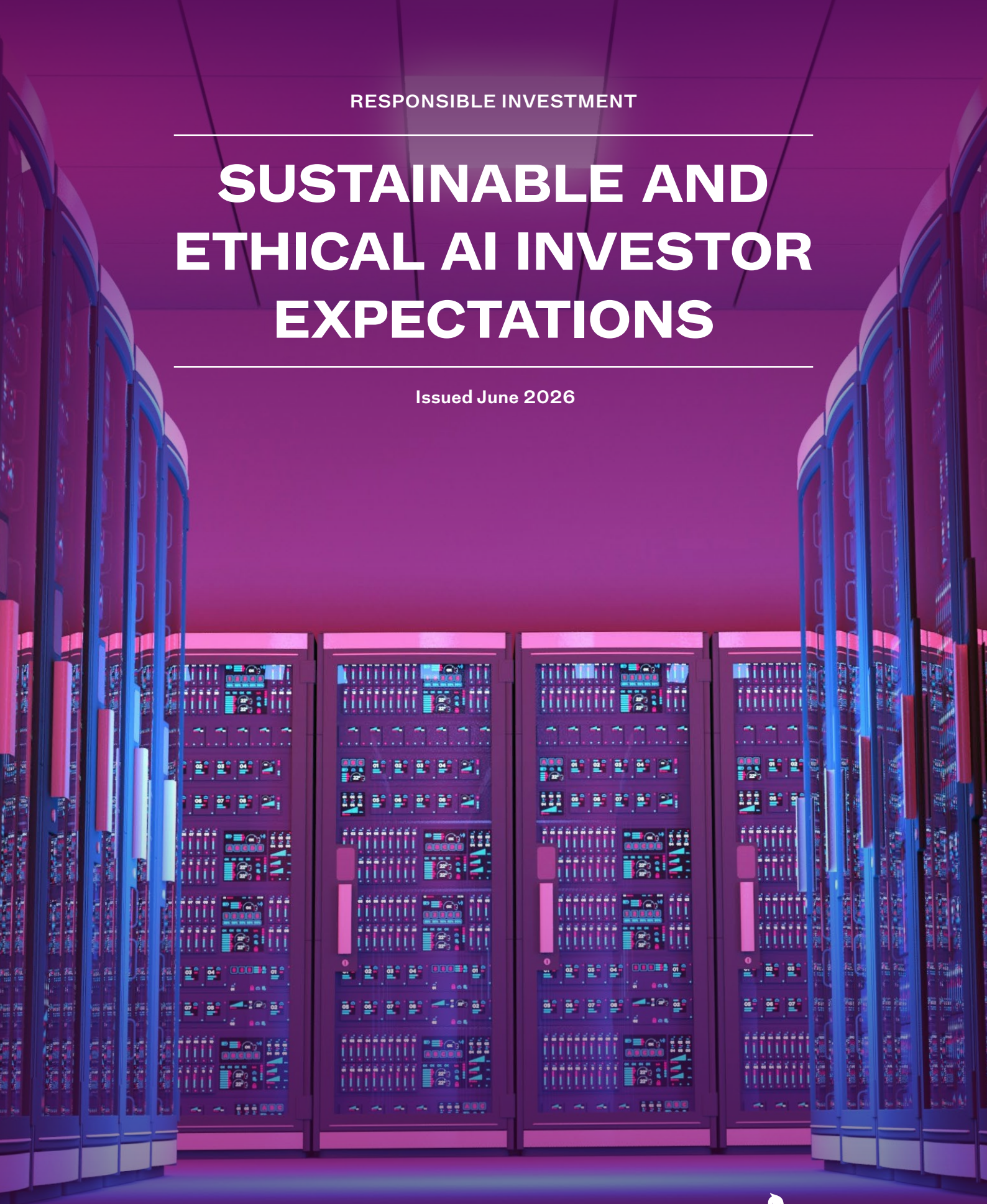
RESPONSIBLE INVESTMENT

SUSTAINABLE AND ETHICAL AI INVESTOR EXPECTATIONS

Issued June 2026



For professional clients/qualified investors only, not suitable for retail investors.
This is a marketing communication.

ROYAL LONDON
ASSET MANAGEMENT

Contents

Our commitment to sustainable and ethical AI 3

Sustainable and ethical AI investor expectations 4

What is sustainable and ethical AI? 5

Sustainable and ethical AI risks 6

Investor expectations 8

Investor expectations: deeper dive 10

Our actions & progress update 12

Conclusion 13

Find out more 14

Contact us 15

Important information 16

Any commitments apply at the firm level. Individual funds will have different investment objectives, so not all commitments will apply to every strategy; investors should refer to the relevant prospectus for fund specific details.

Royal London Asset Management does not offer financial advice to retail investors. We recommend you seek independent financial advice before making any investment decisions.

Our commitment to sustainable and ethical AI

Royal London Asset Management is committed to championing a fair, inclusive and collaborative approach to engaging with companies, clients, policy makers and peers across the industry supporting positive progress in ways that respect people, protect the planet and support long-term value creation.

