

## Appendix A – Implementation Statement



**The Royal Air Force Benevolent Fund Staff Pension Fund**

Dalriada Trustees Limited

**Implementation Statement (IS):**  
Voting & Engagement Information (VEI) Report

Scheme Reporting Period:  
1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022

17<sup>th</sup> April 2023

## Appendix A – Implementation Statement (continued)

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# Appendix A – Implementation Statement (continued)

## 1 SIP Disclosures

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year-end relating to the following:

- 1. Financially Material Considerations
- 2. Non-Financial Considerations
- 3. Implementation of the Investment Arrangements

Corporate Governance - including the exercise of voting rights and engagement activities - is set out in the 'Voting and Engagement' section.

Source of Information:

*The Royal Air Force Benevolent Fund Staff Pension Fund  
Statement of Investment Principles  
August 2022*



### 1.1 Financially Material Considerations

The Trustee believes that the consideration of financially material Environmental, Social and Governance (ESG) factors (including climate change) in investment decision-making can lead to better risk adjusted investment returns. The Trustee expects its investment manager to take financially material ESG factors into account when making investment decisions. On an ongoing basis, the Trustee assesses the ESG integration capability of its investment managers.

The Trustee believes that, to protect and enhance the value of the investments over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects their investment managers to exercise ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this timeframe. On an ongoing basis, the Trustee assesses the stewardship and engagement activity of its investment manager.

## Appendix A – Implementation Statement (continued)

### 1.2 Non-Financial Considerations

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the investment managers, when exercising discretion in investment decision-making, to consider non-financial factors only when all other financial factors have been considered and in such circumstances the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

### 1.3 Implementation of the Investment Arrangements

The Trustee has limited influence over their investment manager's practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandates being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the funds. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that any manager's investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. It is expected that the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate their investment manager by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

## Appendix A – Implementation Statement (continued)

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Pension Fund's investment mandates.

### **SIP Update**

The SIP was revised during the Scheme Year and this VEI report has been produced on the basis that the revised policies apply throughout the year.

## Appendix A – Implementation Statement (continued)

### 2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme's manager, to facilitate the preparation of this report:

Table 2.1: Summary of Available Information

Fund Manager	Investment Fund/Product	Voting Information	Significant Votes	Engagement Information
BNY Mellon	Newton Real Return Fund	Full Info Available	Full Info Available	Full Info Available

**Table Key**

- Full Info Available** The manager has provided either a PLSA Voting Template or voting data that precisely matches the specific investment's holding / reporting period
- Part Info Available** The manager has provided either a PLSA Voting Template or voting data that partially matches the specific investment's holding / reporting period
- No Info to Report** The manager has explicitly stated that there is no voting or engagement information to report for this specific investment, or that it is not expected there will be any voting or engagement information to report due to the nature of the underlying investments
- No Info Provided** At the time of preparing this report, the manager has either not formally responded to the information request or has not provided information when we believe there should be information to report



**Minerva Says:**

**Voting Activity**

There was voting information disclosed for the Scheme's investments in the following fund:

- BNY Mellon Newton Real Return Fund

**Significant Votes**

There was 'Significant Vote' information disclosed for the Scheme's investments in the following fund:

- BNY Mellon Newton Real Return Fund

**Engagement Activity**

There was reportable engagement information disclosed for the Scheme's investments in the following fund:

- BNY Mellon Newton Real Return Fund (detailed fund level info)

## Appendix A – Implementation Statement (continued)

### 3 Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee has used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarizes Minerva's findings on behalf of the Scheme over the Scheme's reporting year.

The voting and engagement activity undertaken by the Scheme's manager, as reported by them and set out in this document, has been in the scheme members' best interests inasmuch that it demonstrates that the Scheme's manager has undertaken stewardship activity they deem to be appropriate and proportionate in the oversight and management of the Scheme's investments.

