

# Royal London Asset Management Responsible Investment and Stewardship Statement



**Issued April 2025**

This Responsible Investment and Stewardship Statement relates to active investment portfolios managed by Royal London Asset Management Holdings Limited. This includes assets across equity, fixed income and multi-asset.

This document sets out our approach to responsible investment and stewardship across our investments, including our approach to ESG (Environmental, Social and Governance) integration, exclusions, voting and engagement.

This statement covers responsible investment and stewardship activities in relation to:

1. Investment philosophy and beliefs
2. Stewardship
3. ESG and sustainability
4. Customer and client preferences
5. Monitoring and oversight
6. Reporting and disclosures
7. Conflicts of interest
8. Responsibilities
9. Regulation and Compliance

Our responsible investment and stewardship activities always aim to be pragmatic, reflective of local best practice and evolving market insights, and focus on the long-term interests of our clients. The actions we take may not always apply to any specific Royal London Asset Management funds and strategies that will each have a different investment objective and make investment decisions according to this. Portfolio holdings and characteristics should not be considered a recommendation to buy or sell. Please check the prospectus for details on specific fund-level objectives.

## Our purpose

At Royal London Asset Management, it is our vision to be a leading global active asset manager that puts clients at the heart of what we do. To achieve this, we seek to grow our business, continue to build an organisation of the future, deliver a first-class client experience and demonstrate our passionate commitment to responsible investing.

As part of a mutual group, responsible investment is a natural fit and key element in delivering our Group purpose – Protecting today, investing in tomorrow. Together we are mutually responsible. Benefiting from the stability of being part of the UK's largest life, pensions and investment mutual we can take a longer-term view, ensuring we are well placed to invest responsibly and champion positive, enduring change.

We have invested significant resources in recruiting responsible investment expertise into the business. Our Responsible Investment team, comprising sustainability and ESG specialists, collaborates closely with our investment teams across our four core practices which drive our stewardship: Engagement, Research, Voting and Advocacy.

For Royal London Group, including Royal London Asset Management, responsible investment is an approach that aims to deliver long-term investment returns consistent with the investment needs of our clients, members and customers – and to do so in a way that reflects the responsibility we have as stewards of the investments Royal London holds and to wider society.

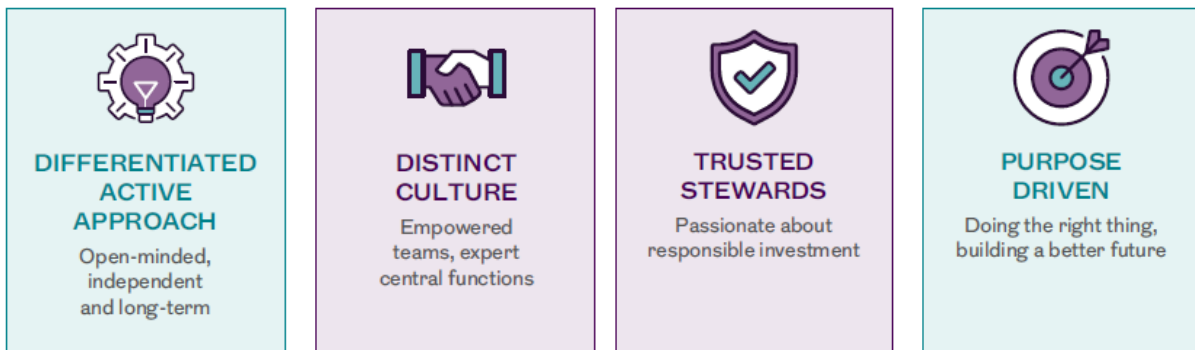


# 1. Investment philosophy and beliefs

## Our investment principles

Our investment principles describe our approach to being responsible long-term investors.

Our four principles are:



Being trusted stewards of our clients' capital is core to our approach. We aim to:

- be trusted stewards of our clients' capital
- make well-informed long-term investments based on research, analysis and evidence
- use our influence to progress positive changes at industry, regulatory and government levels
- favour engagement over exclusion to encourage positive behaviours
- recognise the importance of good governance and continuously evolve our approach to be more effective and help produce better outcomes
- deliver sustainable financial returns but also seek to provide enduring benefits for the economy, the environment and society as a whole.

The Royal London Asset Management Investment Committee reviews and agrees the Investment Principles at least every two years.

