RLUM

Assessment of Value 2022

ROYAL LONDON
ASSET MANAGEMENT

Contents

Independent Non-Executive directors' introduction

Welcome to your 2022 Assessment of Value report, which gives investors an update on the funds we manage on your behalf, any issues that we have identified, and appropriate actions to rectify those issues, all with a view to ensure that investors receive value for money.

RLUM Limited (RLUM) has a responsibility to ensure that your funds are managed proficiently and that they deliver value for money to you as a fund investor. Ultimate responsibility for this lies with the Board of Directors – not just as an annual exercise, but as an ongoing activity. Each year, we gather data on the funds and their competitors, hear from fund managers and report our findings to investors in this annual report. In theory, this covers the 12 months to 31 March 2022, but in reality we are also looking at the longer-term picture – with examples of this discussed later in this report.

The importance of independent oversight

The RLUM Board has a duty to ensure the appropriate management of its funds. This relates to all aspects of management – from the fund manager taking investment decisions, to ensuring that assets are properly looked after, accounted for and reported on. The Board is made up of two independent directors from outside Royal London, plus three directors who work for Royal London. You can read details of the individual members of the Board on page 14.

The insight and knowledge of the directors who are Royal London employees is an essential element in our monitoring, given their day-to-day involvement in the management of the funds. However, having independent directors brings an external perspective to fund oversight, and gives investors comfort that their interests are not secondary to any internal consideration.

As your independent representatives, we believe that our challenge on value is a key responsibility for us to ensure that the funds in which you invest are delivering the outcomes you expect. This is the starting point for our regular meetings, focusing on performance, costs and service, and tracking progress on these areas, particularly those identified as part of this annual process.

As a Board, we meet four times a year formally, but will invariably discuss matters informally as part of 'business as usual'. We also have formal discussions as part of the Assessment of Value process to provide a clear record of what we have looked at and why, and the decisions we make. But whether formal or informal, the objective of these meetings has the same underlying principle: to make sure that the funds deliver for you, our investors.

Throughout this report we will refer to Royal London. From a legal point of view this is not quite accurate – in fact, RLUM appoints Royal London Asset Management Limited (RLAM) to manage the funds, with both ultimately owned by The Royal London Mutual Insurance Society Limited (RLMIS). But for most investors, they see the fund name with 'Royal London', and hence we believe it is simpler to use that term in this report.

What is value?

Value, and delivering value, is the theme of this report. Value often means different things to different people, and 'value for money' is subjective. For the Assessment of Value, we started with the principles laid out by the Financial Conduct Authority (FCA) and created three pillars that we think collectively deliver value, these being Performance, Cost and Service.

Many investors focus on Performance, on the basis that if they're better off, then all is good. Performance of most of the funds in this report has been good over the review period, and over the long term. Considering the backdrop of the last few years, this is a pleasing result, but our discussions with fund managers showed that they are not complacent, and that conditions during the next review period will be just as testing given the ongoing invasion of Ukraine, rising inflation, rising interest rates and nervous markets.

We want to go deeper than just performance because we believe that there is more to a good investment than a number showing returns. What risk was taken to generate those returns? How much did investors pay for those returns? For more explanation of how we define 'good' and what we found, see the Methodology section on page 6 and the Results section starting on page 9.

Listening to you

We continue to look at the best way to create and deliver this Assessment of Value report. As well as industry-wide feedback from the FCA, we also commission market research to get adviser input into a wide range of Royal London products, services and communications. In addition, we have undertaken a customer survey to get their views on the content of this report. If you have questions or suggestions on ways to improve it, please contact us on **AssessmentofValue@rlam.co.uk.** We hope you find the report useful, and thank you for your continued investment.

John Brett and Jill Jackson
Independent Non-Executive Directors, RLUM

Our approach

Assessment of Value – methodology

Introduction

Throughout the year, we look at how our business is adding value for our customers and focus on the areas where we can do better. The purpose of this report is to give you an insight into this process – where we are adding value and what measures we are putting in place where we are falling short of investor expectations and our own high standards.

In this section, we'll talk about the issues we are investigating, our methodology and how you can interpret our findings.

Evolving our Assessment of Value

Assessing value is an ongoing process at Royal London, as part of the regular work done by teams within Royal London, as well as at Board level.

Annually, we will report back to you in this report so you can see the progress from previous years' reports and the other work which we have done as part of our ongoing reviews of our funds.

We believe that trust and good service are, in part, achieved through transparency. Being transparent means giving investors the information they require in the simplest form possible – allowing them to make informed decisions about their investments and finances.