#### 3.1 Voting and Engagement Policy and Funds

The Trustee's policy on Corporate Governance from the Scheme's SIP is set out below:

*The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to their investment manager the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.*

*The Trustee wishes to encourage best practice in terms of activism. The Trustee accepts that by using a pooled investment vehicle the day-to-day application of voting rights will be carried out by the investment manager. Consequently, the Trustee expects the Pension Fund's investment managers to adopt a voting policy that is in accordance with best industry practice.*

The following table sets out:

- The funds and products in which the Scheme was invested during the Scheme's reporting period;
- The holding period for each fund or product; and
- Whether each investment manager made use of a 'proxy voter', as defined by the Regulations

Table 3.1: Scheme Investment/Product Information

Fund Manager	Investment Fund/Product	Investment Made Via	Fund / Product Type	Period Start Date	Period End Date	'Proxy Voter' Used?
BNY Mellon	Newton Real Return Fund	Direct	DB Fund	01/01/2022	31/12/2022	ISS

## Appendix A – Implementation Statement (continued)



### Minerva Says

As shown in the previous table:

- BNY Mellon (Newton) identified Institutional Shareholder Services, or 'ISS' as their 'Proxy Voter'.



## Appendix A – Implementation Statement (continued)

### 4 Exercise of Voting Rights

The following tables show a comparison of the Scheme’s manager’s voting activity versus the Trustee’s policy (which in this instance is the manager’s own policy).

Table 4.1: BNY Mellon’s Approach to Voting

Asset manager	BNY Mellon (Newton)																							
Relevant Scheme Investment(s)	Real Return Fund																							
Key Points of Manager’s Voting Policy	<p>Newton’s Responsible Investment Policies and Principles of April 2022 states that when they assess a company’s corporate governance, they take into account the individual circumstances of each company together with relevant governing laws, guidelines and established best practice. However, some overarching corporate governance principles exist that apply globally. Newton expects companies to comply with these principles, or to explain why they should not apply. The high-level areas of interest are set out below, and Newton recognize that some may not be formally recognized in certain markets:</p> <table border="1"> <tr> <td>1) Disclosure</td> <td>12) Dividend Policies</td> </tr> <tr> <td>2) Boards</td> <td>13) Share Buybacks</td> </tr> <tr> <td>3) Independence</td> <td>14) Related-party Transactions</td> </tr> <tr> <td>4) Chair and Chief Executive Officer (CEO)</td> <td>15) Voting Rights</td> </tr> <tr> <td>5) Senior Independent Director (SID)</td> <td>16) Schemes of Arrangements &amp; Amendments to Articles of Association</td> </tr> <tr> <td>6) Board Committees</td> <td>17) Anti-takeover Mechanisms/Poison Pills</td> </tr> <tr> <td>7) Succession Planning</td> <td>18) Shareholder Rights</td> </tr> <tr> <td>8) Board Diversity</td> <td>19) Capital Structure Alterations</td> </tr> <tr> <td>9) Risk Management and Internal Controls</td> <td>20) Controlling and Influential Shareholders</td> </tr> <tr> <td>10) Auditors</td> <td>21) Political Donations</td> </tr> <tr> <td>11) Remuneration</td> <td></td> </tr> </table>		1) Disclosure	12) Dividend Policies	2) Boards	13) Share Buybacks	3) Independence	14) Related-party Transactions	4) Chair and Chief Executive Officer (CEO)	15) Voting Rights	5) Senior Independent Director (SID)	16) Schemes of Arrangements & Amendments to Articles of Association	6) Board Committees	17) Anti-takeover Mechanisms/Poison Pills	7) Succession Planning	18) Shareholder Rights	8) Board Diversity	19) Capital Structure Alterations	9) Risk Management and Internal Controls	20) Controlling and Influential Shareholders	10) Auditors	21) Political Donations	11) Remuneration	
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Newton produces quarterly [Responsible Investment](#) reports disclosing their latest engagement and voting information.

## Appendix A – Implementation Statement (continued)

Is Voting Activity in Line with  
the Scheme's Policy?

Yes

Some examples of the manager's voting activity are provided in Section 7 – Significant Votes

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### Minerva Says

- Newton's published voting policy reflects a clear approach to corporate governance which broadly aligns with good practice.

## Appendix A – Implementation Statement (continued)

### 5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset manager, it is important that this policy is independently reviewed to ensure that it matches current good practice and the general stewardship expectations set by the Scheme. Well-managed companies that operate in a commercially, socially and environmentally responsible manner are expected to perform better over the longer term, as the Scheme believe that adopting such an approach will allow each company's management to identify, address and monitor the widest range of risks associated with their specific business.

