

TRAFALGAR HOUSE PENSION TRUST

IMPLEMENTATION STATEMENT

DECEMBER 2024

INTRODUCTION

This Implementation Statement ('Statement') is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The Trustee of The Trafalgar House Pension Trust (the 'Trust') have prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship policies, including engagement and voting set out in the Statement of Investment Principles (the "SIP") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Trust's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 31 December 2023 to 31 December 2024.

The Statement is publicly available at:

- <https://www2.myworkpension.co.uk/SchemeNoticesTHPT>

To the best of our knowledge, the Trustee have followed all of the policies as outlined in the relevant SIP during the reporting period.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

TRUST STRUCTURE

The Trust's assets are comprised of two separate sub-sections, namely:

- Defined Benefit Scheme (DBS)
 - Part of the Trust which, prior to 1 October 2005, was known as the Defined Benefits Scheme section of the Trust
- Defined Contribution Scheme (DCS) Underpin

- The DCS investments are held with the Ruffer Total Return International Fund

EXECUTIVE SUMMARY

The day to day management of the Trust's assets is delegated to Cardano Risk Management Limited (the 'Fiduciary Manager'). In advance of the appointment, the Trustee took steps to ensure that the management of the Trust's' assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continue to monitor the Fiduciary Manager, as part of its regular interactions with them.

The Trustee monitor engagement and voting activity of the Trust's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focus their efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee are comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager overall assessments once a quarter.

OUR STEWARDSHIP POLICY

WHAT IS STEWARDSHIP?

"Stewardship" is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Trust and engaging with the management of any companies or properties where an investment has been made.

WHAT IS OUR STEWARDSHIP POLICY?

The Stewardship Policy in force during the financial year was:

The Trustee consider responsible investment to be the integration of environmental (with particular emphasis on climate change risks and opportunities), social and governance factors and other relevant matters into investment decisions in respect of the portfolio where financial risk and / or return is or could be materially affected ("Responsible Investment"). This involves being engaged stewards through engaging and collaborating with investment managers to ensure resilient and healthy markets.

Consistent with this approach to responsible investment, we believe that in addition to providing pension provisions for members, it would be reasonable to assume that, when they receive their pension, they and their dependents would want to spend it in a world where the environmental quality of life is broadly similar to or better than it is at present. To this end, within the context of its fiduciary responsibility, we are supportive of the United Nations Framework Convention on Climate Change (UNFCCC) agreement to limit temperature rises to well below 2 degrees and towards 1.5 degrees centigrade above pre-industrial levels.

The Trustee recognise that our direct influence on companies and policy makers is limited, so we exert influence via our third-party managers. The Trustee also recognise that it's investment managers are able to exert significant influence on the companies in which they invest. In this regard, the Trustee expect their appointed investment managers to be responsible investors.

When selecting or monitoring investment managers, the Trustee and the Fiduciary Manager scrutinises their stewardship policy, including their engagement and voting activities. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy.

ENGAGEMENT

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trust has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trust's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality, and health & nutrition)

On behalf of the Trustee, the Fiduciary Manager has recently written to the Trust's investment managers reaffirming and expanding on the Trust's policy and expectations which align with our stewardship priorities. The Trustee expect the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

HOW HAVE WE IMPLEMENTED OUR STEWARDSHIP POLICY?

FUND STRUCTURING

The Trustee holds investments primarily on an indirect basis through pooled funds that are managed by investment managers that our Fiduciary Manager appoints. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden on the Trustee

Where investments are made in pooled funds the Trustee follow the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remain responsible for ensuring that the investment managers and our Fiduciary Manager appoints act consistently with the Trust's Stewardship Policy.

EXTERNAL ENGAGEMENTS

The Trustee assess that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK 2021 UK Stewardship Code.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, some of which are noted below.



ENGAGEMENT BELIEFS

The development of engagement beliefs is an important responsibility for the Trustee. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios.

Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years.

Real world impact

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions).

Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers.

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+.

Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics.

Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement).

MANAGER SELECTION AND MONITORING

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, engagement and voting policies where applicable. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitor voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate. The Trustee focus their efforts on any managers where voting and engagement is material.

