

The Royal Air Force Benevolent Fund Staff Pension Scheme ('the Scheme') – Implementation Statement 1st January 2023 – 31st December 2023

An Implementation Statement ('Statement') has been prepared in accordance with applicable legislation, taking into account guidance from The Department for Work and Pensions, for the period from 1st January 2023 – 31st December 2023 ('the Scheme Year').

The Scheme's reporting period for each fund is the holding period of that fund across the Scheme Year.

The Statement sets out how, and the extent to which, the Trustee's policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustees of the Scheme.

The Trustee has appointed Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This Statement includes Minerva's report on key findings on behalf of the Trustees over the Scheme Year.

A summary of the key points is set out below.

BNY Mellon

It was determined by Minerva that BNY Mellon's public voting policy and disclosures are broadly aligned with good practice. However, the manager's policy lacked some information with regards to their approach to certain aspects of corporate governance. Minerva concluded that the information gaps were not sufficiently material to justify saying the policy is not 'compliant' with the Scheme's stewardship expectations of its managers.

BNY Mellon provided a summarised voting record that was in line with the Scheme's reporting period. Significant votes were also provided. From this, Minerva was able to confirm that the manager's voting activity was in line with the Trustee's policy.

The manager provided summarised fund-level information on engagements that was in line with the Scheme's reporting period. Despite the basic level of information, Minerva was able to confirm that the activity appeared to broadly comply with BNY Mellon's own engagement approach, and so complies with the Scheme's approach.

In comparison to the information provided last year, in the view of Minerva, BNY Mellon has continued to have information gaps in its public voting policy and disclosures. Good levels of voting information were again provided this year and engagement information was provided where last year this had to be sourced from the manager's website. However, BNY Mellon could improve further by providing further detail on engagements.



The Royal Air Force Benevolent Fund Staff Pension Fund

Dalriada Trustees Limited

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

Scheme Reporting Period:

1st January 2023 to 31st December 2023

30th April 2024

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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. Investment Manager Arrangements

Stewardship - 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 Scheme
Statement of Investment Principles
August 2022*



1.1 Financially Material Considerations

The Trustee has appointed authorised professional investment managers and have given them discretion in relation to the selection, retention and realisation of investments.

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.

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 Investment Manager 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.

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

2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme's managers, 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	Part 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 following Scheme investments:

- BNY Mellon Newton Real Return Fund

Significant Votes

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

- BNY Mellon Newton Real Return Fund

Engagement Activity

There was reportable engagement information provided for the following Scheme investments:

- BNY Mellon Newton Real Return Fund

3 Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee have 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 managers, 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 managers have undertaken stewardship activity they deem to be appropriate and proportionate in the oversight and management of the Scheme's investments.

3.1 Stewardship

The Trustee's policy on Stewardship 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	Mobius Platform	DB Fund	01/01/23	31/12/23	ISS

Minerva Says

As shown in the table above:

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

4 Exercise of Voting Rights

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

Table 4.1: BNY Mellon (Newton)’s Approach to Voting

Asset manager	BNY Mellon (Newton)
Relevant Scheme Investment(s)	Real Return Fund

Newton’s Stewardship and Sustainability Policy of August 2023 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:

Key Points of Manager’s Voting Policy	#	Policy Area	Example of Topics Covered
	1	Leadership and The Board	Board accountability, Board refreshment , Board leadership
	2	Capital Management	Capital structure, Issuance of shares , Share repurchasing
	3	Anti-Take Over Mechanisms	In general lack of support the use of anti-takeover mechanisms, Case-by-case assessment of support proposals
	4	Related-Party Transactions	Disclosure of information around transactions, Transparency for conflict-of-interest situations
	5	Reporting and Audit	Integrated reporting, Financial and non-financial information, Audit committee, Quality of the external auditors, Independence of external auditors

6	Remuneration	Role of the board and remuneration committee, Structure, Recruitment, Other remuneration principles
7	Transparency, Accountability, and Shareholders Rights	Transparency and accuracy for the shareholders, Share pledging, Board accountability to shareholders, Support hybrid format of shareholder meeting
8	Environmental and Social Matters	Climate, Diversity
9	Shareholders Resolutions	Social and environmental

Newton produces quarterly '[Responsible Investment](#)' reports disclosing their latest engagement and voting information.