Set out in the following table is Minerva's independent assessment of the Scheme's manager's publicly available voting policy in the context of current good practice as represented by the ICGN Voting Guidelines, whilst also bearing the Scheme's stewardship expectations in mind. This has been done for each manager where they have identified voting activity on behalf of the Scheme.

We have assessed the manager's policy, looking at it from Minerva's perspective of seven 'Voting Policy Pillars' that are at the core of our proxy voting research process, and which we have developed over the last 25 years. In using this well-tried approach, the Scheme can be sure that their investment manager's voting policy is being carefully considered against current good practice.

Table 5.1: Voting Policy Alignment

Manager Voting Policy Alignment with Current Good Practice							
Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
BNY Mellon (Newton)	Limited Disclosures	Aligned	Limited Disclosures	Aligned	Limited Disclosures	Limited Disclosures	Aligned
Comments	<p><b>Audit &amp; Reporting:</b> there is no information regarding the manager's approach towards audit fees or verification of internal audits. No specific details have been provided regarding the approach towards changing auditors or audit partner rotation.</p> <p><b>Capital:</b> there is no disclosure regarding the introduction of new share classes or shares issued under authority. The policy information available does not explicitly cover the issuance of shares without pre-emption rights.</p> <p><b>Remuneration:</b> the policy does not explain the manager's approach towards malus or clawback measures, and there is no information surrounding annual bonuses and targets set in order to determine them. There is limited information available in relation to the manager's views on Long Term Incentive Plans (LTIP) and their associated time horizon. No disclosures have been made about views on salary levels or service contracts – for both notice and severance.</p> <p><b>Shareholder Rights:</b> the policy provides clear information on anti-takeover provisions and provides a basic disclosure on the manager's approach to shareholder rights. However, the policy lacks information surrounding other key areas such as proxy access.</p>						

## Appendix A – Implementation Statement (continued)

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**Table Key**

<b>Aligned</b>	This aspect of the manager's voting policy is aligned with good practice
<b>Part Assessed</b>	This policy pillar could only be partially assessed on the information publicly available in the manager's voting policy
<b>Not Assessed</b>	This policy pillar could not be assessed due to a lack of information available publicly in the manager's voting policy
<b>Not Available</b>	The manager's voting policy is not publicly disclosed



**Minerva Says**

Newton's public voting policy lacked some information with regards their approach to certain aspects of corporate governance – but the information gaps are not sufficiently material to justify saying the policy is not 'compliant' with the Scheme's requirements.

## Appendix A – Implementation Statement (continued)

### 6 Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's manager to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour as disclosed by the Scheme's manager:

Table 6.1: Manager Voting Behaviour

Manager	Fund	No. of Meetings		No. of Resolutions			
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
BNY Mellon	Newton Real Return Fund	75	1,270	100.0%	89.1%	10.9%	0.0%
	Comments	The manager provided a summarised voting record for the Real Return Fund for the Scheme's reporting period. From the summarised information provided, we can see that the manager has voted at all investee company meetings for the Funds, which is in line with the Trustee's expectations of its manager.					

#### Table Key

**Available Information** matches the Scheme's specific reporting period / investment holding period

**Available Information** is for a different period than the Scheme's reporting period / investment holding period

**Information** was not provided by the manager

Not Applicable

#### Minerva Says

We believe that the manager has followed the Scheme's requirements in relation to voting activity, as stated in the Scheme's SIP:

*'The Trustee has delegated to their investment manager the exercise of rights attaching to investments, including voting rights...'*

## Appendix A – Implementation Statement (continued)

### 7 Significant Votes

Set out in the following section are 5 examples of the Scheme's manager's voting behaviour from the relevant fund in which the Scheme was invested. A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

1. Identified by the manager themselves as being of significance;
2. Contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK);
3. Is one proposed by shareholders that attracts at least 20% support from investors;
4. Attracts over 10% dissenting votes from shareholders.