A significant proportion the Trust's Growth assets are invested in a series of Private Market investments. Most of these strategies own controlling stakes in the underlying businesses, meaning that stewardship is evidenced in a much broader way than, for example, investing in company shares that are listed on a stock market (i.e. public market investments).

One important way for a Private Markets investment manager to add value is to ensure that each business has the best corporate governance possible – dictating and controlling the policies and make up of senior leadership (versus voting at shareholder meetings). Engagement is, therefore, highly relevant in some cases and we include some examples in the relevant section of this report.

COMPLIANCE STATEMENT

To the best of our knowledge, the Trustee have complied with the Stewardship Policy over the year.

VOTING ACTIVITY

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and investment managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Trust and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

HOW DID OUR MANAGERS VOTE?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Trust invests with, directly or indirectly, are subject to the Trust's engagement policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations.

BlackRock Global Event

	Manager response
Number of meetings the manager was eligible to vote at over the year	106
Number of resolutions the manager was eligible to vote on over the year	900
% of eligible resolutions the manager voted on	99%
% of votes with management	90%
% of votes against management	23%
% of resolutions the manager abstained from	0%

Dorsal

	Manager response
Number of meetings the manager was eligible to vote at over the year	22
Number of resolutions the manager was eligible to vote on over the year	215
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	0%
% of resolutions the manager abstained from	6%

Kadensa

	Manager response
Number of meetings the manager was eligible to vote at over the year	115
Number of resolutions the manager was eligible to vote on over the year	1,036
% of eligible resolutions the manager voted on	100
% of votes with management	86%
% of votes against management	14%

% of resolutions the manager abstained from	0%
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Sunriver

	Manager response
Number of meetings the manager was eligible to vote at over the year	19
Number of resolutions the manager was eligible to vote on over the year	174
% of eligible resolutions the manager voted on	90%
% of votes with management	87%
% of votes against management	3%
% of resolutions the manager abstained from	10%

USE OF PROXY VOTING SERVICES

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- Proxy voting services is an important part of how investment managers implement their voting policies
- Proxy voting services often allow investment managers to implement their own voting policies

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Trust's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
BlackRock Global Event	Institutional Shareholder Services (ISS)
Dorsal	None
Kadensa	Institutional Shareholder Services (ISS)
Ruffer	Institutional Shareholder Services (ISS)
Sunriver	Institutional Shareholder Services (ISS)

EXAMPLES OF SIGNIFICANT VOTES

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

BlackRock Global Event

Company Name	Boeing
Summary of the resolution	Report on GHG emissions
How the manager voted	For
Where the manager voted against management, did the manager communicate their intent ahead of the vote?	n/a
Voting rationale	Key to assessing environmental risk and technological obsolescence risk as light weighting is key to fuel efficiency and customer cost containment initiatives
Vote outcome	Against

Dorsal

Company Name	Microsoft
Summary of the resolution	This proposal asks that Microsoft report on the risks of providing technology services (including AI tools) to the oil and gas industry as it may facilitate new development and production in those industries.
How the manager voted	Against
Where the manager voted against management, did the manager communicate their intent ahead of the vote?	Voted with management
Voting rationale	Decided to vote alongside management against this proposal as Dorsal believed Microsoft is addressing its climate change goals in better ways.
Vote outcome	Against

Kadensa

Company Name	Meta Platforms
Summary of the resolution	Report on human rights impact assessment of targeted advertising
How the manager voted	For
Where the manager voted against management, did the manager communicate their intent ahead of the vote?	No
Voting rationale	Policy to vote inline with proxy adviser recommendation
Vote outcome	Unknown

Sunriver

Company Name	Dun & Bradstreet Holdings Inc
Summary of the resolution	Approval of a non-binding advisory resolution on the compensation paid to the companies named executive officers
How the manager voted	Sunriver agreed with ISS' recommendation to vote against Executive Officer's Compensation
Where the manager voted against management, did the manager communicate their intent ahead of the vote?	n/a
Voting rationale	Unmitigated pay-for-performance misalignment. Although the annual incentive program was sufficiently tied to rigorous objective performance criteria, there were significant concerns with the magnitude and structure of the long-term incentives.
Vote outcome	Unknown

ENGAGEMENT ACTIVITY

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to divestment or exclusions practices, in order to create a positive real-world change. Through engagement, investment managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Trust's investment managers where engagement should be a material activity in the management of the assets.