We continue to review and improve the 'methodology' used in this assessment. For example, this year we have gathered and examined an even larger set of numerical data to tell us how much it costs us to run the funds and we have used this information to evolve our guidelines for judging whether the fees we charge investors in each unit class continue to be fair. We will also continue to gather feedback on how we present the results to best illustrate how we measure the value provided by our funds.

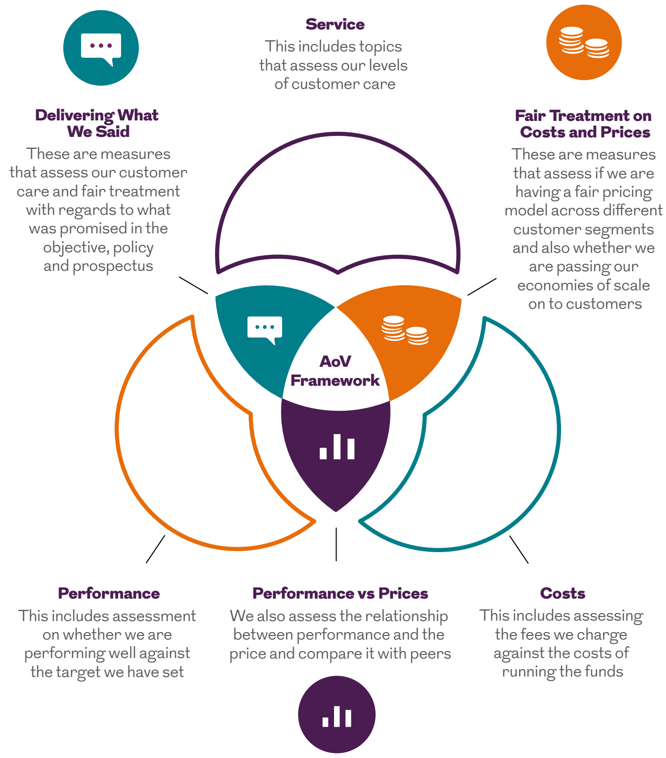
Understanding this Assessment of Value report

Our approach continues to be based around the three broad categories of **performance, service** and **cost** to determine where we were adding value and where we were falling short. These three categories combine (or consolidate) a more in-depth analysis by the Board which considers details in the seven areas defined by the FCA for such assessment.

Performance

What do we mean by good performance?

This sounds straightforward but this is not always the case. When we launch a fund, we state in the prospectus what the fund's investment objective and performance target or benchmark is. That target may be to produce a return that is better than cash, a group of competitor funds, or a market index such as the FTSE 100.



Whether you are invested in one of our active equity or bond funds, or a multi-asset or other type of fund, you will be able to see clearly if our process has identified any concerns around underperformance that need to be investigated.

We'll let you know what measures we are putting in place if your fund is significantly underperforming its benchmark or the investment objective as stated in the prospectus. It's important to remember that although we report to you every 12 months, when we look at performance we mainly focus on the longer-term picture, as most of our funds are designed to be held over time periods significantly longer than one year.

Service

What do we mean by good service?

Here we are assessing our levels of care and whether we are being fair to customers. Service in asset management is, in many ways, about transparency – do we action customer requests and provide transparent information on an accurate and timely basis? By assessing our level of service, we want to ensure that customers continue to receive the range and quality of the information they need.

To gauge our service, we look closely at feedback we have received from investors and at how well our teams that service investors have been performing. We also reflect on what advisers have told us about our services.

We'll let you know what measures we are putting in place if complaints or other measures indicate poor customer service outcomes.

Cost

While cost plays a significant part in determining whether our funds are delivering value for investors, we do not believe it should be the only factor, and that driving down costs is not always in the best interests of investors. For example, the fees we charge enable us to continue to invest in improving the technology and infrastructure that underpins the delivery of our services. This includes making sure that the business is prepared for unforeseen events and can continue to operate without any business interruptions as it did during the pandemic.

What questions are we asking on costs?

- Are the fee levels we charge our customers reasonable by reference to the costs involved with managing the funds, and the services provided to investors?
- Are the differences in fee rates for different types of units in a particular fund, fair? Could investors be eligible to switch to a cheaper unit class?
- Are we as efficient as we can be in managing our costs and do we keep them under review? Are we achieving economies of scale for the benefit of investors?
- How do the fees we charge compare with similar funds and unit classes available from our competitors and with what we charge investors in other parts of our business?

Our fund traffic light system

The 'Results' section of this report uses a traffic light system that lets you see at a glance, whether your fund is delivering good value, or if the fund, or one of its unit classes, is falling short under each of performance, service or cost, and if there are any amber or red traffic lights, the page where you can find further information.

