

Implementation Statement

Year ended 5 April 2025

Introduction / Summary

Under the regulatory requirements covering occupational pension schemes, the National Trust Retirement and Death Benefits Scheme Corporate Trustee Limited in its capacity as Trustee of the National Trust Retirement and Death Benefits Scheme (the “Trustee” / “we”) is required to produce an annual Implementation Statement stating how the policy covered in the Statement of Investment Principles (the “SIP”) regarding the exercise of the rights attached to the investments and the undertaking of engagement activities in respect of the investments has been followed.

This document has been prepared by the Trustee, covering the period 6 April 2024 to 5 April 2025. This time period has been covered in order to report to the end of the Scheme year on the regulations that came into force in October 2019.

This document looks to set out at a high level how the Trustee’s policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee’s opinion on the outcomes of voting and engagement activity for managers that hold listed equities (where engagement is most easily evidenced within the portfolio) and publicly traded credit.

Overall, the Trustee is comfortable that the voting and engagement policies set out in the SIP have been properly adhered to over the period.

Changes to the SIP over the period

The Statement of Investment Principles was last reviewed in November 2024. Updates to the SIP were made to:

- Update the Trustee’s new primary investment objective and risk budgets.
- Update Trustee’s updated hedging target.
- Update the governance section to align with the latest Terms of Reference.

The Scheme’s latest SIP is available on the Scheme website.

Summary of the Scheme’s Stewardship Policy

The Stewardship Policy in the SIP reflects the Trustee’s approach to practising effective stewardship and acting in the best financial interests of the Scheme’s members. The policy also adheres to the latest stewardship guidance issued by the Department for Work and Pensions (“DWP”) which was effective from October 2022.

The Trustee understands good stewardship to be the responsible allocation, management, and oversight of capital to create long-term value for the Scheme’s members, leading to sustainable benefits for the economy, the environment and society. The Trustee will aim to use its influence as an owner of assets to ensure that as far as possible best practices are reflected in terms of environmental, social and governance (“ESG”) factors, and it will hold its investment managers to account for the effective use of their influence as owners of assets.

Key areas of focus

To best channel stewardship efforts, the Trustee believes that it should focus on a selection of key themes. Key themes have been selected by assessing their relevance to the Scheme and its members, the financially material risks that they pose, and the maturity and development of thinking within the industry that allows for ease of integration into their approach. The key themes are:

- Climate Change
- Biodiversity

The Trustee has sent its Stewardship Policy to the Scheme's investment managers, setting out the Trustee's overall view on stewardship, its chosen stewardship themes, and its expectations of the managers in exercising effective stewardship on the Trustee's behalf. More detail on the Trustee's Stewardship Policy can be found within section 1 of the Statement of Investment Principles, which can be accessed via the Scheme website.

How the Trustee's voting and engagement (stewardship) policies have been followed?

The Trustee meets with the Scheme's investment managers on a periodic basis to discuss, amongst other things, their recent stewardship activity on behalf of the Scheme. The Trustee has put together assessment criteria to assess managers during these meetings. Amongst other things, the criteria assess managers' approach to stewardship, in particular relating to the Trustee's key area of focus - climate change and biodiversity.

Over the year, the Trustee met with all the Scheme's investment managers and intends to continue doing so. The IC selects which managers to meet as part of a rolling programme of reviews, or when required due to performance/other issues. As part of these sessions, investment managers are asked to provide information about their environmental, social and governance ("ESG") practices and are questioned on the extent to which ESG factors are integrated into their investment decisions. They are also asked to provide information on their approaches to stewardship and engagement. Over the reporting period, the Trustee also assessed its investment adviser against the objectives it had set for them. The Trustee utilises a scorecard system to evaluate its managers against ESG factors. This feedback is then provided directly to the managers.

For example, Schroders received feedback following the March 2024 IC meeting on the Buy and Maintain portfolio, where the IC noted that better information on the portfolio engagements in relation to climate change and biodiversity would be helpful. This feedback was addressed in their next meeting in March 2025, which was well received.

Of the Scheme's investment managers in place at year end, Schroders and Blackrock are signatories to the UK Stewardship Code, while Stonepeak and Partners Capital are not. Although the Trustee expects the Scheme's managers to be signatories to the Stewardship Code, the Trustee understands that there are valid reasons as to why a manager may not be a signatory. Given the natures of the strategies that Stonepeak and Partners Capital manage, and the region in which the managers primarily operate, the Trustee has no immediate concerns.

