Royal London Global High Yield Bond

ROYAL LONDON
ASSET MANAGEMENT

Contents

Summary

The investment objective of the Fund is to provide a combination of investment growth and income, the Fund will seek to achieve its objective on an active basis.

The Fund seeks to achieve its investment objective by outperforming its benchmark, the ICE BoA BB-B Global Non-Financial High Yield Constrained Index (the "Benchmark") by 1% per annum over rolling three year periods.

Policy: The Fund invests a large portion of its assets in sub investment grade bonds (those of lower credit quality) issued by companies domiciled in the UK, Europe, Africa, Asia and the Americas. The Fund may also invest in investment grade securities (higher credit quality). It may also invest in bonds issued by European governments and government related agencies. The Fund may use financial derivatives, but for efficient portfolio management purposes only. The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track it. While the Fund may invest in investments which are constituents of the Benchmark, the Fund will be actively managed and its portfolio will not be constrained by reference to any index or only invest in instruments within it.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund adopts a bottom-up investment process bolstered by an investment framework that supports active decision making. The investment process fully integrates Environmental, Social Governance and Climate (ESG&C) into a multi factor internal credit rating which assesses qualitative, quantitative credit and ESG&C factors in selecting its investments. The process actively monitors and promotes ESG&C characteristics disclosure and improvements.

Social includes S factors under a range of pillars: the policies, operations, product or services and governance in relation to the corporate policy for employees, customers, communities and controversies.

Environment (ex Climate) includes E factors under a range of pillars: the consumption and impact of toxic emissions, energy, water, waste and environmental controversies.

Climate includes C factors under a range of pillars: exposure (carbon emissions), ability(transition targets), willingness (recent relative change in emissions) and climate controversies.

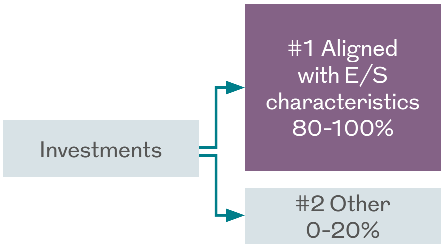
No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

Investment strategy

The Fund will be managed using the Investment Manager's fundamentally driven credit investment process focusing on bottom-up security selection combined with top-down macroeconomic analysis. The Investment Manager's approach leverages its 5 core competencies and its credit cycle investment framework to identify inefficiencies and opportunities within credit markets. At the macro level, the Investment Manager assesses credit cycle positioning along with industry, sector and geographic trends. This is combined with analysing credit ratings trends, market and business outlook and bottom-up security selection to arrive at a subset of potential investment opportunities for the fund. Each individual security is assigned an internal credit rating which considers qualitative and quantitative credit factors along with ESG&C matters. Overall, the Investment Manager aims to construct a diversified portfolio with the aim of delivering enhanced through the cycle returns with lower volatility than the high yield market.

Proportion of investments

The Investment Manager employs a proprietary ESG methodology, as described in detail above. At a minimum, 80% of the Fund's Net Asset Value will be predominantly invested in credit instruments which will be aligned with the environmental and/or social characteristics monitored by the Fund. The Fund does not commit to invest in Taxonomy aligned investments.



#1 **Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 **Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Monitoring of environmental or social characteristics

The Investment Manager undertakes analysis on every company within the fund to ensure investments are made that are consistent to the Investment Manager's Responsible Investment Policy coupled with the Good Governance policy and wider fund objectives.

Once approved for inclusion in the fund, monitoring of a company's ability to meet the fund objective and warrant inclusion in the fund is undertaken primarily via regular stock review, analysing data and combining with qualitative assessments, to ensure inclusion remains appropriate.

Methodologies

The Investment Manager looks at each credit instrument in detail and applies factors to score each credit instrument across E, S, G and C metrics based on a 1 – 10 rating scale. A "low score" is categorised where the score falls inside the bottom quartile of MSCI's own ESG scores. MSCI ESG scores aim to measure a company's management of ESG risks and opportunities taking into account the most material risks per industry/sector, using a similar scoring range as the Investment Manager's ESGC scoring methodology. MSCI is a leading provider of research, data and technology for the global investment community.

The E, S, G and C factors applied are described above under "What environmental and/or social characteristics are promoted by this financial product?". This analysis of the above factors results in E, S, G and C scores for each credit instrument. This scoring is integrated into the Investment Manager's credit decision making. G is dealt with separately to E, S and C. Governance is assumed to be material to credit worthiness. As a result, G scores (calculated using the above G factors) are used to size positions, with a negative risk decision impacting internal credit ratings, which impact the sizing of positions. Anything below a baseline governance level is automatically excluded. Low G scoring credit instruments above the baseline threshold will be engaged with.