● **Green**

If your fund has been allocated a green rating, no issues have been identified.

● **Amber**

An amber rating means our data has captured a potential issue in the value for the fund (or one of its unit classes) and flagged it for review. We will let you know what we are doing to monitor or address the issue.

● **Red**

Where a fund has been allocated a red rating for any one of our performance, service and cost categories, we will set out what actions we are taking. For example, this could take the form of a change to the investment process, focusing additional effort on a service issue or reducing our fees.

Get in touch

If you would like further information about our Assessment of Value methodology, or the ratings applied to any of the funds in this document, you can contact us at AssessmentofValue@rlam.co.uk

Results

An overview of our Assessment of Value findings

Performance

What were we looking for?

Performance is perhaps the first and most obvious factor that all of us look at when considering a fund and whether it has provided value. Different funds have different performance objectives, but most aim to beat a market comparison such as the FTSE 100. As well as headline performance, we also look at the risk taken by each fund to ensure that it is in line with the objective – essentially to ensure that the fund is neither taking too much nor too little.

With Assessment of Value being an annual checkpoint, it would be easy to focus on 12 months' performance. In reality, the Board will always look across a range of time periods. All of our funds are designed to be held for at least five years. But any proper assessment has to look at both, as short-term performance can be informative and can be used to assess any actions that need to be taken: for instance, a fund with poor long-term returns may have made changes, and annual returns may give a clue as to how successful those changes have been. Similarly, a fund with a great long-term record may have had a hard year – and this can be a prompt to check that the fund has the right resources and process to weather any difficult times or whether any specific actions need to be taken.

We look at all the funds (and their unit classes) in our range, but will only publish a rating for funds that have been running for a year or more. For us, the primary question we look to answer when assessing each fund's performance is whether the fund has met, or failed to meet, the performance target stated in the fund prospectus – as this represents our commitment to investors.

What did we find across our range of funds?

Performance across Royal London's range of funds to the end of March 2022 was generally good – with most delivering positive returns overall, and generally doing well compared to their objectives. On the whole, those that were equity funds saw positive returns since our last review, as markets were buoyant through most of 2021, while bond funds saw negative returns due to fears of rising inflation and interest rates.

Performance reviews are not new for the Board. As performance is such an important component of overall value to investors, both the Board and Royal London place a great emphasis on constantly monitoring performance and addressing any potential issues.

On the whole, performance across RLUM's range of funds remains strong, with the majority of funds delivering consistently good results against the criteria we have identified above. All but one of our funds were rated green from a performance perspective.

We have classified one of our funds as having a red rating. (See page 11 for more details on this.) While specifics are covered in the following pages, we were satisfied that for this fund, which previously had a red rating, we can see that changes we put in place in recent years are starting to have an effect. The Board will continue to monitor this fund closely until its long-term performance is sustained at the level required.

To see detailed fund performance data, including figures for funds and benchmarks over a variety of time periods, please see the relevant fund factsheets, available **here**. These are refreshed monthly for investors wanting to monitor performance more regularly.

Service

What were we looking for?

We looked at several areas, including:

- Feedback from our customers and advisers
- Specific measures which indicate the quality of investor servicing
- Number and nature of investor complaints

This year the Board also looked at investment processes and integration of Environmental, Social and Governance (ESG) matters as an important part of our overall service to investors.

What did we find?

Providing a first-class service for investors is of great importance to Royal London as we recognise it is an essential element in the investor experience. The Board keeps this under close review on an ongoing basis and assessed that the quality of service was not as high as they would expect, and has therefore been given an amber rating this year.

This is based on the overall quality of investor servicing – specifically in the telephone service we provide – rather than any specific service issues on individual funds. Along with many industries we have had resource issues, both in terms of attracting the right standard of resource but also in terms of retaining resource. These issues led to an increase in call waiting times and also an increase in the time at which customer complaints were resolved. While this was a disappointing result for the 12 months covered by the 2022 Assessment of Value, we have now taken the necessary actions to improve the resource situation and can confirm that both servicing issues that have driven the amber rating have now been resolved. However, we continue to monitor the situation closely and feel that the amber rating is merited until we have had chance to see these changes over a longer period.

An important element in our assessment process is a regular survey of Independent Financial Advisers (IFAs) and wealth managers. This is something we have done for more than six years now as part of our ongoing commitment to providing a first-class service and we have used the outputs from these surveys to help improve our service.