Voting

The Trustee does not currently have any public equity investments and so does not have the voting rights that are associated with such instruments. This report therefore does not disclose any information on voting activity that could have taken place during the year.

Engagement

The Trustee expects the nature of engagement to vary between asset classes. The Trustee acknowledges that engagement can take place across the various asset classes in which the Scheme invests. With this in mind, on the pages that follow are examples of engagement across both the Scheme's liquid and illiquid investment managers.

Engagement (continued)

This year, the Trustee asked managers to provide examples related to the Trustee's two agreed themes of climate change and biodiversity. The Trustee notes that engagement examples provided by the Scheme's managers are focused primarily on climate change. Acknowledging the relative nascency of considering biodiversity in more detail than in an investment context, the Trustee expects the approaches of the Scheme's managers to this theme to develop over time. Nevertheless, the Trustee discusses both climate change and biodiversity when meeting the Scheme's managers.

This is the first year the Trustee has requested engagement examples from its illiquid asset managers. The Trustee recognises that the nature of engagement in these holdings differ materially from the liquid market strategies but continues to discuss these matters with the relevant fund managers on an annual basis as part of the manager engagement meetings.

Schroders - Direct Engagement

Strategy: Buy and Maintain

Company: Oil and Gas Company

Focus of the engagement: Environment climate change.

Details of the engagement:

Schroders is engaged in ongoing dialogue with an oil and gas company, including recent in-person meetings with both the Chair and CEO. The engagement focuses on concerns regarding the company's long-term positioning on oil and gas production, its carbon capital expenditure, and its emission intensity targets. Schroders also raised concerns about the company's revised long-term strategy, while acknowledging its renewed focus on balance sheet strength. Key engagement priorities include capital allocation discipline - particularly in upstream exploration – alongside accountability for Scope 1 and 2 emissions and health and safety.

Outcome of the engagement:

The engagement has enabled Schroders to communicate its expectations around strategic positioning, capital discipline and sustainability performance. Discussions have focused on aligning the company's approach with long-term value creation, whilst ensuring that operational and environmental risks are appropriately managed. Meetings took place in December 2024, with follow-ups in 2025.

Strategy: ISF Securitised Credit

Company: Citibank

Focus of the engagement: Environmental

Details of the engagement:

Jubilee 7 is a publicly traded RMBS (residential mortgage-backed security) transaction backed by Dutch residential and mixed use buy-to-let, and small balance commercial real estate ("CRE") mortgages. These mortgages are originated by three specialist lenders in the Netherlands. The structure includes a green incentive mechanism: borrowers receive an interest rate reduction if they purchase energy-efficient properties (EPC rating A-C) or commit to improving the energy efficiency of properties currently rated EPC C-G by at least one label.

To qualify for the rate reduction, improvements must be completed within six months of the mortgage closing, and borrowers must provide a certified energy label as evidence. Additionally, properties with an existing EPC rating of A or B are eligible for an immediate interest rate discount at origination, as verified in the valuation report.

Summary of the Scheme's Stewardship Policy (continued)

Strategy- ISF Securitised Credit (continued)

Outcome of the engagement:

In January 2025, Schroders joined a roadshow call for Jubilee 7. The transaction offers a 10-15 basis point interest discount for energy efficient properties. Schroders also conducted a review of the ESG policies of the three originators and Citibank to assess the overall investment case. Based on the structure and characteristics of the deal, Schroders viewed the opportunity positively and chose to proceed with the investment.

Strategy: Focus II

Company: Prodigy Finance

Focus of the engagement: Social

Details of the engagement:

Schroders engaged with Prodigy Finance to understand how the company delivers social impact through its asset-backed securitisation model. Prodigy provides postgraduate loan financing to students from over 150 countries, with a strong emphasis on improving access to education for women and individuals from emerging markets. During the engagement, Schroders received a business update, which included Prodigy's announcement in November 2024 of a further \$310 million in funding through its second partnership with the U.S. International Development Finance Corporation. Schroders also discussed Prodigy's prioritisation of financing in specific countries, particularly India, which remains a key market due to its strong credit performance and growth potential.