This reflects how, as responsible stewards of our clients' capital, we see sustainable and ethical artificial intelligence (AI) not as an optional extra, but as a core driver of long-term value and resilience.

This document sets out our clear expectations for how companies should manage the environmental and ethical impacts of AI as the technology scales.

As AI becomes increasingly embedded across the economy, investors have a clear role in looking to ensure that innovation is matched by strong governance, accountability and responsible management of environmental and societal risks.

Carlota Garcia Manas
Head of Climate Transition and Engagement

What does this mean in practice

Clear expectations	Targeted stewardship	Active engagement
Managing AI's environmental and ethical impacts as it scales.	Reflecting different responsibilities across the AI value chain.	Focused on governance, accountability and real-world risk.

Responsibility for AI varies across the value chain

We recognise that responsibilities differ between AI developers, responsible for designing and building AI technologies, and AI deployers, responsible for applying them in real-world contexts, resulting in distinct roles, risks and level of influence.

Our expectations reflect these differences and align with the World Benchmarking Alliance (WBA)'s Ethical AI indicators and broader responsible investment principles to ensure stewardship is targeted, credible and effective.

Our stewardship lens on AI

Our engagement focuses on ensuring AI:

1. respects human rights and societal values
2. manages environmental impacts responsibly
3. is governed transparently and accountably
4. supports long-term, sustainable value creation.

Royal London Asset Management engages with companies as part of its responsible investment and stewardship strategy, aiming to drive long-term value for clients while promoting sustainable business practices. Our voting, engagement and advocacy activities are designed to be pragmatic, informed by research, evolving market insights and local best practices, and aligned with the long-term interests of our clients. These activities aim to enhance the value and integrity of our investment decisions. Please note that voting and engagement practices may not apply uniformly across all Royal London Asset Management funds or strategies, as each has distinct investment objectives. Please refer to your investment documents for specific details.

Reference to any security in this report is for information purposes only and should not be considered a recommendation to buy or sell.

Sustainable and ethical AI investor expectations

At a glance

Sustainable and ethical AI means developing and using AI in ways that respect people, protect the planet and support long-term value creation.

Key risks of unsustainable and unethical AI

- Bias, discrimination or privacy breaches
- Opaque "black box" AI decisions
- Inadequate AI governance and oversight

Why is it financially material?

- Regulatory fines and litigation
- Reputational damage
- Rising energy costs
- May undermine long-term value creation

Key themes for investor action

This document sets out our clear expectations for how we believe companies should manage the environmental and ethical impacts of AI as the technology scales. Our expectations span across six broad categories:

- Emissions & energy
- Governance & oversight
- Bias & fairness
- Transparency & explainability
- Data & privacy
- Ensuring appropriate use

Who is responsible?

The responsibilities for sustainable and ethical AI vary depending on a company's position in the value chain. We distinguish between two primary groups:

AI developers (creators)

- Design and build AI technologies
- Shape system architecture, safeguards and energy use
- Influence embedded risks

AI value chain

AI deployers (users)

- Apply AI in a real-world context i.e. using it to interact with customers, design and provide products or services
- Govern outcomes, fairness and accountability
- Responsible for real-world impacts

Investor expectations: We have established investor expectations to provide a practical framework for assessing companies. We use this framework ourselves and have published it for other investors, asset managers and asset owners, to aid their company assessments. The aim is to help companies commit to policy and practices, engage with stakeholders, minimise risks, maximise co-benefits and manage trade-offs through consultation.

A call to action: Investors have a pivotal role to play. Royal London Asset Management encourages investors and companies to consider the sustainable and ethical risks and opportunities associated with AI in their strategy and policies. We encourage companies to engage stakeholders early, and advocate for clearer government frameworks to support wider understanding.

What is sustainable and ethical AI?

In our framework, "sustainable and ethical AI" covers two complementary pillars of responsible technology management:

Sustainable AI

Managing AI's environmental footprint involves:

- minimising energy use, carbon emissions and water intensity
- improving efficiency of data centres and AI infrastructure
- supporting credible climate transition plans as AI scales

Ethical AI

Fair, transparent and accountable use of AI involves:

- preventing bias, discrimination and unfair outcomes
- safeguarding privacy, data rights and human oversight
- ensuring transparent, accountable and explainable AI systems

Our investor expectations build on globally recognised initiatives and established good practice.

Active collaboration and endorsement

- We are active participants in the World Benchmarking Alliance's (WBA) Collective Impact Coalition for Ethical AI.
- We endorse WBA Digital Inclusion Benchmark framework, including its Ethical AI indicators, as a reference point for good-practice AI governance.

Alignment with consensus standards

The focus of our research and engagement is further informed by widely recognised international standards and regulatory frameworks, including:

- The WBA Ethical AI indicators (part of the WBA Digital Inclusion Benchmark)
- The emerging EU Artificial Intelligence Act (which will require AI to be transparent, safe, and rights respecting)
- The National Institute of Standards and Technology (NIST), 2023 AI Risk Management Framework (a widely used guideline for AI governance)
- ISO 42001 (the new international standard for AI management systems).