Where the manager has not provided sufficient data to identify 'Significant Votes' based on criteria 2-4 above, we have used manager-identified examples:

Table 7.1 BNY Mellon's (Newton's) 'Significant Votes'

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BNY Mellon (Newton)	Real Return Fund	Alphabet Inc.	01/06/22	1.0%	Political Lobbying Disclosure, Report on Climate Change, Community - Environment Impact, Racial Equity and/or Civil Rights Audit; Approve Recapitalization Plan for all Stock to Have One-vote per Share, Human Rights Risk Assessment, Miscellaneous Proposal - Social, Human Rights Risk Assessment	AGAINST management and FOR the shareholder proposals	18% FOR Political Lobbying Disclosure, 17.89% FOR Report on Climate Change, 21.5% FOR Community - Environment Impact, 21.24% FOR Racial Equity and/or Civil Rights Audit, 31.6% FOR Approve Recapitalization Plan for all Stock to Have One-vote per Share, 16.2% FOR Human Rights Risk Assessment, 18.6% FOR Algorithm disclosure, 21.89% FOR Human Rights Risk Assessment
Why a 'Significant Vote'?							

## Appendix A – Implementation Statement (continued)

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BNY Mellon (Newton)	Real Return Fund	Bayer AG	29/04/22	1.1%	Advisory Vote to Ratify Named Executive Officers' Compensation	AGAINST	75.89% AGAINST Remuneration Report
<b>Why a 'Significant Vote'?</b>							
This is determined to be a significant vote given that a majority of shareholders voted against the company's remuneration policy.							
<b>Manager's Vote Rationale:</b>							
We voted against the company's executive remuneration arrangements. The supervisory board exercised discretion for STIPs resulting in payouts that are not aligned with the company's performance. The management continues to be rewarded for underperformance where 40% of long-term awards vested despite share price lagging the benchmark.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
No							
<b>Next Steps / Implications of the Outcome:</b>							
The vote outcome demonstrates the dissatisfaction of the shareholders regarding the pay practices of the company. Such overwhelming dissent cannot be ignored and we expect the company to reach out to shareholders for feedback to be able to effectively allay their concerns.							
<b>Relevance to Manager's Stated Policy:</b>							
<b>11) Remuneration</b>							
We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach							



## Appendix A – Implementation Statement (continued)

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BNY Mellon (Newton)	Real Return Fund	DioPharma Credit PLC	09/06/22	1.1%	Approve Capital Raising (X2), Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights	AGAINST	Resolution Withdrawn
<b>Why a 'Significant Vote'?</b>							
It is highly unusual for resolution proposals to be withdrawn ahead of a meeting							
<b>Manager's Vote Rationale:</b>							
We voted against proposals related to share issuance as the authority sought by the company for share issuance with and without pre-emptive rights is high. In addition, the company has not provided a commitment that shares would be issued at a premium to NAV. In the absence of these safeguards for shareholders, there could be scope for significant value dilution.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
No.							
<b>Next Steps / Implications of the Outcome:</b>							
We can only assume that the company realised the vote outcome would not be favourable and therefore, withdrew the resolution. While our level of investment means it is unlikely that we will engage with the company, we will continue to make voting decisions in the best interests of our clients.							
<b>Relevance to Manager's Stated Policy:</b>							
<b>19) Capital Structure Alterations</b>							
We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach							



## Appendix A – Implementation Statement (continued)

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BNY Mellon (Newton)	Real Return Fund	Booking Holdings Inc.	09/06/22	1.0%	Elect Director X4, Advisory Vote to Ratify Named Executive Officers' Compensation, Amend Articles/Bylaws/Charter - Call Special Meetings	AGAINST management proposal and FOR shareholder proposal	9.2%, 4.6%, 5.8% and 2.8% AGAINST Elect Directors, 68.2% AGAINST Advisory Vote to Ratify Named Executive Officers' Compensation, 49% FOR Amend Articles/Bylaws/Charter - Call Special Meetings
<b>Why a 'Significant Vote'?</b>							
Shareholder proposed resolutions rarely achieve such high levels of support, hence this vote was considered significant.							
<b>Manager's Vote Rationale:</b>							
We voted against the executive pay and withheld votes against the incumbent members of the compensation committee. While the bonus pool is based on set performance goals, individual payouts are subjective in nature, and determined by the compensation committee on a discretionary basis. We supported a shareholder resolution requesting to lower the threshold to call for special meetings from 25% to 10% of the share capital, which is considered as an enhancement to shareholders' rights.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
No.							
<b>Next Steps / Implications of the Outcome:</b>							
The vote outcome is a clear indication of shareholder dissatisfaction with pay practices at the company. The dissent recorded is significantly large and is likely to push the company to reach out to shareholders for feedback. It supports Newton's viewpoint of enhanced scrutiny in U.S. markets around executive pay. The company should also take note of the near-majority support by institutional investors for the shareholder resolution. The vote outcome is an indication that efforts are required to reduce the threshold in line with market practice to enhance minority shareholder rights.							
<b>Relevance to Manager's Stated Policy:</b>							
<b>11) Remuneration; 18) Shareholder Rights</b>							
We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach							