## 2. Stewardship (engagement, voting and exclusions)

### 2.1 Engagement policy

#### ***Why do we engage***

As an active asset manager with a long-term view, we are fulfilling our clients' expectations to engage on their behalf on the issues that matter to them. We regularly engage with the companies in which we invest on ESG issues, which can have a positive effect on corporate behaviour over time. We expect to improve corporate practices and foster long-term, mutually beneficial relationships.

#### ***Engagement themes***

We focus our time and attention on issues we feel are most material to our investments, and where we think engagement can have the biggest impact on ESG outcomes. We do this by focusing on key engagement themes.

The Responsible Investment team define engagement themes based on one or more of the following criteria:

- Reflect the priorities of clients;
- Financially material over the short or long-term and relevant to investment strategies;
- May influence corporate ESG or financial performance or reduce risk;
- Aim to raise best practice standards within a sector or market;
- Has the potential to influence social or environmental behaviours or practices;
- Aim to add value in advancing thought-leadership and good governance; or
- Address a PAI or poor governance practices.

Where applicable, we consider our PAI performance within funds. Where we feel ESG issues need to be addressed, and where it is in the best long-term interests of our customers, then we will seek to engage with a company to influence and try and make improvements.

We describe the actions we are taking to address our PAI's and wider ESG risks, as well as the outcomes we have achieved, in our annual Stewardship and Responsible Investment Report and through quarterly client reports. The former also describes our planned future engagement activities.

We review our engagement themes every two years. You can read more about this in our [Stewardship and Responsible Investment Report](#).

#### **2.1.1 Engaging with issuers**

##### ***Engaging for change***

We define engagement for change as a proactive effort to improve public disclosure and/or enhance practices to meet specific investor expectations and priorities, while mitigating risks. Depending on the investment mandate, this may involve focusing on sustainability improvements or driving positive changes for the environment and society.

### **Engaging for information**

This we define as a two-way dialogue with a company to understand their strategies, identify risks and assess alignment with our investor expectations to inform investment decisions.

### **Collaborating for action**

We also collaborated with investors on emerging topics. We recognise the importance of contributing to industry knowledge and working with peers and clients to try to effect real world change.

### **Escalation**

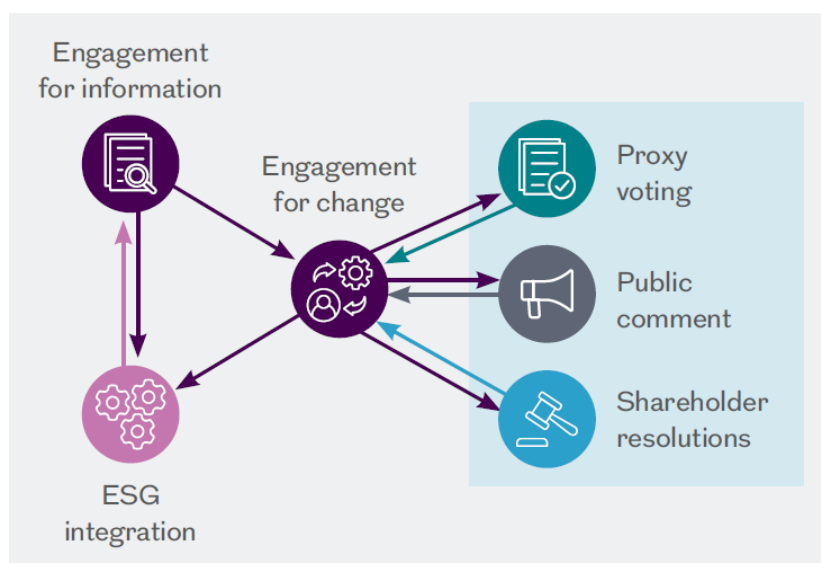
Our escalation approach is key to our engagement strategy across equities and credit. We act when companies are unresponsive to engagement or fail to address material risks yet have significant, persistent or intractable ESG issues. Such companies may pose a risk to our clients' assets. We believe these decisions must be made within the context of each fund, based on the financial and non-financial objectives set by our clients. As a result, the way in which ESG risks, opportunities, and PAIs affect investment decisions will vary between funds.

- **Internal escalation:** We first escalate issues to the Head of Desk, the Chief Investment Office and the Head of Responsible Investment to determine subsequent actions
- **Investment Committee reporting:** If we escalate an engagement, we report our decisions and actions to the Investment Committee.