We have developed our sustainable investor expectations using specialist expertise and aligned them with leading global frameworks including:

- the Science-Based Targets initiative (SBTi)
- the Transition Pathway Initiative (TPI), and
- Climate Action 100+.

By aligning with these frameworks, we ensure our expectations are robust, credible, and in line with evolving regulations.

We encourage investee companies to set high level AI principles, and to demonstrate their implementation and compliance with such standards. Our stewardship approach aims to encourage companies to meet these expectations, through informed voting, engagement, and advocacy, thereby seeking to safeguard investors' interests and societal wellbeing over the long-term.

Sustainable and ethical AI risks

Sustainability risks

AI's growth is widely expected to significantly increase energy consumption and greenhouse gas emissions, particularly from power-hungry data centres used to train and run AI models. Global data centre and AI-related electricity use is projected to more than double between 2022 and 2026 (to over 1,000 TWh, roughly the annual power usage of Japan)[1]. Companies that do not manage these environmental impacts may be exposed to higher operating costs, climate transition risks, and regulatory constraints. For instance, some governments are already limiting data centre development over water and energy concerns[2].

In addition to setting long-term climate goals, we expect companies to demonstrate measurable progress in reducing the emissions intensity of their AI operations. This includes transparent reporting on energy consumption, improvements in efficiency, and the quality of renewable energy sourcing, such as hourly matching of clean energy use. We view these indicators as critical to assessing the credibility of transition plans and ensuring that AI growth supports, rather than undermines, global decarbonisation efforts.

Ethical risks

If poorly governed, AI systems can perpetuate bias, invade privacy and produce unsafe or unjust outcomes and potentially cause harm to vulnerable users. Such failures may expose companies to reputational damage, legal liabilities, and loss of user trust, all of which can impact financial performance. Additionally, AI adoption could lead to shifts in employment patterns and, in some cases, job displacement. Government research suggests that a large share of UK workers are in occupations containing tasks that AI could perform or enhance, highlighting the potential scale of workforce impact[3].

While not a core focus of our investor expectations, we recognise the use of AI as an emerging societal concern that companies may need to address through transparent workforce planning and stakeholder engagement.

These risks are not only societal concerns, but increasingly relevant to investors.

What this means for investors

We believe that AI governance and sustainability are financially material for investors. Poor oversight of AI can result in regulatory penalties, litigation, reputational damage and rising operating costs, particularly where energy intensive systems are poorly managed. These risks can undermine long-term value and increase volatility.

By contrast, companies with strong AI principles, transparent governance and credible environmental targets are typically better placed to manage regulatory change, avoid costly controversies and deploy AI at scale in a resilient way. Over time, this can support more stable cash flows and stronger confidence in management quality.

There is also an opportunity angle. Firms that embed responsible AI practices early can build trust with customers and regulators, accelerate innovation and strengthen competitive positioning. For long-term investors, this creates scope to distinguish between AI exposure that drives sustainable value creation and AI strategies that introduce unmanaged risk.

As a result, assessing AI governance is becoming an important part of understanding business quality, downside risk and long-term return potential – not just an ethical consideration.

> **We see a key risk where AI principles exist on paper but lack the oversight and accountability needed to manage real-world sustainable and ethical risks.**
>
> **Charles Stott**
> **Responsible Investment Analyst**

1 IEA, Electricity 2024 – Analysis and forecast to 2026, https://www.iea.org/reports/electricity-2024

2 Datacenter Knowledge, Hyperscale Data Centers Under Fire in Holland – https://www.datacenterknowledge.com/hyperscalers/hyperscale-data-centers-under-fire-in-holland

3 AI Security Institute 2026 – Assessment of AI capabilities and the impact on the UK labour market – https://www.gov.uk/government/publications/assessment-of-ai-capabilities-and-the-impact-on-the-uk-labour-market/assessment-of-ai-capabilities-and-the-impact-on-the-uk-labour-market