## Appendix A – Implementation Statement (continued)

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BNY Mellon (Newton)	Real Return Fund	Norfolk Southern Corporation	12/05/22	1.0%	Elect Director, Ratify Auditors, Amend Articles/Bylaws/Charter - Call Special Meetings	AGAINST management proposals and FOR shareholder proposal	9.1% AGAINST Elect Director 7.5% AGAINST Ratify Auditor 44.5% FOR Right to Call Special Meeting
<b>Why a 'Significant Vote'?</b>							
The significance of this vote extends to the level of support received for the shareholder proposals that sought fundamental governance reforms of the company, and also owing to the public interest in gender diversity, the investment importance of a diverse board and that it exemplified our commitment to our policy.							
<b>Manager's Vote Rationale:</b>							
We voted against the chair of the nomination committee due to the board not being sufficiently gender diverse with the board not increasing its female representation for several years in a row. We voted against the ratification of the company's auditor owing to its tenure reaching 40 years, which casts doubts around its independence and objectivity. We also supported a shareholder resolution asking the company to lower the ownership threshold for shareholders to call a special meeting from 20 to 10 percent as this would be considered as an improvement of shareholder rights without one single shareholder being able to abuse of this right.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
No.							
<b>Next Steps / Implications of the Outcome:</b>							
The company should take note of the overwhelming support by a majority of institutional investors for the shareholder resolution. The vote outcome is an indication that efforts are required to reduce the threshold in line with market practice to enhance minority shareholder rights.							
<b>Relevance to Manager's Stated Policy:</b>							
8) Board Diversity; 10) Auditors; 1.6) Schemes of Arrangements & Amendments to Articles of Association							
We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach							

## Appendix A – Implementation Statement (continued)



### Minerva Says

- Newton's reported 'Significant Vote' information seems to be consistent with their voting policy, and so is consistent with the Scheme's expectations.

## Appendix A – Implementation Statement (continued)

### 8 Manager Engagement Information

The Trustee has set the following expectation in the Scheme's SIP in relation to its manager's engagement activity:

*The Trustee expects their investment managers to exercise ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this timeframe. On an ongoing basis, the Trustee assesses the stewardship and engagement activity of its investment manager.*

The Trustee believes that an important part of responsible oversight is for the Scheme's investment manager to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's manager to engage with investee companies where they have identified any such issues.

The following table summarises the engagement activity of the manager:

**Table 8.1: Summary of Engagement Information Provided**

Manager	Engagement Information Obtained	Level of Available information	Info Covers Scheme's Reporting Period?	Comments
BNY Mellon (Newton)	YES	FUND	YES	The manager provided <i>detailed fund level engagement information</i> covering the Scheme's reporting period

**Table Key**

**GREEN = A positive result.** The manager has provided engagement information / fund level info available / matches the Scheme's reporting / investment holding period

**ORANGE = A 'partial' result.** We had to try to source engagement information / firm level info available / does not match the Scheme's reporting / investment holding period