PUBLIC MARKET ENGAGEMENT ACTIVITY

BlackRock Global Events

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Metals</p> <p>Outcome:</p> <ul style="list-style-type: none"> Improved water usage and carbon emissions through higher quality materials 	<p>The company is a leading specialty metals producer servicing primarily the commercial aerospace market. It has pursued multi-year transformation through the exit of low quality, margin dilutive, carbon intensive, commodity steel business to higher quality specialty titanium aerospace business. The manager has successfully worked with management to improve business mix, quality and cost, which in turn has improved water usage, carbon emissions, health and safety standards--translating to an improved MSCI rating of A and material value creation from enhanced margins, top line growth and business durability</p>

Dorsal

Key points	Engagement activity
<p>Engagement Theme: Human Rights</p> <p>Industry: Entertainment</p> <p>Outcome:</p> <ul style="list-style-type: none"> The manager continues to follow-up with the company with an aim to improve safer gambling practices and enhance technology to help mitigate risks arising from gambling related harms 	<p>Engaged with a leading global entertainment company that offers sports betting and casino products primarily through its online platforms. Dorsal are monitoring statistics on problem gambling and interacting with senior management to better understand policies and procedures to address problem gambling. Gambling will inevitably lead to consumers who experience addiction or financial issues. Dorsal are continuing to research problem gambling by speaking to operators and researchers who study gambling related harms. In the October 2024 meeting with the company's CEO, Dorsal addressed problem gambling initiatives. They continue to see scope for the company to increase staff focused on problem gaming and also advocating for a data-based approaches to gambling to combat addiction.</p>

Kadensa

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Consumer Discretionary</p> <p>Outcome:</p> <ul style="list-style-type: none"> Company has committed to targets to improve recycling and reduce water usage 	<p>The manager has engaged with the company with an aim to improve their ESG practices with a particular focus around (i) packaging material and waste; (ii) water stress; and (iii) health/nutrition (high sugar content drinks)</p> <p>The company has shared targets on plastics recycling (well developed in Japan and Europe, greatly lags in Southeast Asia), and water reduction targets for 2030, and has provided updated metrics on a semi-annual basis. The manager will continue to engage and track progress</p>

Ruffer

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Airline</p> <p>Outcome:</p> <ul style="list-style-type: none"> On SBTi, the company confirmed that it had formally submitted its targets, but the validation process was slow-moving. On sustainable aviation fuel, Ruffer continue to be impressed by the company's approach and emission reductions more broadly and think the company is well placed to reinforce its competitive advantage 	<p>The manager had a meeting with the Airline company to discuss their use of sustainable aviation fuel. The shortage of sustainable aviation fuel and the cost premium – coupled with upcoming regulation – raise significant risks to the value of the assets and equally significant opportunities to take a leadership position. In addition to this, the manager asked for an update on the validation of the company's targets by SBTi.</p>

Sunriver

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Automobiles</p> <p>Outcome:</p> <ul style="list-style-type: none"> The manager was comfortable with the company's refurbishment/return program 	<p>The manager discussed ESG concerns with the company related to their lack of a refurbishment / return program. Sunriver were able to get incrementally comfortable with this concern by opening dialogue with the company and understanding that 90% of the company's products ever sold are still in use. In other words, their products last a very long time and a return program has little impact on waste creation</p>

PRIVATE MARKET ENGAGEMENT ACTIVITY

Genstar

Key points	Engagement activity
<p>Engagement Theme: Multiple</p> <p>Industry: Technology</p> <p>Outcome: Multiple</p>	<p>The manager has actively collaborated with a leading global provider of cell phone and electronic device protection solutions to reduce the environmental footprint of its services. This engagement has driven meaningful sustainability outcomes, including:</p> <ul style="list-style-type: none"> 95% of devices given a second life, preventing emissions equivalent to planting a forest the size of Texas Repairing phones generates 90% less CO₂e than manufacturing new ones, significantly reducing global emissions Over 45 million phones saved from landfills, promoting a circular economy <p>Additionally, the company has introduced carbon-neutral initiatives to further its sustainability efforts:</p> <ul style="list-style-type: none"> Transitioning to an electric repair fleet Sourcing renewable energy for operations Investing in solar-powered facilities to reduce reliance on fossil fuels