Different application to developers and deployers

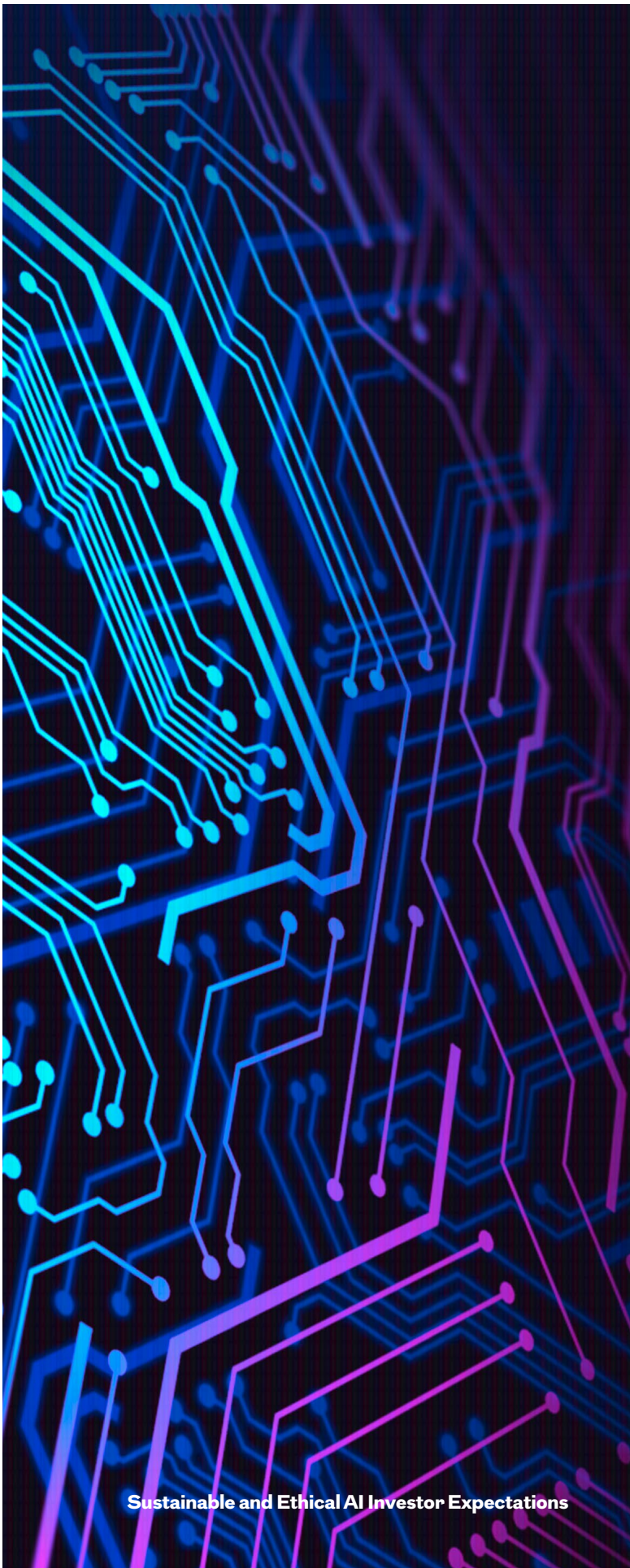
AI plays a transformative role across industries, but the responsibilities for ensuring its sustainability and ethical use vary depending on a company's position in the value chain. We distinguish between two primary groups:

- **AI developers** – including certain software firms, cloud providers, and platform companies – are responsible for designing and training AI systems. They typically operate large-scale data centres and shape the technical architecture and functionality of AI tools.
- **AI deployers** – including organisations in sectors like finance, retail, and healthcare – integrate these tools into their operations. They determine how AI is applied in real-world contexts and are accountable for its impact on customers, employees, and broader society.

Given these distinct roles, our stewardship expectations are tailored accordingly. **Developers** are expected to lead on issues such as energy efficiency, emissions reduction, and embedding ethical safeguards into AI design. **Deployers**, while often less involved in the technical development, are responsible for governing the use of AI within their organisations. This includes selecting sustainable vendors, managing indirect emissions, and ensuring that AI applications align with ethical standards and legal obligations.

In practice, developers should lead by powering AI with renewable energy, optimising infrastructure, and ensuring transparency and accountability in their products. Deployers, on the other hand, must implement robust governance frameworks, conduct risk assessments, and provide training to ensure responsible use. As the primary customers of AI technologies, deployers can exert meaningful influence over developers by using procurement, contracting and ongoing engagement to encourage higher standards of sustainability and responsible AI practice.

Despite these differences, for each company whether developer or deployer, we apply a consistent lens to both groups. We expect all companies to pursue high standards across these dimensions, in line with their respective spheres of influence and control. Our approach gives equal weight to sustainability and ethics, recognising that responsible AI requires attention to both environmental and societal impacts.



Investor expectations

Below we summarise our core expectations for AI developers and AI deployers, based on the indicators described below. These concise points outline what we expect companies to do, without repeating the detailed rationale provided.

Expectations for AI developers (creators)

Sustainable

1. **Scope 2 emissions reduction targets:** Set absolute or intensity-based Scope 2 emissions-reduction targets and commit to a credible pathway to net-zero electricity-related emissions by 2040 or sooner.
2. **Emissions reporting:** Report Scope 2 emissions using both market-based and location-based methods, ensuring full transparency on the true carbon impact of AI operations.
3. **Carbon-free energy matching:** Match 100% of the energy used to power AI with carbon-free sources on an hourly basis, demonstrating genuine real-time clean-energy alignment.
4. **Forward-looking carbon-free energy strategy:** Publish a forward-looking energy strategy that models future AI-driven electricity demand, energy supply constraints and sets out concrete actions, such as Power Purchase Agreements (PPAs), direct renewable investment or grid partnerships, to secure sufficient carbon-free energy.
5. **Improving data centre efficiency:** Disclose Power Usage Effectiveness (PUE), set improvement targets and implement continual efficiency measures to reduce the operational footprint of data-centre infrastructure.
6. **Water management:** Minimise reliance on potable water, adopt non-potable or alternative sources where feasible and report Water Usage Effectiveness (WUE) along with clear targets to improve water efficiency.
7. **Reducing embodied emissions:** Use low-carbon materials such as low-carbon steel and low-carbon cement in data-centre construction and invest in R&D or pilots that accelerate the uptake of low-carbon building technologies.
8. **Supplier & community engagement:** Engage local communities, participate in industry initiatives to reduce AI's climate impacts and require key suppliers to set science-based emissions-reduction targets.

