

Royal Ordnance Pension Scheme – Implementation Statement

Statement of Compliance with the Royal Ordnance Pension Scheme’s Stewardship Policy for the year ending 31 March 2025.

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator’s General Code of Practice. It sets out how the Trustee has complied with the **Royal Ordnance Pension Scheme’s** Stewardship, Voting and Engagement Policy as set out in the Statement of Investment Principles (‘SIP’) during the period 1 April 2024 to 31 March 2025.

Overall, the Trustee is satisfied that:

- the Scheme’s investments have been managed in accordance with the Scheme’s Stewardship, Voting and Engagement Policy during the period
- the Scheme’s investments have been managed in accordance with the remainder of the Scheme’s SIP
- the provisions of the SIP remain suitable for the Scheme’s members.

Stewardship, Voting and Engagement Policy

The Trustee’s Stewardship, Voting and Engagement Policy sets out how the Trustee will behave as an active owner of the Scheme’s assets. It includes the Trustee’s approach to:

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

The Scheme’s Stewardship, Voting and Engagement Policy can be found within the Scheme’s SIP. The Policy was last updated in May 2024, to reflect the Trustee’s adoption of a key stewardship theme – ‘Climate Change’ – to best channel its stewardship activities and to include the Trustee’s criteria for defining a significant vote when reviewing its investment managers’ exercise of voting rights. The theme has been communicated to each of the Scheme’s investment managers to make them aware of the Trustee’s stewardship priorities.

The Scheme’s Stewardship, Voting and Engagement Policy can be found within the Scheme’s SIP at [Aptia OneView](#).

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 (alongside a range of others) and makes recommendations to the whole Trustee Board.

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

The Trustee expects its managers to use their influence proactively in managing Environmental, Social and Governance (‘ESG’) risks in underlying portfolios over time.

The Trustee's 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 the investment managers' engagement policies and report on this to the Trustee. When the Trustee meets with its investment managers, the managers are asked to report on engagement activity that is relevant to the portfolios held.

The Trustee also monitors its own compliance with the Stewardship, Voting and Engagement Policy regularly and is satisfied that the Policy has been complied with over the last year.

Voting activity

The Trustee seeks to ensure its investment managers are exercising voting rights and, where appropriate, to monitor managers' voting patterns. The Trustee expects to monitor votes cast by managers on particular companies or issues that affect more than one company in future.

The Trustee invests in listed equities through two passive funds with BlackRock. The Scheme's investment manager has reported on how votes were cast in each of these funds, as set out in the tables below.

Fund Name	BlackRock Aquila Life MSCI World Fund	BlackRock iShares Emerging Markets Index Fund (IE)
Proportion of Scheme assets (as at 31/03/2025)	2.5%	0.5%
No. of meetings eligible to vote at during the year	1,487	2,608
No. of resolutions eligible to vote on during the year	21,305	22,300
% Of resolutions voted	97%	98%
% Of resolutions voted with management	96%	88%
% Of resolutions voted against management	3%	11%
% Of resolutions abstained	0%	3%
% Of meetings with at least one vote against management	23%	39%
% Of resolutions voted contrary to the recommendation of your proxy adviser	0%	0%

Please note figures in the above table are subject to rounding and may not total 100%. This is due to reasons provided by BlackRock such as a lack of management recommendation, scenarios where a meeting agenda has been split voted, multiple ballots for the same meeting were voted in differing ways or a vote to 'Abstain' also being considered a vote against management.

The resolutions on which BlackRock voted against management the most during the period were mainly in relation to director elections, specifically:

- board independence
- board composition
- overcommitment of executives

- executive compensations.

Significant votes

The Trustee has asked BlackRock to report on the most significant votes cast within the listed equities funds they manage on behalf of the Trustee. BlackRock has identified a number of significant votes relating to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, to be material to a company's sustainable long-term financial performance.

From the manager's reports, the following votes have been identified in respect of the Trustee's selected key stewardship theme of 'Climate Change' or relating to an issuer to which the Scheme has a large exposure within the funds (from the subset of companies where a significant vote was identified):

Shell plc, 21 May 2024 (BlackRock Aquila Life MSCI World Fund)

BlackRock voted for a resolution to approve the Shell Energy Transition Strategy.

BlackRock has had extensive, multiyear engagements with Shell where they have discussed, among other topics, board composition, corporate strategy and the board's oversight of, and management's approach to, climate-related risks and opportunities.

At Shell's May 2024 annual general meeting (AGM), BlackRock supported management's proposal to approve Shell's energy transition update and its Energy Transition Strategy 2024, both of which are disclosed on the company's website. Shell first submitted its Energy Transition Strategy for a vote at the May 2021 AGM, when it received 89% support from shareholders, including BlackRock. In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its Energy Transition Strategy. The proposals received c.80% shareholder support in 2022 and 2023, including from BlackRock.

In BlackRock's view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, while also demonstrating progress against its stated Energy Transition Strategy.

As presented during its Capital Markets Day in 2023, Shell aims to deliver "more value with less emissions". In line with the shift to prioritising value over volume, it is concentrating on select markets and segments where it has competitive advantage, such as the decarbonisation of transportation. In BlackRock's assessment, Shell has demonstrated that it remains on track to meet its goal of reducing by 50% the scope 1 and 2 emissions under its operational control by 2030 compared to 2016. By the end of 2023, the company had achieved more than 60% of this target. Shell is also making progress towards its plan to eliminate routine flaring from upstream operations and achieve near-zero methane emissions by 2030.