**RED = A negative result.** No engagement information was located at any level

## Appendix A – Implementation Statement (continued)

BNY Mellon				Breakdown of Engagement Topics Covered				Outcomes	
Fund(s)	Period Start	Period End	No. of Engagements	Environmental	Social	Governance	Other	Resolved	Open
Newton Global Real Return Fund	01/01/22	31/12/22	69	33.3%	26.1%	40.6%	0.0%	Not Stated	Not Stated
Aspect of Engagement Activity	Details								
Key Points of the Manager's Engagement Policy	<p>BNY states in its latest stewardship policy disclosure statement that each of the investment managers has its own unique engagement policy with issuers in all of the jurisdictions in which they invest. Accordingly, Newton's 'Responsible Investment Policies and Principles' report from April 2022 has the following to say with regards the manager's engagement approach:</p> <p><i>'We have long been active stewards of our clients' assets. Undertaking considered engagement activities and exercising voting rights globally are the primary drivers to being effective stewards.'</i></p> <p><i>'Intrinsic to the understanding of the potential of an investment in a company, whether via equity or fixed income, is an appreciation of the quality of the company's management, its structure, the appropriateness of its internal controls and the assurance that ESG matters are managed in the creation of long-term investor value.'</i></p> <p><i>'We believe that responsibly managed companies should be better placed to achieve sustainable competitive advantage and provide strong long-term growth. With respect to investments in sovereign securities (typically government bonds), we consider factors such as whether the government's policy objectives can support ESG-focused initiatives and the sustainability of any expenditure plans.'</i></p> <p><i>'Our fundamental view is that a considered approach to ESG analysis enhances our investment process, and that this is particularly the case for corporate investments. This process includes identifying the ESG risks and opportunities faced by a company and ensuring that these challenges are well managed within the company's business strategy. Engagement can play a crucial role in helping achieve this understanding and to influence change.'</i></p> <p>From Newton's most recent <a href="#">'Responsible Investment and Stewardship' report</a> the manager identified the following key engagement themes:</p> <ul style="list-style-type: none"> <li>Environmental: Biodiversity / Carbon management / Climate change / Management systems / Pollution / Product life cycle / Water</li> </ul>								



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	<ul style="list-style-type: none"> <li>▪ Social: Business ethics / Cybersecurity / Health and safety / Human capital management / Product access / Product suitability / Stakeholder relations / Supply chain</li> <li>▪ Governance: Audit and internal controls / Board leadership / Related-party transactions / Remuneration / Shareholder communications / Shareholder rights / Strategy and risk / Tax</li> </ul>
<p>Additional information on Engagements provided by the Manager</p>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme’s holding period, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>▪ engagement objectives</li> <li>▪ collaborative engagements</li> <li>▪ process for escalating ineffective engagement and</li> <li>▪ whether any fintech solution was used to facilitate engagement</li> </ul>
<p>Comparison of the Manager’s Engagement Activity vs the Trustee’s policy</p>	<p>An example of a reported engagement for the Real Return Fund is set out below:</p> <p><u>Q4 2022 – Anglo American – Engagement on a Governance Issue</u></p> <p><i>Engagement Details: We met the chair of the remuneration committee in the context of the appointment of both a new chief executive officer (CEO) and a new remuneration committee chair, and the start of a new remuneration cycle. Remuneration arrangements are critical to motivate executives and align their interests with long-term shareholder value. We were generally comfortable with the remuneration committee’s proposed policy.</i></p> <p><i>Remuneration policy changes: The remuneration committee evaluated the current remuneration policy and outcomes and is generally comfortable with its application, but made two notable changes. The long-term incentive plan (LTIP) cap was increased in order to attract and retain talent, as the committee believed the policy lagged peers on this front. We conveyed the need to be conservative on benchmarking as it would have an inflationary effect on remuneration arrangements. We note, however, that the basic salary for the current CEO is lower than that of the previous CEO, which provides some degree of counterbalance. The second change is the removal of a legacy arrangement designed to cap maximum LTIP payouts in order to mitigate cyclical impacts on pay. The committee will now apply its own discretion and is confident its application will be appropriate.</i></p> <p><i>ESG and remuneration: We cautioned the board to be mindful of potential negative publicity in the context of a cyclical increase in executive remuneration outcomes this year against the backdrop of the wider cost-of living crisis, and the potential shareholder dissent which may follow. The response from the remuneration committee chair was reassuring, notably with respect to the operations in South Africa, where the board is very mindful of the situation and is putting in place fair and inclusive compensation arrangements. We also conveyed to the company that the ESG</i></p>