Ethical

1. **Ethical AI principles:** Publish organisation-wide ethical AI principles covering fairness, bias, transparency, explainability, privacy and data security, and embed these principles throughout the product lifecycle.
2. **AI governance:** Disclose AI governance structures, ensure board-level oversight of AI-related risks and establish a dedicated ethics or risk committee with clear executive accountability for high-risk AI systems.
3. **Testing & training:** Implement an AI-specific testing and evaluation framework with embedded ethical guardrails, conduct human-rights impact assessments and deliver regular data/AI upskilling programmes to close identified skills gaps.
4. **Transparency:** Publish product-level service cards (or equivalents) for all AI systems, explicitly outlining key risks, limitations and out-of-scope use, and provide accessible redress mechanisms including complaint channels, data-rights requests and routes to human review.
5. **Compliance:** Demonstrate alignment with multiple recognised responsible-AI standards; including the EU AI Act, NIST AI Risk Management Framework and ISO 42001; and show evidence of adherence in practice.
6. **Ensuring appropriate use:** Include clear acceptable-use requirements and contractual safeguards in deployment agreements, with proportionate escalation and enforcement processes, including defined human oversight for high-risk use cases, to reduce the risk of misuse of AI systems by customers.
7. **Controversies**: When significant AI related controversies arise, respond openly and promptly, communicate what happened and who may be affected, explain the steps taken to investigate and remediate harms, and disclose what has changed to reduce the risk of recurrence.

Expectations for AI deployers (users)

Sustainable

1 **Climate targets:** Set science-based emissions-reduction targets that explicitly cover AI-related emissions, including Scope 3 Category 1 (purchased goods and services).

2 **Sustainable procurement targets:** Aim for AI suppliers to adopt science-based climate targets, decarbonisation and responsible water-use strategies by a certain date, supported by regular progress reporting.

3 **Supplier engagement:** Engage proactively with AI suppliers and industry initiatives to reduce the environmental footprint of AI.

Ethical

1 **Ethical AI principles:** Publish organisation-wide ethical AI principles covering fairness, bias, transparency, explainability, privacy and data security, and embed these principles throughout the product lifecycle.

2 **AI governance:** Disclose AI governance structures, ensure board-level oversight of AI-related risks and establish a dedicated ethics or risk committee with clear executive accountability for high-risk AI systems.

3 **Testing & training:** Implement an AI-specific testing and evaluation framework with embedded ethical guardrails, conduct human-rights impact assessments and deliver regular data/AI upskilling programmes to close identified skills gaps.

4 **Compliance:** Demonstrate alignment with multiple recognised responsible-AI standards; including the EU AI Act, NIST AI Risk Management Framework and ISO 42001; and show evidence of adherence in practice.

5 **Ensuring appropriate use:** Maintain an up-to-date inventory of all AI systems and set clear acceptable-use requirements, safeguards and escalation processes, with appropriate human review in place for critical or high-risk decisions, to reduce misuse or harmful use, applying privacy-respecting guardrails where tools are customer-facing.

6 **Controversies:** When significant AI related controversies arise, respond openly and promptly, communicate what happened and who may be affected, explain the steps taken to investigate and remediate harms, and disclose what has changed to reduce the risk of recurrence.

Investor expectations: deeper dive

Building on the expectations outlined above, this section explores in more detail how we assess companies' performance on sustainable and ethical AI.

Sustainable AI examples in practice

Sustainable AI is focused on minimising the environmental footprint of AI. This refers to the climate and resource impacts of developing and running AI systems. It includes managing greenhouse gas emissions, energy usage, and other resource consumption associated with AI. For example, training AI on large datasets can be energy-intensive; sustainable AI means using cleaner energy, improving efficiency, and cooling data centres responsibly.

Key sustainable AI indicators we look at include:

Carbon emissions and energy:

Does the company measure and reduce emissions from AI operations? Developers should use renewable energy to power AI workloads and set targets to cut Scope 2 emissions (from their data centres' electricity). Because the IEA Net Zero Emissions scenario – aligned with the Paris Agreement's goals – shows the global electricity sector reaching net zero by 2040, AI developers should set net zero Scope 2 targets in line with this 2040 benchmark, or earlier. Deployers, who use AI services from others, should track the Scope 3 emissions associated with their AI suppliers and work to reduce them.