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

Minerva Says

- Newton's published voting policy is broadly aligned with good practice, and is what we would expect to see for such a large asset manager.

5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset managers, it is important that these policies are independently reviewed to ensure that they match 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 managers' publicly available voting policies, 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 each manager's policy individually, 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 managers voting policies are 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	Limited Disclosures	Limited Disclosures	Limited Disclosures	Limited Disclosures	Limited Disclosures	Limited Disclosures
<i>Comments</i>	<p>Audit & Reporting: There is a lack of detail regarding the auditor fees and disclosure surrounding their reporting.</p> <p>Board: The policy provides a broad overview of responsibilities of the board and separation of the Chair and CEO; however, it lacks certain details concerning board diversity and disclosure expectations of individual directors such as time commitment expectations and biographical details.</p> <p>Capital: There is a lack of information surrounding share buyback authority, impact of buybacks on executive remuneration Earnings Per Share targets and the manager's views on the aggregate authority for the disapplication of pre-emption rights.</p> <p>Corporate Actions: There is limited information available in relation to the manager's approach towards certain corporate actions e.g. reverse takeovers and management buy-outs.</p>						

Manager Voting Policy Alignment with Current Good Practice

Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
	<p>Remuneration: The policy provides details on certain aspects of executive remuneration such as bonus structure and performance, Long Term Incentive Plan (LTIP) cost, dilution and financing, and remuneration performance linkage. However, there is little or no information disclosed in relation to remuneration aspects such as bailing out/repricing, LTIP participation, 'extraordinary' remuneration and 'Say-on Pay' frequency expectations.</p> <p>Shareholder Rights: There is general lack of information surrounding anti-takeover provision, and the policy doesn't discuss shareholder governance in detail, nor does it discuss the manager's approach to shareholder meetings.</p> <p>Sustainability: The manager's policy does not provide details on key sustainability issues, such as independent verification of investee companies' ESG reporting, disclosure of performance against key environmental performance indicators, and is mostly silent on expectations around climate action and Net Zero.</p>						

Table Key

Aligned	This aspect of the manager's voting policy is aligned with good practice
Limited Disclosures	This policy pillar could only be partially assessed on the information available in the manager's voting policy
No Disclosures	This policy pillar could not be assessed due to a lack of information in the manager's voting policy
Not Available	The manager's voting policy was not disclosed for analysis by Minerva

Minerva Says

For the Scheme's managers that responded to our information requests by providing voting information:

- 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 stewardship expectations of its manager.

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 managers 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 each of the Scheme's managers:

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	Real Return Fund	71	1,139	99.3%	92.0%	8.0%	0.0%
	Comments						
	The manager provided a summarised voting record for the Newton Real Return Fund that covered the Scheme's reporting period. From the summarised information provided, we can see that the manager voted at almost all eligible investee company meetings for the Fund, which is in line with the Trustee's expectations of its managers.						

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 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...'

'...the Trustee expects the Pension Fund's investment managers to adopt a voting policy that is in accordance with best industry practice'

7 Significant Votes

Set out in the following section are 5 examples of the Scheme’s manager(s) voting behaviour from the relevant fund(s) 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 ‘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	Barrick Gold Corporation	02/05/23	0.01%	Elect Director J. Brett Harvey	Withhold	14.32% AGAINST
Why a ‘Significant Vote?’							
We highlighted this vote as significant as we expect to continue recognising our fundamental governance concerns through our voting and engagement activities.							
Manager’s Vote Rationale:							
We voted against the lead director who we consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.							
Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?							
No.							
Next Steps / Implications of the Outcome:							

From the company's point of view the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognizance that governance structures in particular the board structure can improve. We feel the dissent would only increase if the company doesn't take necessary steps to address these concerns.

Relevance to Manager's Stated Policy:

Leadership and The Board	Capital Management	Anti-Take Over Mechanisms	Related-Party Transactions	Reporting and Audit	Remuneration	Transparency, Accountability, and Shareholders Rights	Environmental and Social Matters	Shareholders Resolutions
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We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

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	Unilever Plc	03/05/23	0.01%	Approve Remuneration Report	Against Management	58% AGAINST

Why a 'Significant Vote?'

The failed vote outcome owing to significant shareholder dissent merits this vote as significant.

Manager's Vote Rationale:

We voted against executive pay arrangements owing to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.

Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

No.

Next Steps / Implications of the Outcome:

The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under the review. The company has reached out to shareholders and we have communicated our concerns and reasons for adverse vote recommendations. We will continue exercising future votes in support of our views surrounding significant salary increases and alignment between pay and performance.

Relevance to Manager's Stated Policy:

Leadership and The Board	Capital Management	Anti-Take Over Mechanisms	Related-Party Transactions	Reporting and Audit	Remuneration	Transparency, Accountability, and Shareholders Rights	Environmental and Social Matters	Shareholders Resolutions
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We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

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	Shell Plc	23/05/23	0.02%	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Against Management	80% FOR

Why a 'Significant Vote?'

As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining on this resolution would convey to the company, in addition to our engagement, the need to add credibility to its transition planning.

Manager's Vote Rationale:

We abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, voting in favor of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, we have abstained in line with our views that the current transition plan merits more robust 2030 goals in order to gain credibility.

Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

Yes.

Next Steps / Implications of the Outcome:

The significant dissent on the proposal shows concern from the shareholder base around Shell's transition plan.

Relevance to Manager's Stated Policy:

Leadership and The Board	Capital Management	Anti-Take Over Mechanisms	Related-Party Transactions	Reporting and Audit	Remuneration	Transparency, Accountability, and Shareholders Rights	Environmental and Social Matters	Shareholders Resolutions
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We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

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	NextEra Energy, Inc.	18/05/23	0.01%	Disclose Board Skills and Diversity Matrix	For Shareholder Proposal	48.9% FOR

Why a 'Significant Vote?'

The vote is considered significant due to the materiality of the issue at hand and the level of support.

Manager's Vote Rationale:

We supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as we believed it would help shareholders to assess how the company is managing related risks.

Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

No.

Next Steps / Implications of the Outcome:

The high level of support shows that the issue is significant to shareholders and we would expect the company to consider that a significant shareholder base would want to see the implementation of a board skill matrix.

Relevance to Manager's Stated Policy:

Leadership and The Board	Capital Management	Anti-Take Over Mechanisms	Related-Party Transactions	Reporting and Audit	Remuneration	Transparency, Accountability, and Shareholders Rights	Environmental and Social Matters	Shareholders Resolutions
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We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

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	Lockheed Martin Corporation	27/04/23	0.01%	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement	For Shareholder Proposal	33.1% FOR

Why a 'Significant Vote?

We determined this vote as significant owing to the rarity of a shareholder proposal receiving significant support.

Manager's Vote Rationale:

We supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in our view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.

Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

No.

Next Steps / Implications of the Outcome:

The support received for the shareholder proposal is substantial and must be accounted for. We would expect the company to provide enhanced disclosures especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.

Relevance to Manager's Stated Policy:

Leadership and The Board	Capital Management	Anti-Take Over Mechanisms	Related-Party Transactions	Reporting and Audit	Remuneration	Transparency, Accountability, and Shareholders Rights	Environmental and Social Matters	Shareholders Resolutions
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We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

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.

8 Manager Engagement Information

The Trustee has set the following expectation in the Scheme's SIP in relation to its managers' 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 managers 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 managers to engage with investee companies where they have identified any such issues.

The following table(s) summarises the engagement activity of the manager(s):

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 summarised engagement information 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

BNY Mellon

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
Real Return Fund	01/01/23	31/12/23	19	47.4%	21.1%	26.3%	5.3%	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 'Stewardship and Sustainability Policy' from August 2023 has the following to say with regards the manager's engagement approach:</p> <p><i>'As an active steward, Newton is committed to the responsible allocation, management and oversight of capital to create long-term economic value for our clients.'</i></p> <p><i>'Our core approach to investing is about engagement rather than exclusion, and about trying to make a real-world impact in pursuit of our clients' best long-term economic interests. We prefer to engage with companies and help them to change their practices or business models where appropriate, rather than using divestment as the only option.'</i></p> <p><i>'We emphasise continuing engagement with issuers centred on purposeful dialogue as we seek to add value or to reduce risk for an investment. Clear objectives requiring actionable change by the issuer are set for each of our engagements, against which we can track and measure progress. Our focused engagements are distinct from investment research and information gathering, although the latter remains a principal element of our active investment approach. Issuers are prioritised for engagement based on a combination of factors that include the materiality of the issues to be raised, our likelihood to meaningfully engage, the aggregated amount of our invested interest and, where relevant, our past engagement and voting activity. Our investment teams act as stewards and participate in engagements alongside the responsible investment team.'</i></p> <p>In their Stewardship and Sustainability Policy, the manager identified the following key engagement themes:</p> <ul style="list-style-type: none"> ▪ Environmental: Biodiversity / Climate / Pollution / Product Life Cycle / Water ▪ Social: Human Rights / Human Capital Management / Tax ▪ Governance: Board Leadership / Capital Management / Related-party Transactions / Reporting & Audit / Executive Pay / Transparency, Accountability & Shareholder Rights
Additional information on Engagements provided by the Manager	<p>Whilst the manager provided 'some' information in relation to 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"> ▪ engagement objectives ▪ collaborative engagements ▪ process for escalating ineffective engagement <p>However manager disclosed vague information that fintech solution is in place;</p>