In the most recent version, we surveyed 220 IFAs and wealth managers to understand how they saw Royal London overall, but also compared to our competition. Royal London again scored more highly than many competitors when rated on ‘offers value for money’, and to be ‘experienced’ and ‘trustworthy’. We also continue to score well on Communication – which has remained vital to help advisers as concerns over Covid-19 gave way to Ukraine and the rise in inflation and interest rates later in the period.

Assessment of investment process and effectiveness of ESG processes is ongoing, but as part of the Assessment of Value, the Board looked for forms of validation where possible. For instance, Royal London continues to win a high number of external awards for various funds and strategies, and a number of strategies continue to receive buy ratings from external investment consultants. Internally, the Board regularly reviews the output of the independent Risk team – which looks at funds to ensure that these are being managed in line with expected risk tolerances – to ensure, for instance, that a good return isn’t just the result of taking an excessive amount of risk.

On ESG, the Board noted that Royal London continues to win awards for its activities, while also being a signatory to the Financial Reporting Council’s (FRC) Stewardship Code. The FRC introduced the Code to advance engagement between companies and institutional investors in order to improve long-term shareholder returns and the efficient application of governance responsibilities. As part of this, Royal London has to submit an annual report covering its activities in this area before being confirmed as a signatory. Not all asset managers met the required level, and the Board therefore see this as a real example of our ESG capabilities.

Cost

What were we looking for?

Our aim here was to assess whether the level of fees paid by investors in our funds is reasonable.

The first way we ensure that we factor costs into our thinking is at the Performance stage: we look at net performance to ensure that we see what investors get after paying fees as this is the first ‘hurdle’ for investors in receiving those returns .

Next, we looked at cost on several levels: as a company, for each fund; and for each unit class for those funds. Different unit classes will still give exposure to the same pool of investments, managed by the same fund manager, but may charge different amounts, usually driven by the amount invested – as with every industry, we will charge those buying more with a lower percentage fee. We ask ourselves:

- How do our fees compare to those of other similar funds that competitors offer?
- Do we have investors who are eligible for a cheaper unit class?
- How do fees compare between a fund’s different unit classes?
- As funds become larger, are our investors benefiting from our increased scale?
- Are fund fees reasonable given the costs of providing those funds?

What did we find across our range of funds?

Our findings show that these funds are priced competitively and are providing investors with value for money. However, we did find a small number of unit classes where our initial analysis suggests that a further, more detailed review is necessary to ensure that the fund fees are reasonable given the costs of providing those funds. We will undertake this review by the end of 2022 and will notify you of any findings and actions we propose to take. (Relevant individual funds can be seen on page 11.)

Fees are reviewed regularly as part of our ongoing governance, and formally reviewed every year. Cost pressures have generally been increasing over the past year, reflecting wage growth generally and increased emphasis on compliance and security. These costs have been borne within existing pricing.

In addition to this Assessment of Value, we also publish cost and charges documents for each fund (available under each fund **here**), giving ‘pounds and pence’ breakdowns of what costs actually mean for you as an investor.

Fund-by-fund results

Below you can find our Assessment of Value ratings for performance, service and cost for each of RLUM's funds, as at the end of March 2022. Where we believe an aspect of a given fund or any of the individual unit classes merits a red or amber rating, we have added a note on the following pages to provide more details of the issue and our approach to dealing with it.

Fund	Unit Class	Performance	Service	Cost	Comments
RL Corporate Bond Monthly Income Trust	A	🟢	🟡	🟡	page 12
RL European Growth Trust	A	🟢	🟡	🟡	page 12
RL Sustainable Diversified Trust	A	🟢	🟡	🟡	page 12
RL Sustainable Diversified Trust	C	🟢	🟡	🟢	page 12
RL Sustainable Diversified Trust	D	🟢	🟡	🟢	page 12
RL Sustainable Leaders Trust	A	🟢	🟡	🟡	page 12
RL Sustainable Leaders Trust	B	🟢	🟡	🟢	page 12
RL Sustainable Leaders Trust	C	🟢	🟡	🟢	page 12
RL Sustainable Leaders Trust	D	🟢	🟡	🟢	page 12
RL Sustainable Leaders Trust	E	🟢	🟡	🟢	page 12
RL Sustainable Managed Growth Trust	C	🟢	🟡	🟢	page 12
RL Sustainable Managed Growth Trust	D	🟢	🟡	🟢	page 12
RL Sustainable Managed Income Trust	C	🟢	🟡	🟢	page 12
RL Sustainable Managed Income Trust	D	🟢	🟡	🟢	page 12
RL Sustainable World Trust	A	🟢	🟡	🟡	page 12
RL Sustainable World Trust	C	🟢	🟡	🟢	page 12
RL Sustainable World Trust	D	🟢	🟡	🟢	page 12
RL UK FTSE4Good Tracker Trust	A	🟢	🟡	🟢	page 12
RL UK Growth Trust	A	🟢	🟡	🟡	page 12
RL UK Income with Growth Trust	A	🟢	🟡	🟡	page 12
RL US Growth Trust	A	🔴	🟡	🟡	page 11

Findings and actions for individual funds

This section covers funds where one or more of Performance, Service or Cost was identified as not reaching the standard we would expect.

