

Annual Implementation Statement

General Dynamics UK Limited Retirement and Death Benefit Scheme

6 April 2020 to 5 April 2021 (the “Scheme Year”)

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee, has been followed during the year to 5 April 2021 (the “Scheme Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator. This Implementation Statement covers both the Defined Benefit (“DB”) and Defined Contribution (“DC”) Sections of the Scheme.

The table later in the document sets out how, and the extent to which, the policies in the General Dynamics UK Limited Retirement and Death Benefit Scheme (“the Scheme”) SIP have been followed.

The Statement flows directly from and should be read in conjunction with the Scheme’s SIP (in place at the Scheme Year end and dated September 2020) which is available via the following link::

<https://generaldynamics.uk.com/about/pensionscheme/>

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme with respect to the DB and DC Sections included in the SIP are as follows:

DB Section

The Trustees’ primary investment objective for the Scheme is to ensure the Scheme’s assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise.

In order for the Trustees to ensure that they can meet their obligations to the beneficiaries both in the short and long term without recourse to the Company the Trustees have entered into a Bulk Purchase Annuity (“BPA”) with Legal and General Assurance Society (“LGAS”).

DC Section

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The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- The Trustees' main objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot which will be used in retirement.
- The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds.
- The long term objective of the Trustees is to enable members to provide adequately for themselves in retirement.
- The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. The Trustees have determined their investment policy in such a way as to help to mitigate the most significant of these risks.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustees' objectives with respect to the default investment strategy and the self-select fund range are outlined in the SIP.

Review of the SIP

During the year to 5 April 2021, the Trustees reviewed the Scheme's SIP and a revised SIP was signed on 16 September 2020. The SIP was updated to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustees' policies as set out in the SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's' performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

DC Investment Strategy Review

The triennial investment strategy review was carried out at the Trustee meeting of 22 April 2020. The outcome of the review was that the default investment strategy remained fit for purpose, but some potential improvements to the default lifestyle strategy were suggested to the Trustees for consideration. During the Scheme Year, no changes were made to the Scheme's investment strategy but a further review of the growth stage of the lifestyle strategy was conducted off the back of the triennial review. The growth stage review was concluded following the end of the Scheme Year and, at the time of writing, no changes have been made to the Scheme's investment strategy following the review.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2021

The information provided in this section highlights the work undertaken by the Trustees during the Scheme Year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Scheme as a whole and the default investment arrangement. The SIP is available online and on request, and sets out the policies referenced below.

In summary, the Trustees consider that they have generally adhered to all of their policies as set out in the SIP over the course of the Scheme Year.

DC Section

	Requirement	Summary of Trustee Policy	Summary of the Scheme Year to 5 April 2021
1	Securing compliance with the legal requirements about choosing investments	<p><i>Under Section 35 of The Pensions Act 1995, Trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.</i></p> <p><i>This statement sets out the principles governing decisions about the investment of the assets of the General Dynamics UK Retirement and Death Benefit Scheme ("the Scheme"). Before preparing it, the Trustees have obtained and considered written professional advice from Mercer as their investment consultants. Prior to finalising the document, they have also consulted with the employer.</i></p> <p><i>SIP Section 1</i></p>	<p>An investment consultant has been appointed by the Trustees to provide relevant advice to the Trustees.</p> <p>Within the DC Section, the Trustees last received formal advice from their Investment Consultant on 22 April 2020 regarding the changes to the default investment strategy. This review concluded that the strategy remained fit for purpose. Therefore, during the Scheme Year to 5 April 2020, there have been no significant changes to the default arrangement's investment strategy.</p> <p>With regard to the DB Section, the Trustees last received formal investment advice in August 2019, when the DB Section entered into a BPA.</p>
2	Kinds of investments to be held	<p><i>The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds.</i></p> <p><i>The Trustees have offered a range of self-select funds across various asset classes.</i></p>	<p>During the period covered by this statement, no changes were made to the Scheme's DC investments. The Trustees continue to offer a range of self-select fund options to members which cover both actively and passively managed funds across a wide range of asset classes.</p> <p>The Trustees will review the investment approach from time to time, and make changes as and when it is considered</p>