Beyond simply using renewable energy certificates (RECs), leading developers are beginning to match their electricity consumption with carbon-free energy on an hourly basis, ensuring AI workloads are powered by clean energy in real time. This approach avoids the limitations of annual renewable energy matching, which can mask fossil-based generation during peak hours. Companies such as Google[4] and Microsoft[5] have already committed to 24/7 hourly matching by 2030. We expect AI developers to adopt similar strategies, demonstrating transparent progress in reducing the carbon intensity of every hour of AI operation.

Resource efficiency:

How efficient are the data centres and hardware running AI? Developers should report metrics like Power Usage Effectiveness (PUE) for their data centres and set goals to improve efficiency. They should also manage water usage in cooling servers (for example, using non-potable water and improving Water Usage Effectiveness). Even the materials in AI infrastructure matter, for instance, using low-carbon construction materials for data centres to reduce embodied emissions. Deployers, while not running data centres for AI models, can choose providers known for efficient, green data centres, thereby indirectly encouraging sustainable infrastructure.

Supply chain:

Are companies engaging their suppliers and partners on sustainability? AI developers building hardware or large facilities should encourage suppliers to set science-based climate targets. AI deployers should procure AI services sustainably, favouring vendors with strong climate credentials and requiring suppliers to adopt emissions targets, and decarbonisation and responsible water use strategies.

Reference to any security in this report is for information purposes only and should not be considered a recommendation to buy or sell.

4 Google – 24/7 by 2030: Realizing a Carbon-free Future
5 Microsoft – Microsoft Announces New 100/100/0 Commitment By 2030

Ethical AI examples in practice

Ethical AI focuses on ensuring AI systems are developed and used in a manner consistent with ethical principles and human rights. This pillar covers corporate governance, policies, and practices that prevent harm from AI. It spans issues like algorithmic fairness, transparency, accountability, and compliance with emerging AI norms.

Key ethical AI indicators include:

Ethical AI principles:

Does the company have a set of public principles or values guiding its AI development or use? We expect group-wide AI ethics principles covering at least fairness (avoiding bias), transparency & explainability, and privacy & data security. These principles set the tone from the top. Developers should embed these principles into product design; deployers should apply them in how they implement AI in their processes.

Governance & oversight:

How is oversight of AI risk structured? Leading companies have clear AI governance structures, for example, board oversight of AI-related risks and dedicated senior committees or AI ethics boards to review high risk AI use cases. We consider governance strong when it involves top leadership and cross functional expertise to vet AI applications. For deployers, good governance might also mean maintaining an inventory of all AI systems in use and assigning accountability for each.

Risk management & testing:

How does the company identify, assess and mitigate ethical risks across the AI lifecycle (design, testing, deployment and ongoing use)? This includes testing AI systems for unintended bias or errors, conducting impact assessments (such as Human Rights Impact Assessments for sensitive use cases), and investing in employee training to fill AI ethics and data skills gaps. Both developers and deployers should have frameworks to test AI for fairness, accuracy, security, and to continuously improve these systems. For instance, a bank deploying an AI loan approval algorithm should test for discriminatory outcomes, just as an AI firm developing facial recognition should test for bias across demographics.

Transparency & accountability:

Does the company clearly disclose where and how AI is used, what it is intended to do, and how affected stakeholders can challenge outcomes or seek redress? AI developers should clearly set out the purpose, limitations, and risks of their systems, for example through AI service cards or model documentation that summarise functionality, intended use, and associated risks. They should also provide clear mechanisms for redress and access to human oversight.

AI deployers should be equally transparent about their use of AI, including informing users when they are interacting with an AI system and enabling affected individuals to question or appeal decisions. Accountability further requires alignment with relevant regulations and standards, such as the European Union Artificial Intelligence Act (EU AI Act), the NIST AI Risk Management Framework, and ISO 42001, alongside public reporting on AI governance practices, progress, and challenges.

Ensuring appropriate use:

What measures does the company use to prevent misuse of AI systems after deployment, and respond to incidents when they arise? For developers, this means setting clear acceptable-use terms in deployment agreements and building in proportionate safeguards and review mechanisms to reduce and address inappropriate use by customers. For deployers, we look for an up-to-date inventory of AI systems in use across the business and clear acceptable-use requirements, safeguards and escalation processes that reduce misuse or harmful use in practice by employees. Where tools are customer-facing, we look for privacy-respecting guardrails that support appropriate use. Across both roles, the key question is whether the company can set boundaries for intended use and act when those boundaries are breached, including taking timely corrective action when misuse or harm is identified.

Our actions & progress update

We have begun taking action to drive better AI practices across our portfolio, prioritising engagement with companies at the forefront of AI development and deployment. This includes major technology firms (AI developers) and key adopters in sectors such as finance, healthcare, and consumer services (AI deployers), where the societal and environmental impacts of AI are particularly significant. By engaging across the AI value chain, we aim to influence both the creation and application of AI technologies.