RL US Growth Trust

Issue	Rating
Performance	🔴

Specific findings

The US Growth Trust underperformed the MSCI USA Index during the past seven years. Given that the fund's performance target is to outperform its benchmark over rolling seven-year periods, our Assessment of Value has given this a red rating after receiving a red rating last year.

What actions are we taking to resolve these issues?

A number of actions have taken place – both prior to this review period, but also in the past 12 months. Prior to this review period, we had changed the management of the fund, and removed former manager UBS Asset Management, appointing RLAM to run the fund. We then reduced the annual management fee.

During the past 12 months, in collaboration with RLAM, we increased the risk budget used to manage the fund. This remained within the limits set out in the prospectus.

As a result of these actions we have seen an improvement in performance, and the fund is now ahead of benchmark over three years. We are therefore not proposing any further actions or changes at this point. However, until we see more extended evidence of improvement, we feel that keeping a red rating is appropriate.

RL Corporate Bond Monthly Income Trust
RL European Growth Trust
RL UK Growth Trust
RL UK Income with Growth Trust
RL US Growth Trust
RL Sustainable Diversified Trust
RL Sustainable Leaders Trust
RL Sustainable World Trust

Issue	Rating
Cost	●

Specific findings

The review has highlighted that the ongoing charges figure (OCF) for the A unit classes of the above funds require further analysis to ensure that the unit classes are still delivering value for customers.

What actions are we taking to resolve these issues?

A more detailed review of the OCF is to be completed by the end of 2022. This review will focus on the level of OCF for the A unit classes to ensure they remain appropriate.

All funds

Issue	Rating
Service	●

Specific findings

The review has highlighted that the overall quality of investor servicing, specifically in the telephone service we provide, was not as high as we would want it to be. This was caused by resource issues, both in terms of attracting the right standard of resource but also retaining resource.

What actions are we taking to resolve these issues?

We have now taken the necessary actions to improve the resource situation and can confirm that the servicing issues that have driven the amber rating have now been resolved.

About Royal London

RLUM Board

Martin Lewis
Chairman

Martin is Chairman of RLUM Limited. He was appointed to the RLUM Board on 31 July 2013. He has over 30 years' experience across the insurance and pensions industry. He has a wealth of knowledge across financial services including business transformation, change management, strategy, financial risk and analysis. He is currently Value Enhancement and M&A Director for Royal London Group and is the Client Money Oversight Officer for RLUM.

John Brett
Independent Non-Executive Director

John joined RLUM in September 2019 as an independent non-executive director. He has held a number of senior roles in asset management over the last 20 years including CEO of a wealth management firm, Head of Distribution for Aberdeen Asset Management and Sales & Marketing Director for Scottish Widows Investments. He is a qualified lawyer and has held senior positions responsible for legal, risk, governance, products and strategy. He is currently the non-executive chair of a wealth management business.

Jill Jackson
Independent Non-Executive Director

Jill joined RLUM in April this year as an independent non-executive director. She has over 25 years' experience in the Asset Management industry and has held a number of senior positions during her career. Prior to joining the RLUM Board she was the Chief Executive Officer of The Big Exchange, a direct to consumer impact investing platform. She remains a non-executive director for that business and is also a non-executive director for The Investing and Savings Alliance (TISA).

Phillip Beamish
Executive Director

Phil has over 25 years of experience in pensions and insurance. He was appointed to the RLUM Board on 31 July 2013. He has a wealth of experience in investment management and product marketing across financial services. He is currently Head of Oversight for Royal London Group.

Jon Glen
Executive Director

Jon has over 15 years of experience in financial services. He was appointed to the RLUM Board on 29 April 2020. He has a wealth of experience in business strategy, operations management and business development. He is currently Group Chief Operations Director for Royal London Group.

Royal London and Royal London Asset Management

Adding value for over 150 years

Founded as a friendly society in 1861, Royal London's mission was to secure its members' financial stability. Nothing has changed. Royal London Asset Management ('RLAM') was set up in 1988, initially to manage assets on behalf of Royal London members, and then to the wider market.

The following 34 years have seen both RLAM and its parent enjoy huge success to become significant parts of their relative sectors within the UK financial services industry.

