every new customer.
- ‘Creating a fair world’:
  - 33% of Just Group’s senior leaders are women, meeting their 2023.
  - 19% of senior leadership are from black, Asian or minority backgrounds.
  - Just Group has had 19 consecutive wins in the Financial Adviser Service Awards as a Pensions and Protection Provider.
- Investments examples:
  - During 2022, Just Group originated £279m of eligible green and social assets.
  - Just Group have invested in ‘part-buy part-rent’ affordable housing in the UK.
  - Just Group have invested over £100m in UK offshore windfarms.

Just Group note that they use negative screening to restrict and exclude controversial sectors or activities, companies with weak governance or companies that do not reflect their values. They use positive screening to target investments that are consistent with their responsible investment objectives and values.