Outcome of the engagement:

Schroders challenged Prodigy on aspects of its business plan, particularly the rationale behind its country prioritisation strategy and how this aligns with its long-term growth ambitions. Following the discussion, Schroders were satisfied with Prodigy's strategic direction and commitment to delivering impact. As a result, Schroders decided to maintain its investment, confident in Prodigy's ability to achieve both financial and social outcomes.

Note: The Trustee provided feedback that the engagement example shared by Schroders for the FOCUS II Fund did not align with the thematic focus outlined for this section of the Implementation Statement. In this instance, Schroders confirmed that no climate change or biodiversity-related engagements were available to report for the Scheme year in relation to the Schroders Focus II Fund. This is due to the nature of the underlying investments and the fund not having primary objectives related to climate change mitigation or biodiversity enhancement. The Trustee intends to follow-up with Schroders on this matter and engage with them to drive change in its next manager engagement meeting.

Blackrock - Direct Engagement

Company: Akaysha

Focus of the engagement: Environmental climate change

Details of the engagement:

BlackRock has holdings in Akaysha, an Australian battery storage developer, which is currently developing the "Orana" battery storage asset. Akaysha places significant importance on the environmental initiatives in their host communities. They adopt an "avoid-minimise-mitigate" approach to project development, which is fundamental to their business practices.

One example of this approach is the Orana BESS project, where Akaysha carefully considered the existing vegetation on the site. The majority of the land consists of native grasslands and woodlands, specifically associated with White Box Grassy Woodland. BlackRock engaged with Akaysha to ensure that the project minimised environmental impact.

Summary of the Scheme's Stewardship Policy (continued)

Blackrock - Direct Engagement (continued)

Outcome of the engagement:

As a result of BlackRock's engagement, Akaysha designed the project's footprint to avoid disturbing as much woodland as possible, even if it meant a more complex design and maintenance process. The New South Wales department of planning has recognised these efforts, citing the project as a prime example of the "avoid-minimise-mitigate" approach and using it as a case study for other projects.

Partners - Indirect Engagement

Partners Capital invests predominantly via third-party asset managers, and the investment model does not involve direct ownership or control of underlying companies. Instead, influence is exerted through the managers selected and engaged with. Given this model, sustainable investing efforts focus on ensuring that third-party managers are integrating financially material ESG considerations into their investment processes.

Company: Senior Direct Corporate Lending Manager

Focus of the engagement: Environment - climate change

Details of the engagement:

Partners engaged via a Senior Direct Corporate Lending manager, identifying climate risk as a gap area in their ESG integration scoring. Partners recommended systematic climate risk assessments and emissions tracking, advocated for onboarding a third-party emissions data provider, Watershed, and provided feedback and expectations based on peer benchmarking.

Outcome of the engagement:

As a result of this engagement, the Senior Direct Corporate Lending manager hired a Climate Strategy Lead to oversee climate-related strategic priorities, developed a firm-wide emissions measurement process and launched a Climate Transition Program. Additionally, they launched a formal climate engagement framework and onboarded Watershed as the emissions platform provider. This engagement led to measurable outcomes, including new leadership hires, the adoption of emissions tracking platforms, and a formal escalation of climate priorities.

Stonepeak - Direct Engagement

Company: Onshore Wind Energy Company

Focus of the engagement: Environment - climate change and biodiversity

Details of the engagement:

Stonepeak invested in an onshore wind energy platform in partnership with a Japan-based renewable energy developer. Stonepeak holds an 80% interest and assumed control of the business, while the partner retained a 20% stake and continues to manage day-to-day operations. This structure allows Stonepeak to maintain oversight through Board representation and regular engagement with management. Although the projects are still in development, Stonepeak has engaged with the platform's management to support alignment with both parties' commitments to responsible ownership, focusing on climate risks, environmental impact, and biodiversity.

Summary of the Scheme's Stewardship Policy (continued)

Stonepeak - Direct Engagement (continued)

Outcome of the engagement:

Through its Board representation, Stonepeak engages with the company on operational and sustainability matters. This supports alignment on development practices and enables monitoring of progress, while also drawing on the partner's local knowledge and technical expertise.

The platform applies the renewable energy developer's Development Policy, which aligns with guidelines from the Japanese Ministry of the Environment and relevant international environmental laws. These standards extend to business partners in the supply chain. Engagement has also led to project-level practices being established to address worker health and safety and human rights risks, in line with applicable regulations.