That success is built on a culture of free, fresh and innovative thinking and investment strategy. That results in a measured, stable and independent approach to managing assets, which avoids fads, passing trends or a 'me too' take on investing.

Today RLAM is an integral part of the Royal London Group, with our direction driven by a shared purpose. **Protecting today, investing in tomorrow. Together we are mutually responsible.** This underpins our strategy to be a growing modern mutual with a focus on delivering for our clients.

We believe that our mutuality ownership model helps to distinguish us in the asset management market, giving it the outlook, culture and values to set it apart from its competitors. All staff members are also members of the mutual through our pension scheme, and therefore have exposure to Royal London funds, aligning the interests of staff and investors.

Adding value for today

- **Putting investors' goals first**
  We aim to provide the right mix of risk and return potential to meet your goals.
- **Prioritising trust and transparency**
  Our relationship with our clients is about trust — and in financial services, trust is gained through transparency.
- **Expertise in 'active' investing**
  If our clients are paying for active management and the potential of benchmark outperformance, that is what we deliver.

Adding value for tomorrow

- **Responsible investing**
  We believe that better-run companies make better investments.
- **A responsible company**
  We aim to create a positive, inclusive and flexible culture.
- **A long-term strategy**
  We have no shareholders to force us into short-term thinking.

What Royal London is doing for its clients today

Putting investors' goals first

Whatever your financial situation, we aim to provide the right mix of risk and return potential to meet your investment goals.

Investing for us is about creating funds that work for you. So we manage funds that provide a one-stop investment solution, as well as funds that focus on specific areas of specific markets. This means investors, often working with an adviser, can create the overall portfolio that works for them.

Prioritising trust and transparency

Our relationship with our clients is about more than returns, it's about trust. And in financial services, trust comes from transparency.

Royal London aims to be clear, honest and open in how it talks to you, our clients, and your advisers. This can be seen in numerous ways – for instance in how we share our company voting record publicly, or how we communicate about what we are doing with your assets in more volatile conditions. We also provide information on our website to give you insights into various parts of our business, including product development, gender pay gap and annual reports.

The way we talk to you is always open, honest and clear, whether in our agreements, thought leadership or reporting. Clients are provided with regular information on investments and our thinking – so you can make the right decisions for you.

Expertise in active investing

If our clients are paying for active management and the potential of benchmark outperformance, that's what we will deliver.

'Active' management is the process of trying to provide a better return than a market benchmark such as the FTSE 100, while a 'passive' fund will try to merely match performance of the benchmark (see Glossary on page 19).

At Royal London, we believe in research-led investing – looking at 'big picture' indicators such as economic growth and inflation, while also looking in more detail at the individual characteristics of companies we invest in when building active portfolios. Market indices are useful yardsticks, but they can never be the basis for active portfolio construction.

Where we are charging an active manager fee, we deliver an active portfolio. Our funds are monitored to ensure the 'active share' – or difference from their benchmark index – is high and that investors are getting what they pay for. We aren't afraid to have our funds look very different from the index.

Our active portfolios are built and developed by our dedicated, collaborative teams – we believe that this produces better long-term returns than a 'star manager' approach. Avoiding a star-manager culture reduces the effect of one individual's leanings and provides a wider base for ideas that can help achieve the best risk/return pay-off.

How Royal London looks to the future

A leader in responsible investing

Why is investing responsibly an integral part of our business? Because better-run companies make better investments.

We were a market leader in the sustainable-investing space for two decades before integrating ESG criteria became a major part of the asset management industry. For us, these issues have never fallen under the 'nice to have' banner – ESG has always been fundamental to the way we analyse and invest in companies.

The high profile part of our capability is a Responsible Investment team, made up of specialists in assessing ESG factors and engaging with companies to try to encourage better management. However, we do not see responsible investment as something to be done by just one team or area: all of our investment teams look at these factors, because we believe that in today's world, ignoring or downplaying ESG issues will hurt investor returns. We do manage funds that have explicit ESG-related elements, but every fund we manage incorporates this approach to some degree.

The past few years have seen a range of events – from bushfires and droughts, to the pandemic, to the Russian invasion of Ukraine (see the box opposite) – that demonstrate the relevance and breadth of responsible investing. We can all see that social and environmental issues are now far more prominent in our lives and as such will affect asset prices. Investors in our funds increasingly ask us for more details on what we are doing, and this tallies with our long-held aims and objectives.

We see ourselves as 'active owners'. So we engage with the companies whose shares and bonds we hold on your behalf. 'Engagement' covers a range of activities, from visible ones such as voting at company meetings, to using our influence behind the scenes or in the press, talking to company management about obvious issues such as executive pay and equally important areas such as cyber security or succession planning.

