

Royal Air Forces Association Pension and Assurance Scheme Implementation Statement Year Ending 31 December 2021

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Royal Air Forces Association Pension and Assurance Scheme
Scheme Year	1 January 2021 to 31 December 2021
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

The Trustees have reviewed the extent to which their policy from the SIP relating to the exercise of rights (including voting rights) attaching to the investments was followed over the Scheme Year and this statement confirms the outcome of that review.

In addition, the statement summarises the voting record of the Scheme's investment manager and provides information on the significant votes made in respect of the Trustees' equity holdings. Information is also provided on the how the Scheme's investment manager makes use of the services of proxy voting advisers.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- LGIM Future World Developed (ex UK) Equity Index Fund
- LGIM Future World UK Equity Index Fund
- LGIM Future World Multi-Asset Fund

The Trustees' Policy Relating to the Exercise of Rights

Summary of the Policy

The Trustees' policy in relation to the exercise of the rights (including voting rights) attaching to the investments is set out in the SIP.

A summary of the Trustees' policy in relation to the exercise of the rights (including voting rights) attaching to the investments is as follows:

- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustees wish to encourage best practice in terms of stewardship.
- The Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment manager's own policies on such matters.
- When selecting a pooled fund, the Trustees consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustees (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their Investment Adviser to raise the Trustees' concerns with the investment manager.

Has the Policy Been Followed During the Scheme Year?

The Trustees' opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustees' belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- During the Scheme Year, the Trustees introduced an allocation to three new LGIM funds (Future World Mult-Asset Fund, Future World UK Equity Index Fund and Future World Developed (ex UK) Equity Index Fund). The Trustees considered the ESG characteristics of the fund before selecting it and this included consideration of the investment manager's approach towards the exercise of voting rights.
- During the Scheme Year, the Trustees considered the voting records of the investment manager over the period ending 31 December 2020.
- Since the end of the Scheme Year, an updated analysis of the voting records of the investment manager based on the period ending 31 December 2021 has been undertaken as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- The investment manager used by the Scheme is UNPRI signatory.

The Investment Manager Voting Record

A summary of the investment manager's voting record is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against	Did not vote/ abstained / withheld
LGIM	140,000	78%	21%	1%

Notes

These voting statistics are based on the manager's full voting record over the 12 months to 31 December 2021 rather than votes related solely to the funds held by the Scheme.

Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
LGIM	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

The Investment Manager Voting Behaviour

The Trustees have reviewed the voting behaviour of the investment manager by considering the following:

- broad statistics of its voting record such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes it cast in the year to 31 December 2021 on the most contested proposals in nine categories across the UK, the US and Europe;
- the investment manager's policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustees have also compared the voting behaviour of the investment manager with its peers over the same period.

The Trustees' key observations are set out below.

Voting in Significant Votes

Based on information provided by the Trustees' Investment Adviser, the Trustees have identified significant votes in nine separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the nine categories based on shares held by the Scheme's investment manager are listed in the Appendix. In addition, the Trustees considered the investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

LGIM

The Trustees have no concerns regarding the voting record of LGIM.

The manager's willingness to vote against management is consistent with the broad range of policies covered within its corporate governance documentation; each policy provides a set of criteria which can be used to justify a vote against management.

The Trustees also note that LGIM has supported shareholder proposals designed to tackle ESG issues and has held directors to account regarding their energy transition proposals (proposals setting out how CO2 emissions will be reduced).

Conclusions

Based on the analysis undertaken, and as per the descriptions above, the Trustees have no material concerns regarding the voting records of LGIM.

The Trustees will keep the voting actions of the investment manager under review.



8 July 2022

Date:

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Signed on behalf of the Trustees of the Royal Air Forces Association Pension and Assurance Scheme

Significant Votes

The table below records how the Scheme's investment manager voted in the most significant votes identified by the Trustees.

