Royal Ordnance Pension Scheme – Implementation Statement

Statement of Compliance with the Royal Ordnance Pension Scheme's Stewardship Policy for the year ending 31 March 2026.

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 2025 to 31 March 2026.

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 BAE Systems.

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 31/03/2026)	3.2%	0.6%
No. of meetings eligible to vote at during the year	1,394	2,512
No. of resolutions eligible to vote on during the year	20,371	23,092
% Of resolutions voted	93%	99%
% Of resolutions voted with management	96%	85%
% Of resolutions voted against management	3%	14%
% Of resolutions abstained	0%	4%
% Of meetings with at least one vote against management	19%	42%
% 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 governance matters, specifically:

- election of directors;
- board independence and composition; and
- executive compensation.

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):

Equinor ASA, 14 May 2025 (BlackRock Aquila Life MSCI World Fund)

BlackRock voted against a resolution to discontinue Equinor's (a Norwegian energy company) wind power businesses and to decommission all wind power plants.

At Equinor's May 2025 AGM, several shareholder proposals were submitted relating to the company's climate strategy and energy mix. This included a resolution addressing the role of renewable energy, specifically, a proposal to discontinue Equinor's wind power business and decommission its wind assets.

In a low-carbon future, offshore wind will be important in the energy mix, partly because Equinor's projects are of a size that provides significant power production, and offshore wind will also be one of the few options for large-scale renewable energy for some densely populated areas. There was therefore belief that there will be a market for power generation from offshore wind in the future, and that the company had significant competitive advantages within offshore wind due to experience from large industrial projects offshore. Further, the development of renewable energy such as wind power is important to help reduce the world's greenhouse gas emissions.

BlackRock voted against the proposal on the basis that it did not demonstrate credible economic merit or a clear benefit to long-term shareholder value. The resolution was considered overly prescriptive, as it sought to direct a specific strategic outcome, namely, the closure of Equinor's wind power business, thereby encroaching on the responsibilities of management and the board.

BlackRock's stewardship approach emphasises holding boards accountable for overseeing strategy, rather than supporting shareholder interventions that dictate operational decisions in the absence of clear governance failures. Furthermore, Equinor was deemed to already have appropriate processes in place to assess its energy mix and manage climate-related risks, rendering the proposal unnecessary and redundant.

The shareholder's proposal was not adopted. Following the meeting, Equinor strengthened its efforts to improve public knowledge about how to develop wind power projects in a sustainable way.

CTBC Financial Holding Company, 13 June 2025 (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 CTBC's meaningful weighting in the fund.

BlackRock voted against a resolution to elect *John-Leon Koo* as a non-independent director at CTBC, a financial services company based in Taiwan.

BlackRock were aware that the non-executive director in question was involved in multiple legal proceedings, including one that resulted in a finding of financial misconduct related to a property transaction during the director's

tenure. Prior to the company's June 2025 AGM, BlackRock engaged with representatives from CTBC to better understand the company's approach to strategy as well as the aforementioned corporate governance matter.

BlackRock did not support the elections of the non-executive director, as well as the chair of the nomination committee, at the company's June 2025 AGM. While all management-nominated director candidates received majority shareholder support, *John-Leon Koo* resigned from the board following the meeting in response to concerns from various stakeholders.

BlackRock believe the mix of director professional and personal characteristics, including their experiences, perspectives, and skillsets, collectively contribute to the board's effectiveness in advising and overseeing management in delivering long-term financial returns. When nominating directors to the board, BlackRock look to companies to provide sufficient information on the individual candidates so that shareholders can assess the capabilities and suitability of each individual nominee and their fit within overall board composition. It is in this context that BlackRock is interested in a variety of experiences, perspectives, and skillsets in the boardroom.

The manager sees it as a means of promoting diversity of thought to avoid "group think" in the board's exercise of its responsibilities to advise and oversee management. BlackRock takes a case-by-case approach to analysing a board's composition — based on a company's board size, business model, strategy, location, and market capitalization — and they do not prescribe any particular board composition in their engagements or voting.

As part of BlackRock's process to evaluate contested director elections, for each director nominee they analyse the alignment of the individual's skills and experience with the challenges that a company currently faces and may face over the next few years. In this instance, BlackRock communicated it was not in the best financial interests of shareholders to have this particular director on CTBC's board.

Use of a proxy adviser

The Trustee's investment managers have made use of the services of the following proxy voting[1] advisers over the Scheme year:

Investment Manager	Proxy Adviser used
BlackRock	BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. 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.

At the end of the Scheme year, the Trustee implemented the Glass Lewis 'Climate voting policy' for the Scheme's developed world equity fund, via BlackRock Voting Choice. This will be reflected in next year's Statement.

Engagement activity

To comply with the Scheme's Stewardship, Voting and Engagement Policy, the Trustee holds meetings with each of its investment managers on a periodic basis, typically 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 GSAM, BlackRock and M&G over the period.

[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 2025 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.)	2,009
Board quality and effectiveness (Good-quality leadership through board composition, effectiveness, diversity and accountability to drive positive performance.)	1,497
Incentives aligned with financial value creation (Appropriate incentives to reward executives for delivering long-term value creation.)	961
Climate and natural capital (Business plans with targets to advance the transition to a low-carbon economy and manage impacts through sustainable business practices.)	707
Company impacts on people (Sustainable business practices to create value for key stakeholders, employees, customers, suppliers and communities.)	786

Over 2025, BlackRock carried out 2,373 engagements with 1,811 companies and engaged with 413 of these companies on multiple occasions. BlackRock covered 42 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 72.5% strategic allocation of the Scheme's assets as at 31 March 2026.

Review of policies

The Trustee has committed to reviewing the investment managers' responsible investment (RI) policies annually, with the last review undertaken in March 2026. 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.

At the end of the Scheme year, the Trustee implemented the BlackRock decarbonisation stewardship policy in the Scheme's segregated Buy and Maintain credit mandate, as an alternative to the manager's benchmark policy.