Ukraine

We recognise that the Ukraine invasion is a human tragedy. We have a responsibility to investors in our funds and of course have complied with all restrictions and sanctions issued by relevant authorities. We had reduced our already limited exposure to Russian companies in our funds at the start of 2022 on ESG concerns, and subsequently sold every holding we were permitted to.

Running a responsible company

Royal London and RLAM are committed to be responsible investors. This is more obvious through the way that we engage with companies we invest in. But responsibility applies to how we manage ourselves as well. We recognise that as a leader in a major UK industry, we need to contribute to society in a wider sense, as well as investing assets for clients.

Being a diverse and inclusive company isn't something we do to tick a box – we believe that a more diverse and inclusive workforce, working in an open and friendly environment leads to better results for our clients. Ultimately we need to make sure that we get the best people, with the right values, seeking the right outcomes, working for you.

An effective approach to diversity and inclusion is therefore a key element in our success as a business. We have a number of initiatives that we believe are supporting our efforts to be a fair, diverse and inclusive employer, including programmes such as the Women in Finance initiative.

We are also aware of our own climate impact, which has led to a number of changes and initiatives, such as incorporating climate objectives into roles and responsibilities across the organisation starting with the Royal London Group Executive Committee, and including external assessment of non-investment related activities to see where we can do better. You can find out more on this in the **Royal London Annual Report.**

Always looking to the long-term

Investing is a long-term pursuit, and that is even more true a statement in today's volatile and fast-changing world. Our views will never be skewed by the need to chase returns in the next few months – our clients have longer-term investment goals and this matches our approach. Royal London has no shareholders to push us into short-term thinking. Our independent, long-term vision ensures that we can build a business fit for the future and fit for our clients.

Our Net Zero commitment

At the heart of our approach is our commitment to achieving net zero across our directly owned assets under management (AUM), and mandates where clients have made explicit commitments to Net Zero, by 2050. As part of this, we aim to reduce our financed emissions by 50% by 2030 compared to 2020 levels (through financed emissions we can attribute a company's total emissions to its investors, or 'financiers'; for example, an investor owning a 5% share in a company is said to have financed 5% of that company's total emissions). We are also seeking to develop climate solutions that will allow clients to invest in the low carbon transition.

Our objective is to evaluate and/or influence through engagement with representing 70% of our corporate financed emissions, pushing for adoption of emissions reduction targets linked to science-based sector-specific alignment methodologies (such as the Science Based Targets Initiative (SBTI)) and climate transition plans. We will review the progress of our implementation and commitments on an annual basis as part of our continued Climate Report disclosures.

Glossary

Glossary

Absolute return: an investment approach that aims to achieve a return that is not benchmarked against any index and aims to provide positive returns regardless of financial conditions.

ACD: authorised corporate director. The officially designated manager of an OEIC or ICVC, who is obliged to comply with FCA regulations.

Active management: an investment style that is designed to exceed the return of a benchmark index. Active managers base their decisions to deviate from a benchmark's composition on their judgment and analysis.

AMC: annual management charge. An annual fee paid to the fund management company for the management and administration of a fund.

Assessment of Value: introduced by the Financial Conduct Authority in 2019, the Assessment of Value rules require fund management companies to assess the value of each of their funds, take corrective action on any funds that do not offer good value, and explain their fund assessments annually in a publicly available report.

Asset class: a category of investments, such as shares or bonds, that display similar characteristics.

Benchmark: a performance target for investments. This is usually an index or a peer group (an acknowledged selection of similar investments).

Bonds: sometimes referred to as fixed income, bonds represent loans made by investors to corporations or public bodies (the bond issuers). Bonds pay out a previously agreed interest payment (or coupon) on their debt to investors until a maturity date, when the initial investment (or principal) is repaid.

Bond fund: a portfolio composed of fixed income investments.

Capital growth: the rise over time of an investment's value.

Capital preservation/protection: investment techniques/ approaches that aim to prevent loss of an investment's original capital value.

Capital return: the measured performance of an investment according to its change in value over time, without factoring in dividends or any other income.

Commodities: resources-related physical investments like oil, gold or wheat.

Common stock: a share that represents partial ownership of a company. Common stock gives the owner a lower level of ownership from holders of preferred stocks.

Corporate bonds: fixed income investments issued by a company as a way to raise finance.

Derivatives: investments that derive their value from another closely related underlying investment.

Developed markets: countries with more advanced economies. Developed markets according to MSCI classification include the UK, US, Hong Kong and most eurozone countries.