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		<p><i>All of the funds in which the Scheme invests are pooled and unitised.</i></p> <p><i>SIP Section 2 and 3</i></p>	<p>appropriate. The fund range and default investment strategy are reviewed on at least a triennial basis.</p> <p>The majority of the DB Section assets were used to enter a BPA, the remaining assets are invested in pooled funds.</p>
3	The balance between different kinds of investments	<p><i>DC Section</i></p> <p><i>Members can opt out of the default strategy, and invest in an alternative lifestyle or any investment fund made available in the self-select fund range.</i></p> <p><i>The Trustees make available a range of funds across various asset classes. Members are able to set their own investment allocation, in line with their risk tolerances.</i></p> <p><i>SIP Section 4 and 7</i></p>	<p>The Trustees receive quarterly DC investment performance reports from LGIM, which monitor return of the default investment strategy and self-select fund range.</p> <p>The asset allocation of the default investment strategy is reviewed on a triennial basis. The last formal review took place on 22 April 2020, after which no changes were made.</p> <p>Members can opt out of the default strategy and invest in any investment fund made available in the self-select fund range, giving members the ability to choose the balance between different kinds of investments themselves. The Trustees are satisfied that the current self-select range offers members sufficient choice.</p>
		<p><i>DB Section</i></p> <p><i>Since entering into a BPA, the Trustees have not established a strategic benchmark for the Scheme assets.</i></p>	<p>Since the primary objective of the DB Section has essentially been achieved i.e. 'to invest in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise'. The Trustees have not set a strategic benchmark for the remaining assets. The funds are invested in combination of multi-asset funds, fixed interest gilts, index-linked gilts and cash.</p>

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4	Risks, including the ways in which risks are to be measured and managed	<p><i>The risks for the Scheme are set out in the SIP.</i></p> <p><i>The Trustees recognise that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.</i></p> <p><i>Broadly speaking, the main types of investment risks faced by members are Market Risk, ESG Risk, Manager Risk, Liquidity Risk, Legislative Risk and Pension Conversion Risk.</i></p> <p><i>SIP Section 7</i></p>	<p>The Trustees considers both quantitative and qualitative measures of risks as well as how best to manage the various risks facing members.</p> <p>The Trustees provide a range of investment options for DC members which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances.</p> <p>The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.</p>
5	Expected return on investments	<p><i>DC Section</i></p> <p><i>When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from.</i></p> <p><i>In determining the investment strategy, the Trustees undertook extensive investigations and have received formal written investment advice from their investment consultants. The Trustees have explicitly</i></p>	<p>The investment performance report is reviewed by the Trustees on a quarterly basis; this includes performance figures for the default investment strategy and additional self-select fund choices. The investment performance report includes how each investment manager is delivering against their specific benchmark.</p> <p>The trade-off between risk and return was considered at the last triennial investment strategy review and is an ongoing consideration for the Trustees.</p>

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		<p><i>considered the trade-off between risk and expected returns.</i></p> <p><i>SIP Sections 3 and 4</i></p>	
		<p><i>DB Section</i></p> <p><i>Since entering into a BPA, the Trustees have not established a target expected return for the assets that remain in the DB Section.</i></p>	
6	Realisation of investments	<p><i>As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required.</i></p> <p><i>The DC funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand.</i></p> <p><i>When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.</i></p> <p><i>SIP Sections 3 and 7</i></p>	<p>All the funds used by the DC Section of the Scheme continue to be daily dealt pooled investment vehicles. The Trustees are therefore confident that these assets can be realised at short notice as required and do not have any major concerns surrounding the liquidity of the Scheme's investments.</p> <p>During the Scheme Year, the LGIM Managed Property Fund was temporarily suspended due to high levels of market volatility. During this time, contributions were re-directed to the LGIM Cash Fund and were later transferred into the Property Fund once it reopened. Members were informed and able to make alternative investment choices during this time. There were otherwise no issues regarding the liquidity of any of the Scheme's investments.</p> <p>For the DB Section, the disinvestment policy for meeting benefit payments is the responsibility of LGAS.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are	<p><i>The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these</i></p>	<p>The majority of funds within the Scheme have been assigned an ESG rating by Mercer. These ratings are formally reviewed at least annually and are included in the annual value for members assessment. Where managers were not highly rated from an ESG perspective the Trustees continue</p>