Low E, S and C scores will lead to a secondary assessment analysing the impact on credit worthiness, determined on a case-by-case basis. Where there is no material impact on the credit worthiness, then a low score will lead to an engagement process with the relevant issuer where the Investment Manager believes there is the potential for the issuer to improve its policies. The Investment Manager evaluates whether there is such scope to engage by researching and assessing different sources of data, where available, including but not limited to, an issuer's/company's annual reports, sustainability reports, existing ESGC policies and communicating with management to discuss such ESGC policies/plans and how these are expected to evolve. Engagement with the credit issuer is periodic, including periodic re-evaluations of the business and its policies along with mitigation steps taken by the issuer over time, to assess improvement in the scores over a two-year period. If there is no 'significant improvement' of the score then the position sizing will be re-evaluated, with potential for full disinvestment.

If the E, S, G and C score is thought by the Investment Manager to impact credit worthiness materially, then the Fund will not invest in the relevant credit instrument or will consider smaller sizing depending on severity of impact, or where already invested, then the internal credit rating of the relevant issuer will be adjusted accordingly and the position will re-sized, reduced or exited entirely depending on the specific circumstances.

Data sources and processing

The Investment Managers approach to attain Article 8 compliance is to use both qualitative and quantitative data.

Data sources used to attain the Article 8 objective of the financial product include, but are not limited to:

- MSCI
- Reprisk
- Bloomberg
- Company websites and public disclosures
- Broker research
- Carbon Disclosure Project
- Meetings and engagements with companies

To ensure data quality, RLAM seeks to engage data providers who are seen as industry leaders and who are able to provide RLAM with significant data volumes using good practice methodologies.

To ensure data quality, RLAM seeks to engage data providers who are seen as industry leaders and who are able to provide RLAM with significant data volumes using good practice methodologies.

Additionally, where deemed appropriate, RLAM will seek to harvest data manually. This both helps to increase data coverage and accuracy. This is particularly important for fixed income funds where issuer-level ESG data is not as well covered by data providers and researchers.

Where disclosing data, the Investment Manager aims to provide information on the amount of data which is estimated so as to increase transparency around data quality.

The proportion of data that is estimated will vary by each data point that is considered.

Limitations to methodologies and data

We are confident that these limitations do not affect the attainment of the ESG characteristics approach due to our thorough approach to the overarching investment strategy, our methodologies and our on-going monitoring of the investments.

Due Diligence

Regular company meetings and record keeping

We centrally record our ESG engagement meetings. We use this information to monitor and track company improvements, and to report progress to our investment teams and clients. Our investment teams also maintain a high degree of contact with investee companies, meeting with them on multiple occasions throughout the year to discuss strategy, performance (both financial and non-financial), risk profile, capital structure and other material factors, where necessary. These financial meetings might include discussions of ESG issues and are recorded by each investment team.

Engagement outcomes

The outcome of our engagements, whether successful or not, represents part of the investment process and our ESG integration strategy. All of our engagements are recorded so that investment teams across the business can consider the outcome of an engagement as part of their investment decisions. In making this assessment, fund managers consider how material the issue is, whether there are mitigating factors that reduce the risk to clients, and the time horizon of the investment, among other factors. We do not advocate a 'one size- fits-all' approach and believe these decisions must be made within the context of each fund, based on the financial and non-financial objectives set by our clients.

ESG integration

Integrating, analysing and assessing ESG issues across our funds help us better manage investment risks and opportunities. Each investment team is responsible for considering ESG factors in their investment processes, alongside financial and other non-financial factors.

Engagement policies

Our Engagement Policy

Engagement is purposeful, targeted communication with an entity on particular matters of concern. The goal of engagement is to encourage change at an individual issuer level and/or address market-wide or systemic risks (in addition to a wider goal of exchanging information or increasing the investor's understanding of business risks and opportunities). Engagement is a fundamental part of the research process as well as an important tool for encouraging companies to make ongoing improvements, reduce their investment risk, and create better outcomes for our clients and society. We engage with businesses in both our equity and fixed income funds, as we believe this provides valuable insight for our investment teams and is a key part of our stewardship responsibilities.

We engage with companies in two ways: engagement for information and engagement for change. Both forms of engagement allow us to understand how ESG risks affect our investments and, in turn, the adverse effects our investment decisions may have on the environment and society.

Engagement for information

Here we speak to company representatives to uncover additional evidence to complement and enhance existing research as part of our investment process. Engagement for information is part of our research process and is often the first step in the engagement process. It is also critical to enhancing our ESG insights and, in turn, improving our investment decision-making. We believe information discovery and disclosure in itself is an important and positive outcome.

Engagement for change

Here we seek to influence a company's behaviour, policies and practices as a direct outcome of engagement. Engagement for change is often more focussed, sets out clear objectives regarding what change we would like to see and may span many months or years.

Designated reference benchmark

Not Applicable – the Fund does not have a specific reference benchmark for sustainable purposes.

Contact us

For more information about our range of products and services, please contact us.

Royal London Asset Management
80 Fenchurch Street
London EC3M 4BY

We are happy to provide this document in Braille, large print and audio.

For advisers and wealth managers
bdsupport@rlam.co.uk
020 3272 5950

For institutional client queries
institutional@rlam.co.uk
020 7506 6500

www.rlam.com

Telephone calls may be recorded. For further information please see the Legals notice at www.rlam.co.uk.

Issued in April 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Ref: DIS RLAM PD 0014 A8

125354 04 2024