Company	Meeting Date	Proposal	For (%)	Against (%)	LGIM
Audit & Reporting					
PHILLIPS 66	12/05/2021	Ratify Ernst & Young LLP as Auditors	50	49	For
ACTIVISION BLIZZARD INC	21/06/2021	Ratify PricewaterhouseCoopers LLP as Auditors	54	43	For
INTEL CORPORATION	13/05/2021	Appoint the Auditors	38	61	Against
LABORATORY CORPORATION OF AMERICA	12/05/2021	Ratify Deloitte & Touche LLP as Auditors	37	62	For
INVESTEC PLC	05/08/2021	Investec Limited: Reappoint KPMG Inc as Joint Auditors of the Company	71	29	Against
Shareholder Capital & Rights					
ORANGE S.A	18/05/2021	Authorize Board to Increase Capital in the Event of Additional Demand Related to	57	43	Against
KERING SA	22/04/2021	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	32	68	For
FERRARI NV	15/04/2021	Issue Special Voting Shares	70	30	Against
FLUTTER ENTERTAINMENT PLC	29/04/2021	Issue Shares with Pre-emption Rights	70	30	Against
PETROPAVLOVSK PLC	30/06/2021	Issue Shares with Pre-emption Rights	29	70	For
Pay & Remuneration					
AT&T INC.	30/04/2021	Advisory Vote on Executive Compensation	48	50	Against
AKZO NOBEL NV	22/04/2021	Approve the Remuneration Report	50	50	Against
INTERNATIONAL BUSINESS MACHINES CORPORATION	27/04/2021	Advisory Vote on Executive Compensation	48	51	Against
NETFLIX INC	03/06/2021	Advisory Vote on Executive Compensation	51	49	Against
CHIPOTLE MEXICAN GRILL INC	18/05/2021	Advisory Vote on Executive Compensation	51	49	Against
Constitution of Company, Board & Advisers					
GEBERT AG	14/04/2021	Elect Werner Karlen - Non-Executive Director	50	50	For
CORTEVA INC	07/05/2021	Elect Janet P. Giesselman - Non-Executive Director	50	50	Against
REGENERON PHARMACEUTICALS INC	11/06/2021	Elect George L. Sing	51	49	Against
INTEGRAPHIN HOLDINGS PLC	08/03/2021	Re-elect Michael Howard - Executive Director	48	48	Against
EDWARDS LIFESCIENCES CORPORATION	04/05/2021	Elect Kieran T. Gallahue - Non-Executive Director	47	52	Against
Merger, Acquisition, Sales & Finance					
FIRSTGROUP PLC	27/05/2021	Approve Sale of First Student and First Transit	61	39	For
VONOVIA SE	16/04/2021	Issue Bonds/Debt Securities	79	21	For
DELIVERY HERO SE	16/06/2021	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds	84	16	Against
HERMES INTERNATIONAL	04/05/2021	Approve Demerger	91	9	Against
VINCI	08/04/2021	Issue Debt Securities	92	8	For
Climate Related Resolutions					
Royal Dutch Shell	18/05/2021	Approve the Shell Energy Transition Strategy	83	11	Against
TOTALENERGIES SE	28/05/2021	Approve the Company's Sustainable Development and Energy Transition	83	7	Against
AENA SA	27/04/2021	Advisory Vote on Company's Climate Action Plan	96	4	For
NINETY ONE PLC	04/08/2021	Approve Climate Related Financial Reporting	91	2	For
FERROVIAL S.A.	08/04/2021	Advisory Vote, as from the 2022 AGM, on the Company's Climate Strategy Report	97	2	For
Other Company Resolutions					
PEARSON PLC	30/04/2021	Meeting Notification-related Proposal	55	45	For
ORANGE S.A	18/05/2021	Allow Board to Use Delegations under Item 23 Above in the Event of a Public	40	59	Against
PETROPAVLOVSK PLC	30/06/2021	Meeting Notification-related Proposal	61	38	For
UNICREDIT SPA	15/04/2021	Approve Severance Payments Policy	73	27	For
INVESTEC PLC	05/08/2021	Investec plc: Approve Political Donations	80	20	For
Governance & Other Shareholder Resolutions					
GENERAL MOTORS COMPANY	14/06/2021	Shareholder Resolution: Written Consent	50	50	Against
COLGATE-PALMOLIVE COMPANY	07/05/2021	Shareholder Resolution: Reduce Ownership Threshold for Shareholders to Call	51	49	For
QUEST DIAGNOSTICS INCORPORATED	21/05/2021	Shareholder Resolution: Written Consent	51	49	Against
OMNICOM GROUP INC	04/05/2021	Shareholder Resolution: Report on Political Contributions and Expenditures	51	49	For
THE GOLDMAN SACHS GROUP INC.	29/04/2021	Shareholder Resolution: Report on the Impacts of Using Mandatory Arbitration	49	43	For
Environmental & Socially Focussed Shareholder Resolutions					
CATERPILLAR INC.	09/06/2021	Shareholder Resolution: Report on Climate Policy	47	51	For
TESLA INC	07/10/2021	Shareholder Resolution: Report on Diversity and Inclusion Efforts	55	41	For
THE KROGER CO.	24/06/2021	Shareholder Resolution: Assess Environmental Impact of Non-	45	54	For
BOOKING HOLDINGS INC.	03/06/2021	Shareholder Resolution: Report on Annual Climate Transition	56	43	For
AMAZON.COM INC.	26/05/2021	Shareholder Resolution: Oversee and Report on a Civil Rights,	44	55	For

Note

Where the voting record has not been provided at the fund level, we rely on periodic information provided by investment managers to identify the stocks held. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote. Equally, it is possible that there are votes not included above which relate to companies that were held within the Scheme's pooled funds at the date of the vote.