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	taken into account in the selection, retention and realisation of investments	<p><i>factors are taken into account within the investment process.</i></p> <p><i>The Trustees believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results, as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.</i></p> <p><i>SIP Section 6</i></p>	<p>to monitor these managers. When implementing a new manager the Trustees consider the ESG rating of the manager.</p> <p>ESG was also a key consideration for the April 2020 DC investment strategy review and the April 2021 Growth Stage investment review and will continue to be a focus of any future investment strategy reviews.</p> <p>The SIP includes the Trustees' policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.</p> <p>For the DB Section, in particular the BPA, the Trustees have limited scope to influence the underlying investments.</p>
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees have decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy, selection, retention and realisation of investments.</i></p> <p><i>SIP Section 6</i></p>	No proof required.

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9	The exercise of the rights (including voting rights) attaching to the investments	<p><i>The Scheme is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long-term financial interests of investors.</i></p> <p><i>The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.</i></p> <p><i>SIP Section 6</i></p>	<p>The Trustees have delegated the exercise of voting rights to the underlying investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Trustees expect the investment managers to have produced written guidelines of their process and practice in this regard.</p> <p>Voting activity carried out over the last 12 months on behalf of the Trustees is shown in the Appendix of this Statement.</p> <p>All of the current investment managers used by the Scheme are signatories to the UK Stewardship Code.</p> <p>Over the period covered by this Statement, the Trustees have not actively challenged managers on voting activity.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the	<p><i>The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment</i></p>	<p>As the Scheme invests solely in pooled funds, the Trustees require their investment managers to engage with the investee companies on their behalf.</p>

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	<p>circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)</p>	<p><i>managers and expects the investment managers to use their discretion to act in the long-term financial interests of investors.</i></p> <p><i>The Trustees review the investment managers' policies and engagement activities (where applicable) on an annual basis.</i></p> <p><i>SIP Section 6</i></p>	<p>The Trustees wish to encourage best practice in terms of corporate activism. They therefore encourage their investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.</p> <p>Over the Scheme Year, the Trustees did not carry out any engagement activities with investment managers or underlying investee companies.</p>
11	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005</p>	<p><i>The investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics.</i></p> <p><i>SIP Section 2</i></p>	<p>Over the Scheme Year, the Trustees believe that the appointments with their investment managers were consistent with their long-term objectives and no changes were made.</p> <p>The last formal DC investment strategy review took place on 22 April 2020, after which no changes were made. A review of the Growth Stage of the Scheme's investment strategy was carried out in April 2021 and the Trustees are currently considering whether to implement the recommended changes.</p>
12	<p>How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial</p>	<p><i>The Trustees are a long term investor and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>A manager's appointment may be terminated if it is no longer considered to be</i></p>	<p>The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from its platform provider, which presents performance information over 3 months, 1 year and 3 years on a net of fees basis including benchmark returns.</p>

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	performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	<i>optimal nor have a place in the default investment strategy or general fund range.</i> <i>SIP Section 2</i>	The Trustees' responsibilities include assessing the quality of the performance and processes of the investment managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Consultant.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies required under subparagraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement].	<i>The Trustees are a long term investor and do not look to change the investment arrangements on a frequent basis.</i> <i>The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustees believe that this is a reasonable basis for remunerating managers.</i> <i>The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from LGIM, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.</i>	<p>The Trustees have considered the long term investment performance of the investment managers on a quarterly basis, as well as their Investment Consultant's views of the investment manager, and is comfortable that the longer term performance and forward-looking capabilities remained suitable.</p> <p>The Trustees are satisfied that the investment fund managers' short term performance will not impact long-term goals. In particular, none of the funds have performance fees in place, which could encourage managers to make short term investment decisions to hit their short term profit targets at the expense of longer term performance.</p>