We may also take direct firm-level actions.

- **Senior-level engagement:** We may escalate matters to the company's chair or senior executives
- **Shareholder voting:** Using our votes at annual or general meetings to influence directors or management
- **Shareholder resolutions and public comments:** We may file or co-file shareholder resolutions or issue public statements when appropriate.

### **Our engagement approach**



### 2.1.2 Engagement with policymakers, industry groups and regulators

We collaborate with regulators, governments, standard setters and non-governmental organisations (NGOs) to advance responsible investment and good governance. As a UK-based business, much of our public policy efforts have focused on our home market. This is where many of our clients are based, our main regulator is located, and where we can often have the most influence.

## 2.2 Voting

Exercising our voting rights is core to our stewardship activities. Voting on thousands of resolutions worldwide is an extension of our work to promote good governance and proactive, thoughtful stewardship. Our voting is pragmatic, informed by best practices, evolving insights and the long-term interests of our clients.

Voting is informed by the positions set out in our voting guidelines, which can be found on our website. However, the following six principles define our voting approach.

#### ***No auto-voting:***

As part of our active approach, we analyse every single vote. We use voting research, data, internal insights and engagement to drive the final decision which is taken in-house.

#### ***Abstain intentionally:***

We are deliberate in how we use our choice to abstain. Issues are rarely black and white, and we use abstentions to send a signal or invite further engagement.

#### ***Apply local best practice:***

Voting is an opportunity to engage and suggest improvements. Our approach goes beyond the minimum standards and asks for best practice relative to each market.

#### ***Seek consensus:***

We vote as a house and seek input from investment teams. Therefore, when we vote, it represents our collective view.

#### ***Change takes time:***

Change cannot happen overnight, and we acknowledge when companies are in the process of change.

#### ***Be consistent:***

We apply our policies and votes consistently across companies and over time but apply judgement where appropriate.

To see our voting decision in practice you can view all our voting records [here](#).

## 2.3 Exclusions

As part of our approach to be a responsible investor we have implemented a firm-wide exclusion of controversial weapons across all our funds as we believe strongly that we should not support involvement in such products.

Based on Royal London Asset Management's definition of controversial weapons, no Royal London Asset Management fund will knowingly invest in corporate equity and/or debt involved in the manufacture of cluster munitions, anti-personnel landmines and chemical and biological weapons (which we collectively define as 'controversial weapons').

The policy does not apply to indirect investments in controversial weapons. This includes, for example financial institutions who themselves invest in controversial weapons and/or companies who via their pension funds invest in controversial weapons.

The full policy is available on [our website](#).

We also offer a number of solutions for our clients, some with additional exclusions beyond controversial weapons, including but not limited to our sustainable fund range, Ethical Bond Fund and multiple cash products. Clients with specific exclusion requirements should consult the Prospectus.

## 3. ESG and sustainability

### 3.1 ESG integration

#### ***How we define ESG integration***

ESG integration is the ongoing consideration of ESG factors, including PAIs where applicable, within our investment analysis and decision-making process. It aims to address inefficiencies and improve risk-adjusted returns for our clients. ESG integration helps us understand and manage financially material risks in our investments alongside traditional investment factors like volatility and liquidity. We aim to identify how great the ESG risks are to our investee companies so that we might protect the financial performance of our funds.

#### ***ESG risks and inefficiencies***

We offer clients a range of investment strategies to help meet their needs. Several of our strategies have explicit sustainability or ESG objectives. These strategies seek to achieve a sustainability, ESG or climate outcome alongside a financial return. Other strategies do not have an explicit ESG objective but may consider ESG risks and inefficiencies as part of their investment process alongside other factors such as valuation, liquidity and company strategy etc. We also offer bespoke solutions through segregated mandates, where we work with our clients to tailor an approach to meet their responsible investment requirements. Please refer to the prospectus for details.

While only some of our funds have a specific focus on creating ESG outcomes, there will be times when it is appropriate to consider ESG risks, inefficiencies and PAIs as part of the investment process.

When looking at ESG risks, we aim to understand any potential negative impacts on financial performance, as highlighted in the following examples.

- Environmental: inadequate consideration of climate or other environmental risks, which could negatively impact a company's operations.
- Social: failing to adequately consider the views of key stakeholders, such as employees, customers and communities, which could lead to business disruption and/or inferior products and services.
- Governance: a poor approach to corporate governance which may impact a company's long-term performance.

