Royal Agricultural Society of England Pension and Life Assurance Scheme – ESG Engagement Policy & Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship Policy and related policies on Environmental, Social and Governance ("ESG") factors and Climate Change set out in the Statement of Investment Principles ('SIP') have been followed during the year to March 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The Trustees have delegated the investment portfolio management to Schroders who select the investment funds within set parameters of the Statement of Investment Principles. The Trustees have adopted the Investment Manager's policy in relation to the integration of sustainability risks into investment decisions for the Pension Scheme. The Trustees expect that, when selecting investments for purchase, retention or sale, social, environmental and ethical considerations will be among the factors that the fund manager will consider in the pursuit of a long-term return in line with their published material. The Investment Manager has integrated sustainability risks, as a sub-set of risks generally that could cause an actual or potential material negative impact as part of its investment decision-making process for the Pension Scheme.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the ESG policies in place in the context of the investment objectives it has set. As set out in the updated 2021 SIP, the Trustees' primary investment objectives are to maintain the Statutory Funding Objective of the scheme and ensure the assets are able to provide the member's benefits at retirement within a controlled risk environment. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the security provided by the sponsor and their duties under ESG legislation. Given the maturity of the scheme and proposed changes to the funding requirements the Trustees will be reviewing their asset allocations and investments on an ongoing basis.

Policy on ESG, Stewardship and Climate Change

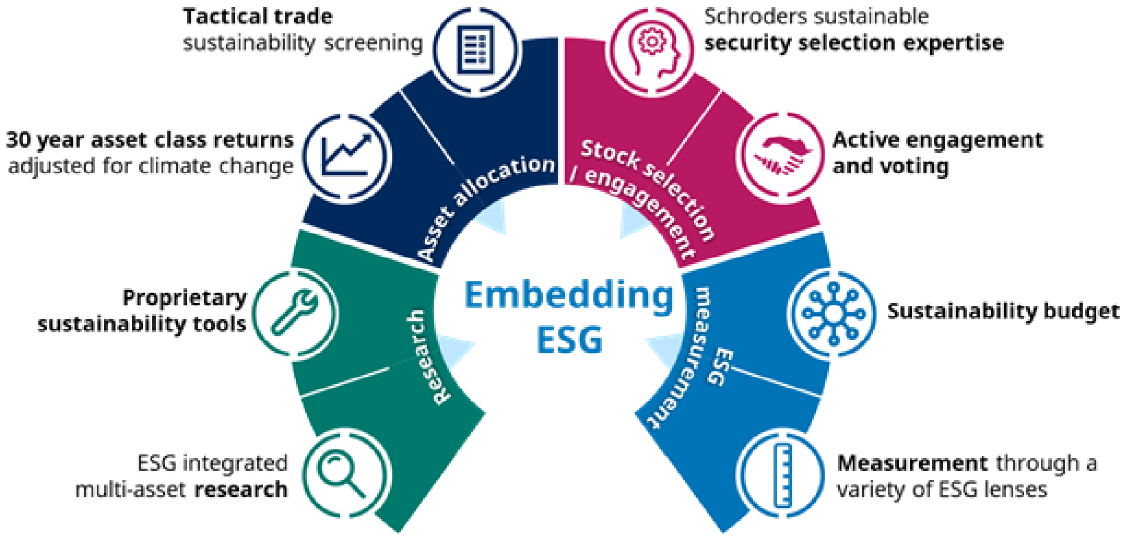
The Scheme's SIP dated 2019 first included the Trustees 'policies on ESG factors, stewardship and Climate Change. These policies have since been updated in the SIP approved in 2021. The Trustees keep their policies under review and reconsider them when reviewing the SIP, which must be reviewed at least every three years.

Scheme's Investment Structure

The Trustees of the Scheme are responsible for the investment of the Scheme assets. The Trustees take some decisions themselves and delegate others. When deciding on which decisions to delegate, they consider the relevant expertise of the Trustee board. Schroders have been appointed to manage the Scheme's Portfolio and manage the portfolio in line with the agreed investment objective and risk profile, which are kept under review.

Selecting Investments

The Investment Manager has a clear framework around stock selection which considers key criteria to ensure a thorough assessment of all relevant factors (financial and non-financial). It incorporates an assessment of a target company's exposure to ESG factors by virtue of its business model and the industry in which it operates, its management of any associated risks (or opportunities), and an estimation of the potential financial impact of such risks. It includes analysis of whether changing customer preferences and regulatory requirements around ESG standards will impact its competitive position and demand for its products or services, and whether the company has the management depth and corporate culture to sustain its competitive advantage over the long term.



Source: Schroders, for illustrative purposes only.

Schroders firmly believe climate change will be a defining driver of the global economy and financial markets over the coming decades. Whether the global economy is rebuilt on less carbon intensive foundations or the temperature continues to escalate, investors will be unable to avoid its impact. As a result, Schroders have adjusted the long-term asset class return and risk forecasts to incorporate the impact of climate change using a three-step process.

1. The first step is a focus on what happens to output as temperatures rise, which we will refer to as the 'physical cost' of climate change.
2. The second considers the economic impact of steps taken to mitigate those temperature increases, or the 'transition cost'. This considers a range of possible transition scenarios.
3. Finally, an adjustment is made for the effects of stranded assets, to take account of the losses incurred where oil and other carbon-based forms of energy have to be written off, as it is no longer possible to make use of them.

Trustee Engagement and Voting Activity

The Trustees' engagement policies were first set out in the 2019 SIP. These were determined in conjunction with their investment manager. The SIP notes that the Trustees will engage with their investment managers no less frequently than annually and usually on a quarterly basis at Trustee Meetings. The Trustees also liaised with their advisers in agreeing their 2021 SIP.

Over the Scheme year, the Trustees have not been asked to vote on any specific matters as there is no direct relationship with the funds' investments and therefore no voting rights or influence over the stock selection. However, the Trustees have taken reassurance from the Investment Manager on their stewardship, engagement and voting activity and referred to their published disclosures:

- Schroders Environment Sustainability and Governance Policy for Listed Assets 2020
- Schroders Stewardship Report 2020
- Schroders Sustainable Investment Report 2020

The Trustees note that best practice in developing a statement on voting and engagement activity is evolving and we will consider further information provided by the investment manager and general developments in market practice in this area before the production of next year's' statement.