BlackRock notes that Shell has made several adjustments to its climate-related targets due to developments in energy markets and the strategic shift in its power business. For example, Shell retired its 2035 net carbon intensity (NCI) target of 45% because of uncertainty regarding the pace of the global low-carbon transition. Shell also adjusted its 2030 NCI reduction target from 20% to 15–20%, based on lower expected growth in total power sales for the period as it prioritises value over volume in its power business, focusing on commercial customers more than retail customers. BlackRock views these adjustments as reasonable and in the interest of shareholders given that they reflect, and provide transparency into, Shell's efforts to manage climate-related risks and opportunities in its business model.

CSPC Pharmaceutical Group Limited, 28 May 2024 (BlackRock iShares Emerging Markets Index Fund)

The Trustee notes that BlackRock has not been able to highlight any votes of being of any particular relevance to the Trustee's selected key stewardship theme of 'Climate Change' – therefore, the below vote has been chosen

from the subset of companies where a significant vote was identified for the iShares Emerging Markets Fund, because of CSPC Pharmaceutical Group Limited's (CSPC's) significant weighting in the fund.

BlackRock voted against a resolution to re-elect CSPC's Chairman (Mr Cai Dongchen) who also chairs the Board's Nomination Committee, due to concerns about board independence.

Over the past several years, BlackRock has engaged with CSPC on a range of business-relevant risks and opportunities. These have included its capital management, and how its compensation practices are aligned with long-term financial value creation for shareholders.

As explained in BlackRock's approach to engagement on board quality and effectiveness, the manager looks for boards to establish robust and effective corporate governance practices. The board nomination process is, in BlackRock's view, key to ensuring that companies nominate directors who have relevant skills and experience, as well as the independence to ensure objectivity in the board's decision-making processes and oversight of management.

In the Hong Kong market, local listing rules permit companies' nomination committees to be chaired by the chairman of the board, or by an independent non-executive director. However, as BlackRock outlines in its proxy voting guidelines for Hong Kong securities, it finds that independent leadership of the nomination committee helps protect long-term shareholders' interests by preventing the over-concentration of power in a single director.

At its May 2024 AGM, CSPC's Chairman – who is also its founder and former CEO – and related shareholders (the management group) held a 30% controlling stake in the company. Long-term investors like the Trustee, who are often minority shareholders, benefit when companies are careful to avoid potential overconcentration of power. In this instance, the Chairman's position as controlling shareholder and leader of the nominating committee may not support effective board oversight. For these reasons, BlackRock did not support the re-election of CSPC's Chairman at the company's May 2024 AGM.

Use of a proxy adviser

The Trustee's investment managers have made use of the services of the following proxy voting¹ advisers over the Scheme year:

Investment Manager	Proxy Adviser used
BlackRock	<p>BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts with relation to voting and facilitate client reporting on voting.</p> <p>In certain markets, BlackRock works with proxy research firms to apply proxy voting guidelines to filter out routine or non-contentious proposals and to refer any meetings where additional research and possibly engagement might be required to inform the voting decision.</p>

Engagement activity

To comply with the Scheme's Stewardship, Voting and Engagement Policy, the Trustee holds meetings with its investment managers on a periodic basis, at least once a year, where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee achieved this via quarterly meetings of the Funding and Investment Committee – meeting with M&G and Barings over the period, and also through an annual 'Manager Day' meeting held on 22 October 2024 – during which the Trustee met with BlackRock and PGIM.

¹ A proxy voter is appointed to cast votes on behalf of investors on shareholder matters.

Prior to each manager meeting, the Trustee and its investment adviser set each manager a comprehensive agenda to assist the Trustee in holding each manager accountable. The agenda covered a wide range of topics including a review of short- and long-term performance in the market context, market outlook, risks and opportunities, and responsible investing.

Summary of manager engagement activity

The Trustee receives annual reporting on BlackRock's engagement activity. The following table summarises BlackRock's key engagement activity for the 12-month period ending 31 December 2024 across all funds.

Engagement theme	Number of engagements
Strategy, purpose, and financial resilience (Purpose driven long-term strategy, underpinned by good capital management to support financial resilience.)	2,598
Board quality and effectiveness (Good-quality leadership through board composition, effectiveness, diversity and accountability to drive positive performance.)	2,032
Incentives aligned with financial value creation (Appropriate incentives to reward executives for delivering long-term value creation.)	1,272
Climate and natural capital (Business plans with targets to advance the transition to a low-carbon economy and manage impacts through sustainable business practices.)	1,126
Company impacts on people (Sustainable business practices to create value for key stakeholders, employees, customers, suppliers and communities.)	1,199

Over 2024, BlackRock carried out 3,384 engagements with 2,394 companies and engaged with 664 of these companies on multiple occasions. BlackRock covered 47 different markets through these engagements. The Trustee is satisfied with the engagement activity exercised by BlackRock across various ESG-related themes on behalf of the Scheme. The table above focuses solely on the engagements undertaken by BlackRock, as it managed a 74% strategic allocation (of the Scheme's assets) as at 31 March 2025.

Review of policies

The Trustee has committed to reviewing the investment managers' responsible investment (RI) policies annually, with the last review undertaken in March 2025. The review considered the investment managers' compliance with the main industry governance standards, their broader approach to RI and ESG issues and any change in their approach over the period. The Trustee is aware that BlackRock recently published a meaningful update to their global stewardship policies (for 2025) and we are currently reviewing this and the impact on the assets they manage for us.