Domicile: the country where a fund was first set up, and the jurisdiction that applies for tax and regulation purposes.

Diversification: investing in multiple asset classes or sectors in order to reduce risk.

Duration: an investment's sensitivity to interest rate changes.

Emerging markets: markets in the developing world that are more advanced than frontier markets. Emerging markets according to MSCI classification include China, Russia, India and Brazil.

Equities: stocks listed on an exchange.

Equity fund: a portfolio that invests in equities.

ESG: Environmental, Social And Governance. A list of predefined criteria that determines how a company operates in terms of sustainability and overall corporate governance.

Ethical criteria: predefined restrictions on sectors or asset classes that a manager may invest in.

FCA: Financial Conduct Authority. The UK's regulator of the finance industry.

Financed emissions: the emissions associated with the investments in the portfolio. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates.

Fixed income investments: also known as bonds. Fixed income investments pay out a previously agreed interest payment until that investment reaches maturity.

FMF: fund management fee. This is intended to make it clearer and simpler for investors to understand the total fees charged for managing a fund.

FTSE 100: Financial Times Stock Exchange 100 Index. A list of the top 100 UK companies, ranked by market capitalisation.

Government and public bonds: bonds issued by governments or public bodies, not by corporations.

Growth: a style of investing that aims to increase the original capital invested.

Hedging: reducing risk by protecting an investment with another related investment.

ICVC: investment company with variable capital. An open-ended investment vehicle that can create new shares to accommodate additional investors.

Income: a form of payment generated by an investment, such as dividends or bond coupons.

Income investing: investment style that looks for income rather than capital growth.

Index-linked bonds: fixed income investments that are closely tied to an index of consumer prices/inflation.

Inflation: the average rise in prices of a predetermined list (or 'basket') of goods.

Interest rates: the cost of borrowing and using money. These are set by central banks and are expressed as a percentage owed of the amount borrowed.

Interest rate risks or exchange rate risks: risks associated with changes in the level of interest rates or the difference between the comparative value of different countries' currencies.

Investment grade bonds: bonds that have been assessed by credit ratings agencies, and which are deemed to be higher quality (and less likely to default).

Large-cap: companies with a large market capitalisation (value). These companies represent the top 70% of market capitalisation, according to MSCI, although the proportion can differ between large-cap indices.

Liquidity: the availability of money for lending or ease of use/buying/ selling an investment.

Market capitalisation: the number of a company's shares multiplied by the share's value. This is the value of a company as determined by the market.

Maturity: the time at which the principal and all interest related to a bond are to be paid.

Mid-cap: companies with a medium market capitalisation (value). These companies usually represent around 15% of market capitalisation, although the proportion can differ between mid-cap indexes.

Multi-asset/multi-asset strategies: investment approaches that use different asset classes such as shares, bonds and cash in one portfolio.

Net zero: the term Net Zero means achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed from it.

Overseas corporate bonds/overseas government bonds: bonds from countries other than the UK.

Passive strategy: fund that sticks closely to an index in terms of its composition and expected returns.

Secondary market: market where existing investments are bought and sold by investors, as opposed to the primary market which relates to new investment securities.

Securities: the word 'security' can generally be used interchangeably with bond or equity/stock. It can also be used to mean both at once – 'bond and equity securities'.

Small-cap: companies with a small market capitalisation (value). These companies usually represent around 5% of market capitalisation, although the proportion can differ between mid-cap indexes.

Sovereign bonds: fixed income investments issued by governments.

Stocks/shares: another word for an equity security, which represent partial ownership of a listed company.

Sub-investment grade securities/non-investment grade: bond with a lower rating than investment grade. A greater risk of default usually means a higher yield.

Total return: the capital gain (including income) or loss generated by an investment over a specific period.

Tracking error: a measure of risk indicating how closely a portfolio follows an index.

Transferable securities: investments that can be bought or sold.

Treasury bills: short-term (up to one year) government securities issued by the US Federal Reserve.

Unit class: funds issue can offer different classes of units to investors that charge different fees and expenses, while still giving exposure to the same underlying set of investments.

Unit trust: an investment vehicle (fund) that can issue a limitless number of units to investors, the value of which is linked directly to the investments held within the fund.

UK government bonds: also known as 'gilts' and issued by HM Treasury.

Value investing: an investment style targeting stocks that are being bought and sold at prices lower than their intrinsic value, i.e. that are undervalued by the market.

Volatility: usually made in reference to prices, volatility describes the potential for rapid, aggressive and unpredictable change.

Yield: a measure of the income return earned on an investment. For a bond, the yield is usually seen as the annual income paid as a percentage of the current market price.

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