Using our Sustainable & Ethical AI investor expectations and RAG (Red, Amber, Green) scoring methodology, we have benchmarked companies against the indicators outlined in this document. This assessment has surfaced both emerging leaders and widespread gaps in practice. For example, while a growing number of companies have published AI ethics principles, the depth and maturity of implementation vary widely. This mirrors findings from the WBA, which reported that only around a quarter of the top 200 tech companies had published AI principles by 2023[6]. On the sustainability front, deployers have an opportunity to strengthen their AI supplier engagement strategies, some developers are already leading the way by adopting hourly carbon-free energy matching and increasing transparency on how they will manage the significant growth in AI-driven energy demand. We have seen encouraging signs of progress:

The case studies shown are illustrative and mainly reflect US headquartered companies, given the current concentration of large scale AI development and deployment in the United States.

Case study: Intuit Inc.

Sector: Financial Services

Location: US

Intuit Inc. is a US-based global technology company that develops financial management and compliance software for consumers, small businesses, and the self-employed. Our engagement showed that the company aligns its practices with emerging AI standards such as the EU AI Act, NIST and ISO 42001, and we encouraged the company to improve transparency by clearly demonstrating how these frameworks shape its governance and responsible AI processes.

Case study: Amazon.com

Sector: Consumer discretionary

Location: US

Amazon.com is a US based global technology and retail company that operates one of the world's largest e-commerce platforms. For the first time, Amazon disclosed its Power Usage Effectiveness (PUE), an important step toward measuring the sustainability of its AI infrastructure, and we encouraged the company to expand efficiency reporting, accelerate carbon free energy adoption and enhance transparency around AI governance and oversight.

Case study: Visa Inc.

Sector: Financial Services

Location: US

Visa Inc. is a US based global payments technology company that operates one of the world's largest electronic payments networks. Our engagement showed that the company has taken meaningful steps to strengthen AI governance and responsible AI practices, but reporting remains limited. We encouraged the company to improve transparency so investors can more readily assess how risks around fairness, privacy and model oversight are being managed.

As this initiative evolves, we will provide updates on engagement outcomes, case studies, and refinements to our methodology. Our goal is to raise the bar for responsible AI, ensuring that innovation is pursued in a way that supports long-term value creation, societal wellbeing, and environmental sustainability.

Reference to any security in this report is for information purposes only and should not be considered a recommendation to buy or sell.

6 World Benchmarking Alliance, 2024 Investor Statement on Ethical AI – https://archive.worldbenchmarkingalliance.org/impact/investor-statement-for-ethical-ai-2024/

Conclusion

The rapid evolution of AI means our expectations will also evolve. We see this document as a living framework, aligned with WBA's Ethical AI indicators today and adaptable to new standards tomorrow. By clearly differentiating expectations for AI developers and deployers, we aim to have more nuanced and effective dialogues with each company, focusing on the levers within its control. Our aim is to ensure AI technologies are developed and deployed in a way that is sustainable for the planet and ethical for society, thereby protecting and enhancing long-term value for investors.

Looking ahead, we also recognise the importance of understanding the positive sustainability opportunities AI can unlock. Emerging research suggests that AI has the potential to enable substantial carbon savings across multiple sectors – for example, a study found that AI could help reduce global emissions by 3.2–5.4 gigatonnes of CO_2e annually by 2035 (equivalent to around 7–10% of today's global emissions)[7]. At the same time, it is important to acknowledge that AI could also be deployed in emissions intensive sectors in ways that increase overall emissions if not managed responsibly.

We intend to explore this dimension further, integrating it into future iterations of our assessment framework to ensure we capture not only the risks of AI, but also its potential to accelerate the transition to a low-carbon economy.

We recognise that AI presents emerging societal risks that will increasingly shape responsible-AI expectations. We will look more closely at issues such as job displacement, workforce impacts and the distributional fairness of AI outcomes. These social considerations, alongside the environmental and ethical dimensions already articulated, will form an important part of our future work as we assess how companies can deploy AI in a way that supports equality and broader societal wellbeing.

In partnership with other stakeholders, including fellow investors, regulators, civil society and the companies themselves, we will work to raise the bar for responsible AI. We invite companies to engage with us on these expectations, and we invite investors to join us in integrating such criteria into their own stewardship. Through collective effort, we can help shape an AI-powered future that is not only innovative and profitable, but also equitable and sustainable.

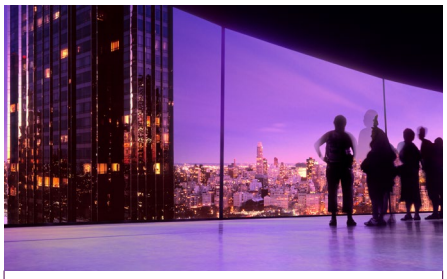
Next steps:

We will:

- **systematically assess investee companies' public disclosures** against our sustainable and ethical AI investor expectations.
- **identify both strengths and areas for improvement,** highlighting where companies demonstrate strong AI governance and where further progress is needed to manage environmental, social, and human rights risks associated with AI systems.
- **use these assessments to guide constructive, evidence based engagement,** encouraging companies to close identified gaps, strengthen controls, and adopt leading practices that promote fairness, accountability, safety, and sustainable AI development.
- **maintain open, ongoing dialogue with investee companies,** providing clear, actionable feedback on their AI strategies, risk management processes, and environmental footprint.
- **support companies as they build robust sustainable and ethical AI frameworks** that deliver tangible benefits for users, workers, communities, and broader stakeholders.