## Appendix A – Implementation Statement (continued)

	<p>measures in the LTIP should be quantitative, easily calculable, and aligned to the longer-term sustainable strategy of the company. For our next steps, we will monitor the remuneration policy proposal at the next annual general meeting.'</p> <p>Engagement Outcome: 'For our next steps, we will monitor the remuneration policy proposal at the next annual general meeting.'</p>
<p>Is Engagement Activity in Line with the Trustee's Policy?</p>	<p>The engagement activity is consistent with the Manager's stated Engagement Policy, and so is also consistent with the Scheme's approach.</p>



**Minerva Says**

As can be seen from the previous table, the Scheme's manager's engagement activity appears to broadly comply with their own engagement approach, and so also complies with the Scheme's approach.

## Appendix A – Implementation Statement (continued)

### 9 Conclusions

#### 9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset manager's voting and engagement activity. The main objective of the review is for Minerva to be in a position to say that the activities undertaken on the Scheme's behalf by its agents are aligned with its own policies.

Set out in the following table is Minerva's assessment of the manager's compliance with the Scheme's approach:

Table 9.1: Summary Assessment of Compliance

Fund / Product Manager	Investment Fund/ Product	Does the Manager's Reported Activity Follow the Scheme's Expectations:			Use of a 'Proxy Voter'?	UK Stewardship Code 2020 Signatory?	Overall Assessment
		Voting Activity	Significant Votes Identified	Engagement Activity			
BNY Mellon	Newton Real Return Fund	YES	YES	YES	ISS	YES	COMPLIANT

#### Table Key

**GREEN**=Positive outcome e.g. Manager's reported activity follows the Scheme's expectations

**ORANGE**=AN issue exists e.g. the voting information provided does not match the Scheme's reporting / investment holding period

**BLUE**=Manager has confirmed that there is no voting, 'Significant Votes' or engagement information to report (N.I.R.)

**RED**=Negative outcome e.g. no information provided (N.I.P.); Manager is not a signatory to the UK Stewardship Code 2020

**GREY**=Not Applicable e.g. there has been no 'Proxy Voter' used due to the nature of the investments held



## Appendix A – Implementation Statement (continued)

### Minerva Says

**Overall Assessment:** We believe that the Scheme's manager has complied with the Scheme's Voting and Engagement requirements of them.

#### Notes

- 1) The preceding table shows that Minerva has been able to determine that:
  - Where Voting and 'Significant Vote' information was available, the manager's overall approach appears in step with the Scheme's requirements
  - Where Engagement information was available, the manager's over all approach also appear step with the Scheme's requirements
- 2) BNY Mellon (Newton) are signatories to the UK Stewardship Code 2020.

## Appendix A – Implementation Statement (continued)

### About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

For more information, please email [hello@minerva.info](mailto:hello@minerva.info) or call +44 (0)1376 503500

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# The Royal Air Force Benevolent Fund Staff Pension Fund - 31.12.22 Final Accounts (005)


Final Audit Report


2023-07-31

Created:	2023-07-31
By:	Aidan McAtamney (aidan_mcatamney@dalriadatrusters.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAAXx8hmD5CRPeWGQdW8P1XK3r7yKEI1Adv


## "The Royal Air Force Benevolent Fund Staff Pension Fund - 31.12.22 Final Accounts (005)" History


 Document created by Aidan McAtamney (aidan\_mcatamney@dalriadatrusters.co.uk)  
2023-07-31 - 8:00:28 AM GMT

 Document emailed to vassos\_vassou@dalriadatrusters.co.uk for signature  
2023-07-31 - 8:03:09 AM GMT

 Email viewed by vassos\_vassou@dalriadatrusters.co.uk  
2023-07-31 - 8:03:29 AM GMT

 Signer vassos\_vassou@dalriadatrusters.co.uk entered name at signing as Vassos Vassou  
2023-07-31 - 8:04:06 AM GMT

 Document e-signed by Vassos Vassou (vassos\_vassou@dalriadatrusters.co.uk)  
Signature Date: 2023-07-31 - 8:04:08 AM GMT - Time Source: server

 Agreement completed.  
2023-07-31 - 8:04:08 AM GMT