ESG inefficiencies highlight where a company can improve its ESG practices or disclosures to enhance overall performance and stability. The following are some examples.

- Management inefficiencies: poor oversight of ESG initiatives or lack of integration of ESG factors into a company's business strategy.
- Operational inefficiencies: inefficient energy consumption or wasteful use of resources.
- Reporting & disclosure inefficiencies: a company failing to adequately disclose its ESG performance or outcomes, resulting in a mismatch between market perception and actual operational performance.

### ***ESG expertise and tools***

The Responsible Investment team meets regularly with our active equity and fixed income investment teams to discuss PAIs and ESG risks in our fund holdings and supports them in considering these in their investment decision making. These meetings are aided by our proprietary ESG dashboard, which aggregates ESG inputs and outputs on a specific company, including external data, our environmental, social, governance, and climate scores, engagement records and voting history.

The responsible investment team also undertakes any additional research requested by the investment teams. This can include updates on specific engagement projects with companies, ESG controversies or emerging ESG risks.

Investment teams and the Responsible Investment team consider multiple sources of research and data, which may include:

- Internal issuer-level ESG and climate (ESGC) scores, engagement and voting activity, and commentary
- Fund-level climate, PAI and engagement data
- External data providers
- Broker research
- Other information, as deemed appropriate.



## 3.2 Climate change

Royal London Asset Management is committed to playing our part in achieving net zero carbon emissions. We intend to achieve this through the following actions:

- Reducing the emissions of our investments by 50% by 2030 (tCO<sub>2</sub>e/\$m invested) as part of the transition to net zero by 2050<sup>1</sup>.
- Engaging with policymakers, the companies we invest in, our peers and other stakeholders to play our part in enabling the fair transition to a sustainable world.
- Developing investment solutions that enable clients to invest in the low-carbon transition.

Our commitment is made at the firm-level, and we will report periodically and transparently on the progress we are making. This commitment does not apply to all Royal London Asset Management funds and strategies because each will have different investment objectives. Please check your prospectus for details on specific fund-level objectives.

Our intention is to decarbonise Royal London Asset Management's in-scope assets under management in line with the real economy. We will also work closely with our segregated clients towards this goal where they have made explicit public commitments to net zero. Our efforts are focused on supporting the decarbonisation of the companies we invest in through engagement (and not decarbonising our portfolio regardless of the real economy). The commitment is based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement. It also assumes this action does not contravene our fiduciary duty to external investors.

## 4. Customer and client preference

When designing new products or strategies, Royal London Asset Management undertakes customer testing appropriate to the target customers to ensure any sustainability or responsible investment features are appropriate and objectives can be understood by our clients. We also review public documents and disclosures to ensure key sustainability, responsible investment or climate-related messages are clear, transparent and will not mislead clients.

**Royal London Mutual Insurance Society (RLMIS):** RLMIS is our parent company and largest client. We manage the majority of RLMIS assets, collaborating closely with different Group functions to align our investment strategy and responsible investment activities with their needs. Many RLMIS customers invest in our funds, including the Governed Range managed by our Multi Asset team. Further insights into RLMIS's investment strategy and governance are detailed in its Annual Report and Accounts.

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<sup>1</sup> The term Net Zero means achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed from it. The commitment is based on the expectation that governments and policy makers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement. It also assumes this action does not contravene Royal London Asset Management's fiduciary duty to external investors. The commitment is baselined on the year 2020. It includes assets managed and controlled by Royal London Asset Management, but excludes segregated mandates managed on behalf of external clients, unless otherwise instructed.

**Institutional clients:** Originally an in-house insurance asset manager, we have evolved to serve diverse institutional clients. Our offerings include pooled investment products across major asset classes and bespoke segregated solutions. We manage assets for external institutional clients, including local authorities, charities, universities, corporate pension schemes and insurance companies in the UK and, increasingly, abroad. We focus on understanding each client's stewardship and responsible investing needs, conducting client interviews, surveys and feedback sessions so we can refine our approach.

**Wholesale clients:** We manage assets on behalf of wholesale discretionary and advisory firms. Across Royal London, we work closely with independent financial advisers, wealth managers and stockbrokers to ensure our investments align with investor goals, risk attitudes and broader expectations. We offer solutions ranging from multi asset funds to funds focusing on specific market dynamics, with accessible investment information and risk mapping tools. We run educational webinars and sponsored sessions to enhance wholesale clients' understanding of our responsible investment approach.