Oaktree

Key points	Engagement activity
<p>Engagement Theme: Multiple</p> <p>Industry: Energy</p> <p>Outcome:</p> <ul style="list-style-type: none"> The management team is in the process of developing a sustainability policy and relevant KPI tracker to codify and measure these commitments. We intend to closely monitor these KPIs and, in partnership with management, evaluate the impact on the business 	<p>The manager invested in a leading energy services company that provides energy efficiency, sustainability, resiliency, and infrastructure improvement solutions to public- and private-sector customers. The company offers a full range of sustainable infrastructure solutions for waste-to-energy, distributed generation, and renewable energy applications. The company completed the manager's "ESG toolkit" and based on a materiality assessment is intending to focus its ESG efforts on the following areas:</p> <p>Environmental</p> <ul style="list-style-type: none"> Energy consumption within and outside of the organization Greenhouse gas emissions <p>Social</p> <ul style="list-style-type: none"> Occupational health and safety management system coverage Work-related injuries Gender composition of highest governance body and its committees

- Diversity composition of governance bodies and employees
- Governance
- Board composition
 - Delegation of authority
 - Communication and training about anti-corruption policies and procedures
 - Executive-level responsibility for ESG topics

Quantum

Key points	Engagement activity
<p>Engagement Theme: Multiple</p> <p>Industry: Multiple</p> <p>Outcome:</p> <ul style="list-style-type: none"> • Enhancing transparency and accountability and fostering a culture of continuous improvement and responsible business practices among the portfolio. 	<p>Refinement of ESG analysis and incorporation - operated and majority-controlled portfolio companies strive to regularly measure, monitor, evaluate and report on their ESG improvements. Over the past few years, the manager has expanded portfolio company reporting to include additional key focus areas and has further standardised data collection to improve accuracy and year-over-year comparability. They rolled out a data toolkit to the portfolio companies to assist with calculating and reporting new metrics, further standardised the reporting process and increased reporting frequency to quarterly. The data collected is available to portfolio companies through an internal dashboard and is used to extract insights about common trends, drivers and challenges across the majority-owned portfolio, and to better assess risks and opportunities for new investment opportunities. Given the monitoring and reporting process, the manager felt it was a natural step to join an ESG Data Convergence Program and report on a core set of ESG metrics across six categories.</p>

UNCORRELATED AND AFRICA PORTFOLIOS

UNCORRELATED PORTFOLIO

The Uncorrelated Portfolio is a fund of funds investment vehicle, managed by Absolute Return Partners. The Uncorrelated Portfolio had previously held liquid managers, however at the end of 2022, following the change in strategy, the Trust redeemed from the liquid managers. Over the period, the manager invested in illiquid managers only:

- The Illiquid managers invest in private companies, while a number do not invest in companies (e.g. music royalties)

AFRICA PORTFOLIO

The Africa Portfolio includes exposure to African private companies.

Private market (illiquid) investments – engagement examples for portfolio companies

Manager 1

Key points	Engagement activity
<p>Engagement Theme: Climate Change</p>	<p>The manager has pledged to ensure that each portfolio company attains a clear trajectory towards achieving net zero emissions by 2050 or earlier. To facilitate this commitment, the manager has supported the underlying companies with the</p>

Industry:

Farming

Outcome:

- To date four portfolio companies have finalised their de-carbonisation strategies, with one more underway

development of implementable and targeted net zero plans to all portfolio companies.

With each underlying company the manager has worked with the company to:

- Understand emissions throughout the supply chain to determine where mitigation is required
- Understand and quantify the impact of existing mitigation opportunities and identifying new opportunities
- Evaluate the gap to net zero that will remain after known mitigation projects are implemented to understand where new technologies will be needed
- Developing a mitigation pathway which sets out steps on when and how the de-carbonisation process will be achieved