- *'We track and monitor progress towards these objectives using our in-house Stewardship App, a technology-based solution (database). The objective status is updated after each engagement or relevant corporate reporting event'*

An example of a reported engagement for the Real Return Fund is set out below:

Name of entity: *Shell*

Topic for this engagement: *Environment - Climate change*

Rationale for the engagement: *Scope 3 is the largest source of emissions for the company (similar to other O&G producers). The absence of an absolute Scope 3 reduction target raises questions on the credibility of its transition plan.*

Engagement Details: *We met Shell's Chair, and discussed in detail the thinking the board is doing at the moment around the new climate transition plan that they will be announcing in March 2024. We went away with a few important points:*

Chair reiterated the message from our last meeting that their initial transition thinking was maybe too ambitious. Unlike some of their US competitors for Shell it is not a question of whether the transition is occurring; it fundamentally believes in its scenarios where transition to a low carbon economy will occur, albeit slowly and with more bumps along the way. In this context, the company will do everything in its control to reduce its emissions, while being capital disciplined, and not committing to anything that is unachievable.

It will announce in March 2024 some sort of absolute Scope 3 targets on the transportation sector or the hardest to abate sector. This will not satisfy all shareholders, but will have the merit of being an improvement vs. the previous transition plan.

To achieve this target, the company is leaning into biofuels, which will be one of the scope 3 reduction levers it thinks it has. It is not planning to increase its green capex. The main element of its new strategy will be LNG, where it is very positive on the outlook. Capital discipline and shareholder returns are still the main

We stressed on the following points that would help the transition plan messaging:

- The company needs to communicate better and in a more shareholder friendly way its climate narrative.*
- Announce a Scope 3 target that it can control*
- Stress on the Emerging Markets side of the transition story and the needs there that are different from the EU or the US.*

Outcomes: *The meeting was overall positive and, taken altogether with our meeting with the CEO, we are starting to hear a coherent climate transition narrative. Shell is undoubtedly less ambitious than the initial climate transition thinking it laid out a few years ago, but this plan seems more credible and more in touch with today's state of the world and the economy. With the publication of an absolute Scope 3 target for some sectors, we may consider this objective achieved in 2024.*

Next steps: *Monitor the company's March 2024 new climate transition plan announcement.*

Comparison of the
Manager's
Engagement
Activity vs the
Trustee's Policy

Is Engagement
Activity in Line
with the Trustee's
Policy?

Whilst we believe that the manager's engagement approach is consistent with the Scheme's approach, we believe that the manager should be able to provide more information relating to engagements undertaken at fund level.

Minerva Says

As can be seen from the previous tables, the Scheme's managers' 'Engagement Activity' appears to broadly comply with their own engagement approaches, and so also complies with the Scheme's approach.

9 Conclusions

9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset managers' 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 each 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?					Overall Assessment
		Voting Activity	Significant Votes Identified	Engagement Activity	Use of a 'Proxy Voter?'	UK Stewardship Code 2020 Signatory?	
BNY Mellon	Newton Real Return Fund	YES	YES	YES	ISS	YES	<u>COMPLIANT</u>

Table Key

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

ORANGE=An issue exists e.g., the 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



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 overall approach also appear step with the Scheme's requirements
- 2) BNY Mellon (Newton) are signatories to the UK Stewardship Code 2020.

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 or call + 44 (0)1376 503500

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