**International clients:** While our roots are in the UK, we are expanding internationally, with clients across Australia, Asia and Europe. To support the growth of our international client base, we have registered our funds in strategic locations, including Switzerland, Singapore, Germany and the Nordic region.

## 5. Monitoring and oversight

We have a centralised ESG dashboard where ESG engagement meetings are centrally recorded, including the objectives of the meeting, key issues discussed, summary notes and outcomes.

Voting and engagement data, key issues, notable engagements and significant votes are reported regularly to the Investment Committee

Investment teams meet with companies throughout the year to discuss strategy, performance (both financial and non-financial), risk profile, capital structure, ESG and other material factors. These financial meetings are recorded by each investment team.

Additionally, our proposition team plays a role in developing and managing our investment products and services offered to our clients. They are responsible for product development, market research and are involved in product management and regulatory compliance.

## 6. Reporting and disclosures

Each year we produce several reports linked to our stewardship and ESG activity. These can all be found on our website. A number of our key reports have also been linked below.

<p>Principle Adverse Impact (PAI) Statement</p>	<p>Principal Adverse Impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.</p> <p>We publish an annual statement outlining our approach to considering and mitigating 19 PAI indicators that our investment decisions have on sustainability factors.</p>
<p>Principles for Responsible Investment (PRI) Assessment Report</p>	<p>As signatories of the PRI we are required to report publicly on our responsible investment activities. In turn we receive a number of outputs including the Assessment Report which we publish on our website. The Assessment Report helps us to understand how our responsible investment practices compare year-on-year, across asset classes and with peers at a local and global level.</p>
<p>Stewardship and Responsible Investment Report</p>	<p>Our Stewardship and Responsible Investment Report showcases some of our stewardship activities across our investments, throughout the year. Through active stewardship we aim to promote best practice on various ESG issues, including trying to improve company behaviours and meet client expectations.</p>
<p>Sustainable Finance Disclosure Regulation (SFDR) fund annex's</p>	<p>We publish pre-contractual and annual annexes for each of our SFDR Article 8 and 9 funds. The annex's outline the intended and achieved sustainability-related information of the fund over the reporting period. Details can be found on our fund centre for applicable funds.</p>
<p>Sustainable Disclosure Requirements (SDR) Consumer Facing Disclosures</p>	<p>We publish these documents for our ESG non-labelled funds in accordance with the UK's SDR. They outline the key ESG characteristics of the fund to enhance transparency and help consumers make informed investment decisions. Details can be found on our fund centre for applicable funds.</p>
<p>Task Force on Climate-related Financial Disclosure (TCFD) Climate Report</p>	<p>This report details how our climate strategy, underpinned by our commitments and strong climate governance, has continued to guide our management of climate-related risks.</p>
<p>TCFD Climate Report – product level</p>	<p>These reports aim to increase and improve our own disclosure and that of the companies we invest in. These reports are prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change.</p>

## 7. Conflicts of interest

We are dedicated to maintaining the highest standards of professionalism, integrity, and governance in our business and meeting our customers' needs. We underpin our commitment with a conflict-of-interest policy that we require all colleagues to understand and follow.

### ***Oversight and responsibility***

Our Board oversees the effective management of any conflicts of interest, ensuring systems, controls and procedures are adequate for identifying, managing and monitoring conflicts. Senior management is responsible for raising colleague awareness and ensuring they adhere to relevant aspects of the policy.

### ***Accountability and reporting***

The Board of Royal London Asset Management reports to the RLMIS Board, which oversees risk management within the Royal London Group, including the effectiveness of internal controls related to conflicts of interest. Non-compliance with our policies can lead to disciplinary actions.

### ***Identifying potential conflicts***

Potential conflicts may arise in situations where there is a conflict between:

- Our interests (as a legal entity or as an individual connected to the Royal London Group) and our duty to our clients; or
- The interests of two or more of our clients to whom we owe a fiduciary duty in each case.

Our Conflicts of Interest Policy offers guidance on managing conflicts in various scenarios, including trade execution, access to inside information, management of client accounts, confidentiality, outside activities and inducements, among others.