7 New study finds AI could reduce global emissions annually by 3.2 to 5.4 billion tonnes of carbon-dioxide-equivalent by 2035 - Grantham Research Institute on climate change and the environment

Find out more

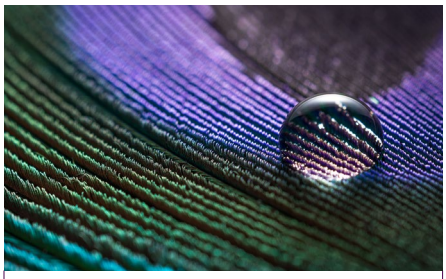


Voting guidelines

Click here

Stewardship and responsible investment report

Click here



Latest responsible investment views

Click here

You can also find out more on our website **www.rlam.com**

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

UK

For advisers / wealth managers:

bdsupport@rlam.co.uk

+44 (0)20 3272 5950

For institutional clients:

institutional@rlam.co.uk

+44 (0)20 7506 6500

Switzerland

For all investors:

john.parkin@rlam.com

+44 (0)20 3272 5912

Germany

For all investors:

immo.gatzweiler@fundrock.com

+49 151 54 72 5296

FundRock provide EU Management Company services to RLAM.

Spain

For all investors:

mrona@altamarcam.com

+34 91 290 07 28

Proud to partner with Altamar Capital to serve clients in Spain.

All other EEA investors

For all investors:

arnaud.gerard@fundrock.com

+352 691 992 088

FundRock provide EU Management Company services to RLAM.

Australia

For all investors:

kevin.haran@rlam.com

+61 (0)413 138 055


ROYAL
LONDON
ASSET MANAGEMENT

Important information

For professional clients only, not suitable for retail investors. This is a financial promotion and is not investment advice. Capital at risk. 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.

Past performance is not a guide to future performance. 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.

All Royal London Asset Management funds and strategies 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.

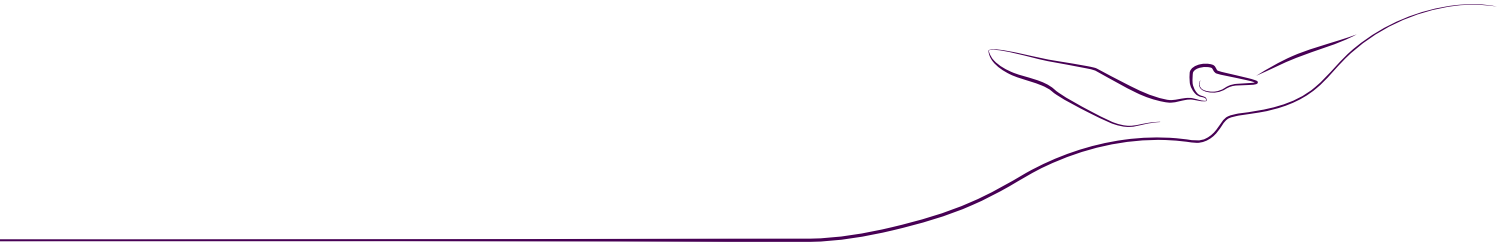
This document is private and confidential and only for use by "permitted clients" in Canada. This document is for information purposes only and is not intended as an offer or solicitation to invest. This document does not constitute investment advice and should not be relied upon as such. Royal London Asset Management Limited is authorized to provide investment services in Canada under the International Adviser Exemption. Royal London Asset Management's principal place for business is in the United Kingdom, and it is not registered as a manager in the provinces of Alberta, British Columbia, Ontario, and Québec.

Issued in June 2026 within **Europe (ex-Switzerland and UK)** by FundRock Distribution S.A. ("FRD") the EU distributor for Royal London Asset Management Limited. FRD is a public limited company, incorporated under the laws of the Grand Duchy of Luxembourg, registered office at Airport Center Luxembourg, Level 2, 5 Heienhaff, L-1736 Senningerberg, Luxembourg, and registered with the Luxembourg trade and companies register under number B253257. FRD is authorized as distributor of shares/units of UCIs without making or accepting payments (within the meaning of Article 24-7 of the 1993 Law), as updated from time to time. FRD is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). Portfolio management activities and services are undertaken by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY, UK. Authorised and regulated by the Financial Conduct Authority in the UK, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

For Australia: Royal London Asset Management Limited is exempt from the requirement to hold an Australian financial services licence under the Corporations Act (as a result of the operation of ASIC Class Order 03/1099 as amended by the ASIC Corporations (Repeal and Transitional) Instrument 2016/396 and extended by ASIC Corporations (Amendment) Instrument 2020/200) in respect of the financial services it provides to wholesale clients in Australia and is regulated by the Financial Conduct Authority under UK laws which differ from Australian laws.

Issued in June 2026 within **Switzerland and the UK** 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.

MRP 003



4408 06 2026