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		<i>SIP Section 2 and 8</i>	
14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	<p><i>For the Scheme's DB section, the Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.</i></p> <p><i>For the DC section, the Trustees consider portfolio turnover costs as part of the annual Chairman's Statement.</i></p> <p><i>The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.</i></p> <p><i>Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.</i></p> <p><i>SIP Section 8</i></p>	<p>Over the year covered by this Statement, the Trustees considered the levels of transaction costs as part of their annual Chair's Statement and value for member's assessment.</p> <p>The Trustees found that the transaction costs reported were reasonable, but note the challenges in assessing these costs due to the lack of an industry-wide benchmarks for such transaction costs.</p> <p>For the DB Section, at present, the Trustees do not monitor portfolio turnover costs in any detail. When assessing the performance of the remaining pooled investments, the Trustees review net performance which is inclusive of portfolio turnover costs. Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.</p>
15	The duration of the arrangement with the asset manager.	<p><i>The Trustees are a long term investor and do not look to change the investment arrangements on a frequent basis.</i></p> <p><i>All the funds are open-ended with no set end date for the arrangement.</i></p>	The investment performance of all funds is reviewed by the Trustees on a quarterly basis; this includes how each investment fund manager is delivering against their specific targets.

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		<i>SIP Section 2</i>	There were no changes to manager appointments over the year covered by this statement.
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Appendix: Investment Manager Voting Summary

Note: voting information is provided by investment managers where asset classes permit votes to be cast. Voting data provided is for the year to 31 March 2021.

DB Section

Please note that the majority of the DB Section assets are invested in a BPA held with LGAS. With regard to the assets that remain invested in pooled investment vehicles, only the Columbia Threadneedle Multi Asset Fund maintains exposure to equity securities and is therefore able to vote in the underlying companies in which they invest in. A breakdown of the Columbia Threadneedle Multi Asset Fund can be seen in the DC Section table below.

DC Section

Manager	Fund	Proxy voter used?	Votes cast					Most significant votes	
			Total Meetings	Total Resolutions	% Voted on	% votes with management	% votes against management		% abstained votes
LGIM	Global Equity Fixed Weights (50:50) Index GBP Hedged Fund	LGIM's Investment Stewardship team uses Institutional Shareholder Services, Inc. (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.	3,641	44,680	99.97%	83.56%	16.29%	0.15%	Vote example 1 Company: Barclays Date: 07/05/2020 Resolution: Barclays' Commitment in Tackling Climate Change Vote: For Rational: Resolution has the backing of ShareAction Outcome: Pass
									Vote example 2 Company: Procter & Gamble Date: 13/10/2020 Resolution: Report on effort to eliminate deforestation.

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Vote: For
Rational: Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that investee companies are not contributing to deforestation
Outcome: Pass

Vote example 3
Company: Cardinal Heath
Date: 04/11/2020
Resolution: Ratify Executive Officer's compensation
Vote: Against
Rational: Bonus was excessive as The Compensation Committee excluded a large settlement cost from the earnings calculations, which resulted in executive pay being boosted.
Outcome: Pass

UK Equity Index Fund	943	12,574	100.00%	92.94%	7.05%	0.01%	
LGIM UK Smaller Companies Index	396	4,663	100.00%	91.53%	8.45%	0.02%	
LGIM Asia Pacific ex Japan Equity Index	703	5,150	100.0%	77.8%	22.2%	0.0%	
LGIM Global Emerging Markets Equity Index	5,139	44,755	99.82%	82.58%	16.05%	1.37%	
LGIM World (ex UK) Equity Index	3,243	37,840	99.83%	80.25%	19.16%	0.60%	Not included

Columbia Threadneedle	Multi-Asset Fund (MAF)	Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. They have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client	601	6,988	98.90%	90.34%	5.74%	3.92%	Vote example 1 Company: Comcast Corporation Date: 03/06/2020 Resolution: Report on Risks Posed by Failing to Prevent Sexual Harassment Vote: For
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securities. Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles document.

Rational: Material social risk for business; in shareholders' interests.
Outcome: Fail

Vote example 2
Company: Amazon Inc.
Date: 27/05/2020
Resolution: Election of Director Thomas O. Ryder
Vote: Against
Rational: Director is an affiliate serving on a key committee
Outcome: Pass

Vote example 3
Company: Facebook Inc.
Date: 27/05/2020
Resolution: Report on Median Gender/Racial Pay Gap
Vote: For
Rational: Material social risk for business; in shareholders' interests
Outcome: Fail