### ***Proactive conflict management***

We take all reasonable steps to identify and manage conflicts, ensuring we always prioritise our clients' interests. The business maintains a Conflicts of Interest Register, and we present quarterly updates to the Royal London Asset Management Business Risk Committee.

### ***Disclosure and transparency***

In cases where conflicts are unavoidable, we aim for detailed disclosure to the client, allowing them to accept the conflict or terminate the activity with relevant information. Our disclosure includes the nature and sources of the conflict.

### ***Policy review and accessibility***

The Risk and Compliance team regularly updates the policy. For detailed information on our approach to managing conflicts of interest, our Conflicts of Interest Disclosure Statement is available on our website.

## 8. Responsibilities

This section sets out responsibilities relating to the Royal London Asset Management – Responsible Investment and Stewardship Statement.

**Head of Asset Class and all investment managers** - Responsible for ensuring material ESG risks, including climate change, are considered within investment decisions. This includes the consideration of PAIs where applicable. Also contributes to engagement and proxy voting decisions.

**Head of Responsible Investment (RI) and the RI team** - Provides subject matter expertise, support, information, data and analytics to the investment teams, and oversees day-to-day implementation and coordination of engagement and proxy voting activities across all asset classes. Product Owner of the ESG Dashboard and PowerBI analytics tools.

**Chief Investment Officer (CIO)** - Senior Management Function with Executive Committee responsibility for RI, including climate change.

**Royal London Asset Management Investment Committee** - Chaired by the CIO. Responsible for monitoring, oversight and advice to the CIO on investment matters as they relate to RI and climate change.

## 10. Regulation and compliance

We will comply with applicable regulations in the jurisdictions where we operate. When industry standards change, we strive to achieve best practice wherever possible.

### ***SRD II Compliance Statement***

As set out in the SRD II regulations, Royal London Asset Management is required to disclose our Engagement Policy (see engagement section above) and the engagement activity undertaken in accordance with that policy. We must also disclose our voting policies, voting records, conflicts of interest and investment strategy.

This document outlines our approach to engagement and proxy voting, ESG integration and disclosure. Further details on how our voting and engagement policies are implemented, including details of any conflicts of interests and the activities we have undertaken during the year are disclosed in our annual Stewardship and Responsible Investment Report. Our voting guidelines are available on our [website](#), along with our searchable [voting database](#).

Royal London Asset Management's investment strategy is governed by our investment principles included in this report, which guides the approach of each Royal London Asset Management fund. Further information on the specific investment approaches taken by each fund can be found on our website and fund documentation.

### ***Sustainable Finance Disclosure Regulation (SFDR)***

As set out in the SFDR, we are required to disclose our due-diligence policies with respect to the PAIs of investment decisions on “sustainability factors”.

For SFDR compliance, we define “sustainability impacts/risks” as equivalent to “ESG impacts/risks” throughout this, and other, reports.

Our due diligence process for identifying and addressing PAIs is described in the ESG integration section above. Additionally, we discuss our method for integrating PAIs within our approach to Stewardship including our approach to engagement and voting.

In addition, we include information on our adherence to internationally recognised standards and responsible business conduct codes below and on our website. We reference our net zero commitment above and our annual TCFD Climate Report which has further information on our approach to supporting the objectives of the Paris Agreement.

### ***Business codes of conduct and industry initiatives***

Integrating ESG risks across Royal London Asset Management includes adhering to several business conduct codes and initiatives. While the below is not an exhaustive list, these are the codes/initiatives that are most recognisable at an international level and the ones that we actively participate in:

- UK Stewardship Code
- UK Corporate Governance Code and local market governance codes (where appropriate)
- Principles for Responsible Investment (PRI)
- Taskforce on climate related financial disclosures (TCFD)
- Climate Financial Risk Forum (CFRF)
- Net Zero Asset Managers initiative (NZAM)
- Climate Action 100+ (CA100+)
- Investment Association (IA) committees, including the Sustainability & Responsible Investment Committee
- UK Sustainable Investment and Financial Association (UKSIF)

### **Notes**

1. [Our voting principles](#)
2. [Voting Guidelines](#)
3. [Responsible investment. Meeting the challenge, together](#)

## Contact us

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

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Telephone calls may be recorded. For further information please see the Legals notice at [www.rlam.com](http://www.rlam.com). We are happy to provide this document in braille, large print and audio.

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## Important information

### Investment risks

The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

### Important information

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice.

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